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Corporate Participants

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Other Participants

Michael R. Carrier – Analyst, Bank of America Merrill Lynch
Howard H. Chen – Analyst, Credit Suisse Securities (USA) LLC (Broker)
Robert Lee – Analyst, Keefe, Bruyette & Woods, Inc.
Kenneth B. Worthington – Analyst, JPMorgan Securities LLC
Matthew Kelley – Analyst, Morgan Stanley & Co. LLC
Marc S. Irizarry – Analyst, Goldman Sachs & Co.
David J. Chiaverini – Analyst, BMO Capital Markets (United States)

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to The Carlyle Group First Quarter 2013 Results 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 be given at that time. [Operator Instructions] As a reminder, this conference call is being recorded.

I'd now like to turn the conference over to your host, Mr. Daniel Harris, Head of Investor Relations. Please go ahead.

Dan F. Harris, Managing Director & Head-Investor Relations, The Carlyle Group LP (Corporate Private Equity)

Hi. Thanks, Ally. Good morning and welcome to Carlyle's First Quarter 2013 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 2013 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. 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.

Please note that 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 this time.

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

David M. Rubenstein, Co-Chief Executive Officer, Co-founder

Thank you for joining this quarter's earnings call. As you know, we have just completed the one year anniversary since our IPO and we believe the first year of being a public company has gone well. Over our 26-year history, we have provided consistent, steady and attractive returns for our investors. And we have done that as well during our first year as a public company.

Since we went public last May, performance has been strong, steady and appealing to our investors. And very importantly, from our perspective, we have done what we said we will work to do when we went public. Specifically, we have focused intensely on performing in all the core elements of the Carlyle engine: investing across our platform, creating value in our portfolio, realizing proceeds for our fund investors and raising significant amounts on new commitments.

We continue to expand our platform adding a new domestic, energy partnership, a commodities hedge fund strategy, a new international energy strategy, new emerging market capabilities and we launched several new organic investment strategies. Global Market Strategies continues to grow quite well and we were the top firm last year in terms of new issue CLOs.

We have maintained our focus on producing a cash-rich earning stream resulting in an attractive quarterly and year-end true-up distribution for our unitholders. And we continue to strengthen the firm for the long term by investing in our infrastructure, our people and, importantly, in our funds. Our personal commitments to Carlyle funds increased by $1.4 billion in 2012 and we have cumulatively invested or committed more than $6 billion in our funds.

Let me now turn to highlights for the first quarter. Our fundraising was especially strong. We raised $4.9 billion in the quarter. Over the past 12 months, we have raised $16.9 billion. We invested $2.5 billion equity across our carry funds and $8.8 billion over the last 12 months. Realized proceeds also continued to be strong. More than $4.1 billion resulting in $19.1 billion of realizations over the last 12 months and more than $33 billion over the last 24 months.

Our carry fund portfolio appreciated by 7%. Over the last 12 months, our carry fund portfolio has appreciated by 11% and our largest fund, accrued carried interest, increased by more than 70% during the past 12 months. And our hedge fund AUM has reached $12.7 billion at the end of the first quarter.

Distributable earnings for the firm were $168 million leading to a total last 12-months distributable earnings of $678 million. Of the $168 million, $143 million was realized net performance fees, a number which reflects strong exit activity in mature funds.

Finally, economic net income was $394 million for the quarter, approximately the same as the $392 million in the first quarter of 2012, and up from $182 million in the fourth quarter of 2012. On a post-tax basis, ENI per unit for the quarter was $1.02. ENI increased about 7% to $737 million over the prior last 12-month period.

Our production of distributable earnings was roughly consistent with our first quarter of last year outside of a $15 million, one-time realized investment loss for which we reserved last quarter. Based on what we see today across the firm, we expect our distributable earnings performance this year to be roughly similar to 2012. Additionally, based on the projected timeline for our current pipeline, we expect that our investment pace, realizations and realized performance fees, while strong, may be weighted towards the end of 2013. As we have noted since our IPO, our focus will always be generating attractive distributions for our fund investors and building a multi-disciplined global platform to achieve that goal. We are doing that now in a way which is consistent with our often stated goal and approach.

Our first quarter fee-related earnings reflect the benefit of our investment in NGP Energy Capital Management, but also reveal higher costs associated with the increased pace of fundraising. Increased and successful fundraising is always desirable. However, the costs associated with fundraising are recognized immediately while the benefits are generally realized over a 10-year period. Additionally, we expect our fee-related earnings this year to be impacted by a number of initiatives that we're investing in now to strengthen our performance in 2014, 2015 and beyond.

Carlyle's broad-based global platform has always entailed starting a fair number of new initiatives, the benefits of which are realized down the road. Because of the many opportunities we now see around the world, we are investing heavily for the future, and there may be some short-term costs resulting from this long-term decision to keep expanding our platform. Adena and I will discuss some of these initiatives in more detail in a moment.

Now, let me drill down on key elements of our performance for the first quarter. First, we are pleased with the continued, even accelerating, momentum of our fundraising. We currently have 13 new or follow-on funds in the market and we'll introduce additional offerings later this year. With the improved fundraising environment and our track record, we are comfortable that our funds will generally reach successful marketing outcomes.

For instance, given our momentum and the current strength of investor demand, we are highly confident that our latest U.S. buyout fund will reach its $10 billion target later this year. We expect this fund will begin its investment period on June 1. At that time, management fees will commence. Separately, we continue to make progress on a number of other large funds, including our latest-generation Asian buyout fund, where we have had additional closings this year and our latest-generation European buyout fund, we'd expect to have at first closing later this year.

We launched two CLOs in the quarter with an aggregate value of more $1.2 billion. AlpInvest continues to receive new mandates across its platform and specifically is surely expected to complete a $4.6 billion fund for secondary investments, $500 million of which is from investors new to AlpInvest.

Other notable events in the quarter include our first modest payout of Carlyle Partners V carry. We believe Carlyle Partners V is in terrific shape with over $950 million in accrued carry, up from $550 million just a year ago. The fund has produced significant realizations for our fund investors and has generated an 11% net internal rate of return thus far, even with a substantial number of new investments that had not yet had time to appreciate. Based on the current maturity of investments in the fund, we expect significant carry-generating realizations in Carlyle Partners V in 2014 and beyond. Thus, Carlyle Partners V may follow the Carlyle Partners III and Carlyle Partners IV pattern of significant carry distributions following the end of the investment period.

I would like to now focus on some of our new initiatives that will further diversify and strengthen our investment capability and our firm as a whole. We have long believed that one of the best places to invest is the energy sector. We recently announced the formation of an in-house energy team, enabling us to pursue a broad range of energy investments in Europe, Africa, Asia and Latin America. With that team, we now have an array of energy investment platforms across the firm and believe we are well-positioned not only to take advantage of the energy revolution in the United States but also opportunities around the world. This array of funds and investment teams position Carlyle to be a significant private equity and debt investor in the global energy revolution now unfolding.

We also recently had our first close on a new business development company, and investors continue to have strong appetite for yield-producing investment opportunities such as this one.

We also recently announced that Jacques Chappuis, who until recently led the alternative investment platform at a major investment bank, will join Carlyle to lead our Solutions business, which will grow from its current core of AlpInvest. We're excited to build out this segment.

We continue to press forward on our agenda to offer Carlyle's investment products to a new and expanded set of high net worth investors. From a product standpoint, we are pleased with the recent launches of Central Park Group's Carlyle Private Equity Fund and the BDC which I just mentioned and we have substantially broadened our feeder fund network.

We expect that this network will provide an increasing share of our newly raised funds. While fundraising from individual or institutional investors is still not a walk in the park, we are clearly seeing demand increase especially from individual investors. And we believe our strength in this area should enable us to get more than our fair share of available funds from these investors. Bill?

William E. Conway, Co-Chief Executive Officer, Co-founder Washington, DC

Thank you, David. Let me start with some observations on economic conditions based on our portfolio of data and what the implications are on our investment outlook.

In general, our proprietary economic indicators are slightly weaker than they were at the time of our last earnings call. In Europe, we anticipated that the economy would have bottomed by now. Instead, it continues to contract.

In the United States, growth continues at roughly the same rate observed since 2010. In fact, there's been much greater volatility in others' forecast for growth than in the actual data. Our own outlook for slow and steady growth may appear to be optimistic or pessimistic depending upon the reactions of others to new government data.

In China, we witnessed a boom in business volumes at the end of 2012 but we now know that it was a temporary restocking event. In Japan, while Abenomics is still at a very early stage, the initial reactions of the real economy are positive and virtually all gauges of business confidence are up.

In general, there have been no major shifts in our investment strategy and we continue to do what we have been doing, namely, in Europe, we are focused on price as well as investing behind market-leading companies with global exposure. In the United States, we continue to capitalize on the liquid credit markets, are focused on deploying capital in the middle markets and Energy Mezzanine lending space and buyouts. We are not afraid of buying cyclical businesses.

In Asia and emerging markets, we continue to acquire companies that play well to strong GDP growth and even stronger growth in consumer-driven segments. For example, our data suggest growth this year in China of 7% and even faster growth in the consumer sector. Although some may find the 7% rate of growth in China disappointing, on an $8 trillion economy, this would add an additional $560 billion of products and services to global GDP this year alone.

Undoubtedly, the most significant issue for investors is the extremely low level of interest rates. These low rates, which we expect to continue, create a challenge for investors on fixed incomes with annual return targets. However, every investor must know that their money has to be invested somewhere even when most options look unattractive and, of course, low rates make the alternative asset class relatively attractive. A challenge for investors and lenders is actually an opportunity for us.

While we still expect investments in 2013 to exceed 2012's $8 billion, we expect, based on our current pipelines, that the middle-half of the year will be slower than the first quarter run rate. Our investment pipeline is something we are very focused on.

Our largest investors in the first quarter were: the acquisition of DuPont Performance Coatings, now called Axalta; the completion of our investment together with the management in TCW; an add-on acquisition to Dynamic Precision Group; about $500 million invested in our Real Assets segment, of which slightly more than half came from our real estate business in 50 different new and follow-on investments.

So far in the second quarter, we have closed our acquisitions of Duff & Phelps and Addison Lee, the UK-based car service company, and plan to close several additional transactions in Asia, including Focus Media. We have also had a number of attractive exits, including our final exit from Hertz earlier this week and a partial sale of our SS&C investment last night.

Perhaps the highlight of our quarter with respect to our portfolio was the strong and broad appreciation of our carry fund portfolio. Our $62 billion carry portfolio reflects a 7% increase in valuations during the first quarter. Included in the $62 billion is our $13 billion public portfolio which reflects a 13% appreciation in the quarter.

Our hedge funds also performed very well in the quarter. One region where we're particularly pleased with our progress is Europe. Overall, we think that there are great investment opportunities in Europe, in part because everybody else is so negative on the region. Notwithstanding the poor economic conditions, our European buyout and growth fund portfolios continued to appreciate due to several factors. Many of our European domiciled businesses have significant exposure to faster-growing emerging markets. In other cases, we're invested in defensive recession-resistant sectors, such as our investment in RAC, the UK-based roadside assistance company.

Overall, our European corporate private equity funds are improving with CEP III having appreciated 21% in 2012 and 8% in the first quarter of 2013, and is now at a 7% net IRR. In addition, our European growth portfolio is currently generating realized carry. One area where we and other alternative asset managers face challenges is in our European real estate portfolio with the lack of growth, particularly job growth, is reducing leasing demand for commercial real estate assets.

We continue to use multiple channels to produce substantial realizations for our fund investors, more than $19 billion in the last 12 months. In the first quarter, our fund investors benefited from block sales in a number of portfolio companies, including our final exit from China Pacific Insurance; block trades in Hertz, Nielsen, SS&C, BankUnited, and Cobalt Energy. Each of these sales relates to investments, where we have returns of 2 times to 7 times our invested capital.

The sale of LBi International in our Europe growth portfolio and Qualicaps in Japan, the sale of approximately $950 million of various debt investments in our buyout, mezzanine, distressed and real estate funds, where we traded into rallying debt markets. We also took Broadleaf public, a Japanese software company, in which we sold our entire position. And HD Supply recently filed an S-1 after showing strong performance based in part on the U.S. housing recovery. We have a number of other IPOs in the works for later this year, markets willing.

I would like to end with two points. First, something we have mentioned multiple times but I would like to repeat. Quarterly data is not a hugely important focus for us. We focus on 12 months or even longer horizons. Our confidence in our business and our ability to capitalize on opportunities has not diminished.

And secondly, while we currently find ourselves in a relatively quiet, calm economic environment, I can't help but think, especially after seeing the recent dramatic change in the price of gold and the value of the yen, how quickly and dramatically things can change in either direction. The pace of change today is something we should all be aware of, both in terms of risks and opportunities. Our investment professionals are focused on both managing the risks and capitalizing on these opportunities.

Adena?

Adena T. Friedman, Chief Financial Officer, Managing Director Washington, DC

Thank you, Bill. My remarks today will focus on two elements of our financial results: first, the growth in accrued carry; and second, our fee-related earnings.

Carlyle further positioned itself for significant future-realized performance fees through a 21% increase in the accrued performance fee balance in the quarter. As a result, in the quarter, we produced $441 million increase in total accrued performance fees, which improved our ENI performance and resulted in $2.5 billion in total accrued performance fees net of giveback.

We had one fund recover sufficient value to come out of clawback and go back into carry, two new funds come in to carry, and most of our other 20 funds already in carry increased their carry [ph] put (18:50) balances.

On a net basis, after subtracting performance fee-based compensation, our net accrued performance fees increased to $1.4 billion, up from $1.2 billion at the end of 2012. On an adjusted per-unit basis, our net accrued performance fees equaled $4.58 per adjusted unit. As our mature funds continue to find exit opportunities, we are well-positioned to turn our accrued performance fees into realized performance fees to drive future distributable earnings performance.

Shifting to the subject of fee-related earnings, we have several offsetting activities that will impact fee-related earnings throughout the year. First, our investment in NGP Energy Capital Management will provide a healthy increase in annualized fee-related earnings within the real assets segment. As such, the first quarter benefited from approximately $16 million in pre-tax fee-related earnings from our investments.

Offsetting that increase are events and activities that relate to fundraising and timing of the launch of successor funds. Specifically, first, we have three carry funds with $9.5 billion in committed capital that came out of their investment periods near the end of 2012 and for which we have not had an immediate first close on successor funds to offset the step-down in the fee basis and rate. However, we expect to have first closes in successor funds later this year and, therefore, expect fee revenues to recover in 2014 as those funds gain fundraising momentum.

Second, we had two funds that benefited from significant catch-up revenues in the fourth quarter of 2012, which are revenues associated with management fees charged to LPs that close late in a fund's fundraising process. Those revenues totaled $15 million during the fourth quarter which did not recur in the first quarter of 2013.

And finally, we had significant fundraising activities throughout 2013 associated with our efforts to raise capital for 13 carry funds and hedge funds throughout the year. We expensed fundraising cost in the year in which the capital is raised even though we will benefit from those fee revenues for multiple years.

Additionally, our increased use of feeder funds to penetrate the high net worth channel increases the upfront costs associated with raising new funds. In years of significant fundraising like this year, fee-related earnings are expected to be negatively impacted. These costs are necessary to build the firm's capacity to earn future management and performance fees for years to come.

These dynamics are impacting fee-related earnings in each of the segments in the following ways. For corporate private equity, we are experiencing an increase in fundraising costs with nine corporate private equity funds currently in the market. The segment also had one fund with $4 million in catch-up revenues in the fourth quarter of 2012. And late last year, we experienced the impact of the fee step-downs in two funds.

The net result is a fee-related earnings drop of $14 million from Q1 of 2012 and $18 million from Q4 of 2012. However, we continue to benefit from robust fundraising and expect incremental fee revenue from new and successor funds as those funds have closings and turn-on fees. Notably, we expect to turn on fees in Carlyle Partners VI and Carlyle Asia Partners IV this quarter.

For global market strategies, we generally continue to see positive growth in fee-related earnings. We are raising new CLOs more rapidly than the natural asset runoff that occurs in mature vehicles, and we are raising our third distressed fund. The only revenue item in GMS that reflected a sequential impact from the fourth quarter related to the $11 million fourth quarter catch-up revenues in our Energy Mezzanine fund, fees that did not recur in the first quarter. And therefore, our fee-related earnings increased by $9 million from the first quarter of 2012 but decreased by $7 million from the fourth quarter of 2012.

For real assets, as mentioned, our investment in NGP is now contributing to fee-related earnings. On the other hand, we had one fund exit its investment period at the end of last year and stepped down to invested capital. Additionally, as we go through 2013, we will have operational expenses associated with our first international energy fund, which will reduce fee-related earnings in the segment as we invest in the deal team and the infrastructure to support the new fund.

Lastly, in solutions, AlpInvest is actively raising a $4.6 billion secondaries fund, which will have some impact on fundraising cost. We also expect to bill – I'm sorry. We also expect to invest in building out this segment.

Overall, our fee-related earnings in 2013 will experience some short-term pressure as we complete significant fundraising for our three flagship buyout funds, as well as 10 other funds currently in the market as we make operational investments across real assets and solutions. These activities will position us for growth in 2014 and beyond, but in 2013, they lend support to David's statement that we expect our overall distributable earnings performance this year to be roughly similar to our 2012 performance.

I have two final comments before closing. During the first quarter, Carlyle issued a 10-year and a 30-year bond to create a long-term capital structure at attractive fixed rates. We are very pleased that the bond investors welcomed our offerings and provided the opportunity for us to term out existing debt and eliminate short-term duration risk in our capital profile. So, typically, we've eliminated all but $25 million of our term loans, which substantially eliminates our short to medium-term amortization obligation. The immediate financial result of the bond issuances will be an increase in our quarterly interest expense to approximately $11 million from $8.5 million in the first quarter.

Additionally, on May 2, the first tranche of our employee deferred restricted units issued in the IPO vested, increasing our public unit count by approximately 2.9 million units. As of May 2, we now have a public unit count of approximately 46 million units and a total unit count including private unit of 309 million units. The impact of the 2.9 million additional units has been incorporated into the per-unit calculation for the first quarter distributable earnings because the new unitholders will benefit from the first quarter $0.16 distribution payment to be paid on May 31.

And with that, I will turn it back to David for some concluding remarks.

David M. Rubenstein, Co-Chief Executive Officer, Co-founder

During this call, Bill, Adena and I covered different parts of our first quarter record. But each of us was really conveying the same message, the various elements of Carlyle's engine all performed well, which is a result of our continuing to do what we have been doing for so many years, building a truly global multi-disciplined, alternative investment firm, which provides attractive returns for our fund investors and now, as well, for our unitholders, while also making investments likely to yield increasingly attractive returns for many years into the future.

Further evidence of the strength of our platform will become even more apparent as we continue to deploy capital – we now have approximately $75 billion of capital in the ground – and as we work to achieve a realization and distribution record, consistent with what we've achieved over the 26 years we've been in business. Thank you.

Dan F. Harris, Managing Director & Head-Investor Relations, The Carlyle Group LP (Corporate Private Equity)

Operator, we're now ready for questions.

William E. Conway, Co-Chief Executive Officer, Co-founder Washington, DC

Operator, we're now ready for questions if there are any.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from Michael Carrier of Bank of America Merrill Lynch. Please go ahead.

<Q – Mike Carrier – Bank of America Merrill Lynch>: Thanks, guys. Just on the guidance that you're providing or if you want to call it guidance, but just when I think about the investments and some of the near-term weakness that we saw this quarter and what you're seeing on fee-related earnings, I guess, maybe and particularly just given your guidance thoughts on not focusing on the quarter and trying to focus more on a year or two, when you think about 2014 – and obviously, the further you get, there's a lot of factors that can change it. But when you think about that, how should we be thinking about the 2014 lift when you start to pull back on some of these investments or the fundraising costs start to decline?

<A – Bill Conway – The Carlyle Group>: Okay, thanks for your question. This is Bill. I would say that we expect reasonable growth in 2014. We obviously gave a lot of thought to our comment that we thought the distributable earnings would be relatively flat this year because we don't give guidance as you know. And I would say that our portfolio was in excellent shape. Some of it is relatively recently invested. It'll take a while for it to mature. I'd say I wouldn't trade our portfolio for anyone else's.

We've been in the last two years on a realization mode, having realized $33 billion. And although I think that the realizations are going to continue pretty strong, not all realizations generate that carry and distributable earnings. And so, as I look at the relatively near term, we do think that our distributable earnings will be relatively flat and kind of – we wanted to convey to everybody at this time based upon our view of the near-term outlook.

<Q – Mike Carrier – Bank of America Merrill Lynch>: Okay. Got it. And then maybe just two small items for you. First, on the GMS business, it just seemed like the performance comp was a little on the lighter side. I know there's a lot of moving pieces there, and it's only one quarter, but just any new launches there?

And then just on the distribution policy, you just get in where the industry is headed. Any thoughts in terms of the outlook on the steady – each quarter and the 4Q kind of true-up versus kind of the change in terms of each quarter you just pay out as it comes?

<A – Adena Friedman – The Carlyle Group>: Sure. Well, I would refer to GMS first. On realized performance fees, it's important to note that the hedge funds always realize the performance fees in the fourth quarter of the year. So, there's just the seasonality to the global market strategies business related to realized performance fees.

Overall, performance fees or unrealized performance fees in the quarter were quite strong so I think that it's a matter of, as they're starting to accrue their performance fees based on the performance of the hedge funds, we'll start to see that grow, and then at the end of the year, it will be realized. But we feel comfortable with the performance of the segment in the quarter, for sure.

With regard to the distribution policy, we thought long and hard about that distribution policy before we went public. We really wanted to create some consistency for our unitholders in terms of them understanding that we will provide them a very healthy and consistent yield on the units each quarter so that they can essentially count on that as – and then at the end of the year, based on our cash flow needs and based on the overall performance of the business, we're able to provide them a year-end true-up. We've always said that we don't focus on the quarter. We are an annual business. We believe that. And our distribution policy really reflects that. And so, we do not currently have any plans to change that.

<Q – Mike Carrier – Bank of America Merrill Lynch>: Okay. Thanks a lot.

Operator: Our next question comes from Howard Chen of Credit Suisse. Please go ahead.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Hi. Good morning, everyone.

<A – Adena Friedman – The Carlyle Group>: Good morning.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: I wanted to come back to that distributable earnings outlook. Adena, you laid out some of the investment spending initiatives, and that makes a lot of sense to me. But I would have thought with just the improved operating backdrop, the diversity and sheer number of the investments you have and some of those were in the J-curve, all that could still drive accelerating DE. So, has anything changed in the realization outlook and how much of this is maybe some conservatism given where the markets are, Bill? Thanks.

<A – Bill Conway – The Carlyle Group>: Well, Howard, the markets clearly have been very strong. As I pointed out, our public portfolio was up by 13% in the first quarter. And as I pointed out also, we sold our position – final position in Hertz earlier this week. And then SS&C, we sold about half our position last night.

I think, you know, in this kind of environment, I don't necessarily know that there'll be conservatism but as we look at extremely low interest rates, stock market records being set every day, and I just had a look at our portfolio of realizations. I look also, of course, as you pointed out, at the investments being made. The investments are being made kind of in two big areas. One is new businesses that we're trying to build and the other is in the fundraising where we expense the cost to fundraising right away. So we're just trying to tell you the way we see it now.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Okay. Thanks. And then could you – while we're on performance, could you expand a bit on the performance of the various segments within real assets and perhaps then on your outlook there?

<A – Bill Conway – The Carlyle Group>: Well, in – we have the four segments. Corporate private equity, global market strategies, real assets and solutions. Solutions really being primarily AlpInvest, relatively straightforward there. You can see that it's been relatively flat at – economic net income of $8 million to $10 million a quarter for the last several quarters. I know of nothing that would indicate that might change, although their assets under management have been growing as they've added some outside money. I think they've been growing, anyway. But they've added a little bit of outside money from beyond the initial big two investors that they had.

Global market strategies has clearly been a very bright spot for our growth. Last year in the first quarter, it was about $38 million of economic net income. This year, it's up to $104 million of economic net income. Now in that business, it doesn't immediately translate into distributed earnings. None of our businesses actually do but in that one particularly because a lot of that economic net income comes from our hedge funds and the hedge funds have the – are going to realize their performance fees and hence, their distributable earnings in the fourth quarter.

So, the gap between ENI and DE for that business is strong – is big and I'd say the business is strong. I think it's also benefited, of course, from the CLOs we're launching. The CLO market was dead for about three years. We launched about four of them last year. I hope we'll do more than that this year. And as I said, the hedge fund performance earlier in the year has been very strong.

<A – David Rubenstein – The Carlyle Group>: On the real assets that you were mentioning, let me just make a reference to our energy. It was we who, about a dozen years ago, recruited some people from Goldman Sachs to create Riverstone. And it was an extremely successful venture by any measurement. They're very, very well regarded in the market and they made a lot of money for themselves, their investors and for us and our investors. When we decided to do a different approach to energy, we decided to have a multi-pronged approach. We now believe we have as good an energy approach as anybody in the private equity world.

And let me just briefly mention what it is. We have with NGP a very strong 20-year performing team that really specializes in North American oil and gas. It's as good as anybody's, in our view. Second, we have an Energy Mezzanine Fund that raised $1.4 billion in its first fund and is doing very well investing that. Third, we have a power group which is a group that we bought from Goldman Sachs but we've added a lot to it and we've raised a lot of money for it and some of its investments, and that is something that is going to be a major force for us at Carlyle.

And we've just announced our international energy team. This is a team that we have worked with before through Riverstone and other ways and we believe that their ability to invest outside of the United States will be among the best in this particular private equity energy business.

So, those four prongs plus our U.S. buyout business and our small buyout business, both of which have energy capabilities, we think placed us second to none in the energy investment world in private equity. And that is really going to be one of our real strengths going forward.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Great. Thanks, David. Thanks, Bill. And then final question from me. On the high net worth and retail efforts, just given we're still so early in that broader opportunity, just could you – David, could you help us frame what your goals are and what you deem to be positive outcome as we track this over the coming year?

<A – David Rubenstein – The Carlyle Group>: The high net worth area is, obviously, one that all of our peers and we are very intensely focused on. It's not as if we didn't focus on it as much before, but today because institutional investing – fundraising is more complicated and more difficult and slower than before, this is an area where people have now focused.

In our case, we are building a very large team by our previous standards to focus on so-called feeder funds. And those feeder funds are the ones raised by organizations like JPMorgan, Credit Suisse and so forth. And we have an array of those, probably about 20 in the works or about to be launched.

In addition, we are focused on organizations that are not quite as well-known as JPMorgan. It might be regional firms around the United States or outside the United States, where individuals may not be quite as well be as the clients of those very large organization like Credit Suisse, JPMorgan, Citi and so forth. And we have a team that's working on that as well.

We expect it'll be an increasing part of our fundraising efforts for years to come and we will have in effect a separate group of investment professionals, of fundraising professionals dedicated just to that. In other words, we're not going to mix people that do institutional with high net worth because high net worth has grown to be such an important area.

At some point down the road, as some of you may have heard me say, I do think that non-accredited investors, non-accredited investors will ultimately be able to invest in private equity through 401(k)s and other things. That's not quite there yet, but I do think there's some impetus to that and that will provide additional capital for people like us down the road.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Great. Thanks for taking my questions.

Operator: Our next question comes from Robert Lee of KBW. Please go ahead.

<Q – Robert Lee – Keefe, Bruyette & Woods, Inc.>: Thanks and good morning, everyone.

<A – Adena Friedman – The Carlyle Group>: Hey, Bob.

<Q – Robert Lee – Keefe, Bruyette & Woods, Inc.>: First question I have is maybe if you could just refresh us on the – you've got the $6 billion commitments between the U.S., the Asia and, I guess, the new financial services fund, but just refresh my memory on what your target is for the China fund and, obviously, maybe you stand on that one right now.

<A – Bill Conway – The Carlyle Group>: Well, we have an Asia buyout fund.

<Q – Robert Lee – Keefe, Bruyette & Woods, Inc.>: Right. I'm sorry. Asia buyout. Sorry.

<A – Bill Conway – The Carlyle Group>: Yes. We have on the cover $3.5 billion. And we've had closings on that already this year. We expect that that fund will have – start to turn on fees beginning June 1. We expect that we'll reach the target. The current number's about $1.5 billion. In terms of the U.S. buyout fund, it's been our flagship product for a long time. Maybe David can talk about that.

<A – David Rubenstein – The Carlyle Group>: U.S. buyout fund has $10 billion on the cover. As we said in the opening remarks, we are highly confident we will get to that. We have close to I think 6.1 – or $7.1 billion. And we have commitments in hand or board approval or documentation underway such that we believe it's very realistic before the next quarter that we will probably have closed on about $9 billion.

Obviously, something could go wrong, and some committee could change what we now expect to happen. But we do think that about $9 billion by the end of this quarter is not unrealistic, and clearly we have more to go from there. All of our major investors that we've been focused on seem to be coming into the fund. We're quite happy with that. And whether we go above it, the $10 billion, we haven't really decided. We have the right, under the terms of the documents, to go to $12 billion plus our own money, which is about $1 billion, but we haven't decided whether we'll take it past $10 billion or not. It depends on demand and other factors.

In Europe, we have a cover there of €3 billion. And €3 billion, which is about a little more than $3.5 billion, I guess, close to about $4 billion, yes. We are moving towards our first closing there. The fund has appreciated dramatically in the last year or so. At one point, I think it was as low as $0.62 on the euro. It's now about $1.30 on the euro and, therefore, it's doubled in value and they've had some pretty good exits recently and some pretty good deals announced. So, we expect our first closing will be later this year, and I am confident that we'll get through our eventual target. It won't happen all by this year, but sometime next year, I believe, we will complete the fundraising for that.

I would add, by the way, on European private equity, that has been challenging for everybody. Now, there are very few American groups, groups based in America, which are raising dedicated European funds. I think there are only two others that really have dedicated groups. And I think among those, I think we're very comfortable that we will be able to raise our target that we set – about €3 billion.

<A – Bill Conway – The Carlyle Group>: And we've got about 10 other funds in the market, but those are the big three.

<Q – Robert Lee – Keefe, Bruyette & Woods, Inc.>: All right, great. And maybe, I mean, you guys have very broad LP base, but just kind of curious as you look at these funds, is there any incremental color that you can provide on kind of how the client mix is shaping up the...

<A – David Rubenstein – The Carlyle Group>: Yes.

<Q – Robert Lee – Keefe, Bruyette & Woods, Inc.>: ...75% from existing, but you're seeing a healthy inflow of new relationships?

<A – David Rubenstein – The Carlyle Group>: Divided into three areas to begin with. One, after the great recession, it was basically almost impossible to raise very much money. And it was truly hand-to-hand combat, and nobody in our industry was doing all that well. In the last two years or so, investors are coming back. They're slower in making their decisions than some would like, and they ask for terms that are less favorable in some respects than some of the general partners might like. But the money is coming back.

Historically, the biggest investors were public pension funds in the United States. And I suspect they are still the largest single investor group, but probably declining in their percentage. What's increasing is sovereign wealth funds which now account for about 7% of all private equity funds, capital, and individuals as I mentioned earlier. We're also seeing investors now coming to us with a lot of ideas on their own, perhaps for separate accounts and other things, but our main focus has been raising these large funds that are main buyout funds, and we'll get them done on schedule, I believe.

I think nobody in the private equity fundraising world is saying that it's a walk in the woods raising money today. But it is different and investors now have money. They are willing to invest. They like better terms than they might have gotten years ago. But they are back.

<A – Bill Conway – The Carlyle Group>: And I think also to just add to that in a world really of almost no return, I mean if you look at sovereign bonds around the world, the U.S., Japan, Europe, they're very, very low. The preferred return that's offered by a lot of the alternative asset products is a big, big attraction for a lot of investors around the world.

<Q – Robert Lee – Keefe, Bruyette & Woods, Inc.>: Great. And maybe one last question. Just curious on the tax in the regulatory front. I mean, besides carried interest tax which is always out there, is there anything that you see that is of particular concern, maybe anything you're hearing about discussions around taxation of your partnership structure or – just trying to get your read of the regulatory tax landscape.

<A – David Rubenstein – The Carlyle Group>: Well, if you say I have to worry – I've got 50 things I'm worried about right now. Probably, that would be not even in the top 50 right now just because I do not believe that there is going to be comprehensive tax reform in the near term. And I don't believe that Congress is likely to deal with any of those type of issues on a one-off basis. Carried interest or partnership taxation, there just isn't an incentive right now in Washington or a likelihood that that will get addressed. So, at some point in our lifetime, those issues might get faced by Congress, but I don't see it as a short-term anything we need to worry about right now kind of problem.

<Q – Robert Lee – Keefe, Bruyette & Woods, Inc.>: Great. Thanks for taking my questions.

Operator: Our next question comes from Ken Worthington of JPMorgan. Please go ahead.

<Q – Ken Worthington – JPMorgan Securities LLC>: Hi, good morning. Maybe, first, David, thanks for all the plugs on JPMorgan. I think you mentioned – and I hope I got this right, you were speaking fast – that the pace of realizations would be weighted towards the end of 2013. And if that was correct, I was hoping you could flesh out your comments. It seems like credit equity markets are conducive for realizations. I think even Bill mentioned that economic indicators now look a little weaker than they did a quarter ago. So, just maybe some color on why you see realizations being a little more back-end loaded?

<A – David Rubenstein – The Carlyle Group>: Well, let me try to explain what I was trying to say in language that we carefully crafted. Now I will un-craft it a bit. But we had extraordinary distributions for two years in a row, distributions that some people thought this couldn't be sustained in some ways because they were so high by any industry metric. I think it was roughly $33 billion of distributions back to investors. We are still likely to produce a large amount of distributions this year. We don't want to say what the number will be but we're very comfortable that our portfolio is in very good shape. We don't have portfolio issues or things like that. But we just don't want to sell things before we think it's quite right and we're not going to time these on a quarterly basis.

Let me explain what I mean. When private equity firms first went public, the principal concern that investors in their funds had is that assets would be sold to meet quarterly earnings desires of Wall Street analysts. I know it's hard to believe that you think you have that much power, but that is what the concerns of investors were, that we would – we, all of our – us in the industry would worry about these quarterly numbers. We said at the beginning we weren't and we still don't.

So, we are very comfortable that we're going to get the returns that our investors want but we just don't want to make you think it's going to happen this quarter or next quarter. But for the year, given all the things we see happening this year, we're very comfortable that we're going to be at least where we were last year. And we're very comfortable that we're going to be able to get full value for our investors, but we just are nervous that people are going to say, well, how come you didn't do it in this quarter versus that quarter? And we're just not focused on these quarterly exits, honestly. That's all we were trying to say.

So, we were trying to say, don't beat us up too much if it's not this quarter because it's coming and the investors in our funds shouldn't worry about that we're going to do anything that's going to shortchange them, and the investors in our units shouldn't worry that they're not going to get the distributions that they ultimately want from our dividends and so forth, but it's just not a quarterly-by-quarterly kind of thing in the way we look at it. Bill?

<A – Bill Conway – The Carlyle Group>: I just would say we have the $13 billion public portfolio. We said it was up 13% in the first quarter. We've already done a couple of deals this quarter. I do think, Ken, that – we have a strategy kind of on our public portfolio of trying to get our businesses public and then trying to sell all the way up. Initially, you go public. You're never happy with the valuation. Everybody complains about the overhang or the lack of liquidity. You do an offering, you put more liquidity in the market, you reduce the overhang, and hopefully the price goes up. And that's been our strategy. I think on the public portfolio, we'll continue to do that.

<Q – Ken Worthington – JPMorgan Securities LLC>: Okay. Great. Thanks. And then, Bill, for you. You mentioned particularly low interest rates as being a kind of continued major theme. Given your long-term success-oriented, is a bigger alt credit presence appropriate for Carlyle and maybe how do you look at the growth prospects of alt credit maybe versus some of the other growth opportunities you're evaluating?

<A – Bill Conway – The Carlyle Group>: Well, I think – it's interesting. Somebody might say, geez, with interest rates so low, what's really the opportunity for alt credit? I think the alternative – the opportunities are actually great because there's a lot of risk still in the credit, and people are willing to pay for people who could help them manage that risk. For example, on our CLOs, at one time the – raising the equity in the CLO was difficult. Today, investors really are very anxious for CLO equity. The other parts of the capital structure can occasionally be more difficult to raise than the part that actually has the highest yield.

Also, as you know, we have a big investment in the TCW. And frankly, one would say, well, geez, how are they growing their bond business and their credit business in a very low interest rate environment? Who would ever pay a fee during these very low interest rates period of time? And yet the business is growing dramatically. People realize they need a pro to manage it.

<A – David Rubenstein – The Carlyle Group>: Let me just add to that. We have built out our private equity platform, essentially as much as you can possibly want it to be built out at this point in time. We have buyout funds and growth capital funds almost everywhere. We are adding to some of them, of course, in certain areas, but it's a very large complement of funds in that area.

The greatest growth we're likely to see percentage-wise is probably going to be in our credit business because we have a lower base. And the reason we think it will be attractive is this, at some point, interest rates are going to go the opposite direction. And when they go in the opposite direction, some investors will say, well, the interest rates are higher now, returns might be better from fixed income instruments. Those people that have good platforms in that area I think will benefit, just as TCW will benefit as well in one of our portfolio companies.

So, we do think that we have more that we can build there and we do think that interest rates at some point, we don't know when, but at some point will come – turn around and that point, the fixed income business will be even more attractive.

<Q – Ken Worthington – JPMorgan Securities LLC>: Great. Thank you very much.

Operator: Our next question comes from Matt Kelley of Morgan Stanley. Please go ahead.

<Q – Matt Kelley – Morgan Stanley & Co. LLC>: Great. Good morning, guys. I was hoping – given your comments on the backdrop of the economy and especially Europe, I'm just curious, when you're talking to LPs as you're fundraising for your latest funds, what sort of returns are they expecting given what you're kind of telling them? And what are you advising them as to expect for your latest funds on the buyout front?

<A – Bill Conway – The Carlyle Group>: Well, it's interesting. A couple of things I'd respond to that. First of all, I think we're still trying to earn gross returns of over 20% in our buyout funds for our investors. I always tell investors that I think it's going to be very tough to do. We've done it for 25 years. I don't know if we can keep doing it, and yet somehow we've been able to keep doing it. And based upon what I see now, I think that we're still going to be able to continue to produce gross returns above 20%.

When you specifically talk about Europe and what do the investors say there, I think most investors have figured out that the investment environment is different from the economic environment. And then you can have an economy that is, as I mentioned, still contracting, and yet on the other hand, you can make very good investments. And I think the investor base really understands that and the like.

I might finally close by saying that although we're trying to earn 20%, I actually think most of our investors would be happy with a lot less than that. And if we ever come to a position where we don't think we can do it, obviously, we'd tell the investors that we don't think we can achieve that anymore. But for now I think we can.

<A – David Rubenstein – The Carlyle Group>: I would add that how many of you on this call would be disappointed if you could get 17%, 18% net rates of return on your investments? Probably not too many. Most investors today are very happy, I think, in private equity to get high net teen rates of returns because given all the alternatives that are available for them, nothing else is consistently able to produce that. So, investors have lowered their expectations a bit, and I think that's probably making our fundraising a little bit easier.

<Q – Matt Kelley – Morgan Stanley & Co. LLC>: Great, that's helpful. And I'd definitely be happy personally with those returns, so point well taken. So, just a quick follow-up then on Europe, are there any pockets of opportunities where you're seeing not much supply enter the market where you think – if somebody's willing to take enough risk, there's huge potential returns that LPs would actually give you money to invest, and that they have the appetite for.

<A – David Rubenstein – The Carlyle Group>: Yes. I would say that there – there are a lot of things going on in Europe. I think, first of all, the banks still are big sellers of a lot of their assets. I think they have been and will continue to be, they need to delever. For example, we bought TCW from Société Générale. We bought our stake in NGP from Barclays. I see the banking business in Europe but there, for example, we have our own individual who specializes in financing that finances all our companies. And there, we find in Europe, we really have to arrange the financing ourselves.

In the United States, if you want to raise $500 million, there's 10 people that stand up with their hands and say, I'll take it all. In Europe, if you want to raise $500 million, you have to cobble together a syndicate, $50 million a piece that you're going to – you actually do yourself. I think the greatest opportunities actually in Europe are in the periphery rather than in the center. We have pretty good deal flow now in Europe, and we hope to take advantage of it.

<Q – Matt Kelley – Morgan Stanley & Co. LLC>: Okay, great. And then one last follow-up from me. When you were talking about high net worth in retail, I'm just curious to get your thoughts on structuring those allocations for those investors in terms of feeder funds versus 40 Act funds versus ETFs. Any thoughts there on kind of how you think that will evolve going forward?

<A – David Rubenstein – The Carlyle Group>: It's hard to say right now, but there are a number of vehicles in the markets, and we'll see which ones are the most appealing. Some investors really want to be in 40 Act funds. Some are happy to go into private equity funds. It's a different mix. You have to remember, when you're talking about high net worth individuals, you really have three different categories. You have people who have family offices that are – people who have net worths of $500 million or more and have family offices, and they have a different perspective than people that might be able to put in maybe $1 million into a fund, and then a different perspective still yet from people who can put in maybe $200,000 into a fund.

And so, we do have products for people that are interested in putting in $50,000, $200,000, $1 million or much larger. So, it depends on the individual. I don't think it's clear yet which one will prevail, or if any one will prevail. It just depends on the nature of the investor and how much money they have and their risk appetite.

<Q – Matt Kelley – Morgan Stanley & Co. LLC>: Okay. Thanks very much.

<A – David Rubenstein – The Carlyle Group>: And it's occurring all over the world – I should say that these feeder funds that are being raised are not being raised so much in the United States, though that's a major part of it. It's all over the world. Our people who are making presentations for feeder funds are going to all parts of the world, every continent, everywhere, we're seeing appetite for these kind of products right now, not just in the United States.

Operator: Our next question comes from Marc Irizarry of Goldman Sachs. Please go ahead.

<Q – Marc Irizarry – Goldman Sachs & Co.>: Great. Thanks. David, can you talk about the – maybe how much the defined benefit pension plans are of your assets today? And then as you look forward to the shift in fundraising activity to more global clients, to more maybe individual investors and high net worth investors over time on a global basis and then you think about your competitive edge as having a global platform and lots of different offerings in private equity in the market all the time, how built out is the business for the shift away from maybe DB to some of those other sources of capital. How built out are sort of your product – your product offering on the PE side in the platform buildouts?

<A – David Rubenstein – The Carlyle Group>: Recently, the state of Georgia, its state pension fund came into a decision to invest in private equity. That was the last of the 50-state pension funds of that would allocate money to private equity. In other words, all 50 states have pension funds, and all 50 are in private equity. And that, therefore, it's a fairly mature market in the sense that people have the allocations. Some of them have very large allocation. I think the state of Washington has a 25% allocation. California has a 14% allocation.

And while they've had some denominator issues and are not quite able to invest as much as they would like to in some cases because the value of the overall corporates of the fund has gone down, it's a reasonably mature market. Now there aren't a lot of new pension funds that are growing dramatically in the United States, if anything, they're underfunded. And while the underfunding – it fuels people to want to put money into high return on things, the greatest growth in the pension fund business is outside United States, and there are two reasons for that.

One, our organizations outside the United States or countries outside the United States are growing dramatically the amount of pension fund money that they have because they either put taxes on people to do that as in Canada. The Canadian pension plan is now $185 billion and growing pretty rapidly because of the tax in Canada.

Or you have a second phenomenon, which is that for the first time, some pension funds are now allowed to invest in international private equity. For most of their time, the Chilean pension fund, the Peruvian pension fund, the Colombian pension funds and the Brazilian pension funds, to mention one continent, were not allowed to invest in international private equity, and that is now changing including Mexico. So, now you have a wealth of pension funds outside of the United States that are now investing in this area.

I do think that gradually you'll see the percentage of U.S. pension fund money in the United States going down relative to the other source of capital. It's still a large source of money and probably for the next five years or so, I don't see anybody being bigger than U.S. public pension funds as a source of capital for firms like ours, but it is declining and they're just being replaced by sovereign wealth funds, high net worth individuals and international pension funds.

So, for us, the defined benefit plans are roughly about 28% of what we have. And now, I'd say it's roughly consistent with what I think other comparable firms have right now. But I suspect, as a percentage, it will be going down.

<Q – Marc Irizarry – Goldman Sachs & Co.>: Okay. And then, I guess, the question related to that is – if you look at some of the initiatives that maybe are impacting fee-related earnings this quarter and clearly you can even make up for it with fees on CP V, for example. When you think about the shift in the fundraising activity to more global and more individual investors, how much of the expenses that sort of we saw this quarter are fixed or sort of fixed to build out your distribution platform, your product offerings on a more global basis?

<A – David Rubenstein – The Carlyle Group>: Well, clearly, as we make it even the more global than it has been and most of our fundraisers, the majority of them are actually outside the United States. We have more fundraisers outside the United States because that's how we built our system to some extent. There's more money outside the United States for everything we're doing than actually in the United States. So, we've had more fundraisers outside for quite some time.

The cost is really due to two factors. One, we do have to expense this right now. So if we pay various fees, the people that help us get fundraising done, we have – they're reflected right now and that's when it has some impact to earnings. So, it's a double-edged sword. The more money we raise, the more impact it's going have on our quarterly statements, and we're raising a lot of money. So, it does have some impact.

Our second factor is that we are building out the different networks of people, particularly for high net worth individuals, and then we're going to add some resources there. So, it will have some impact for a while, but in the end, if we're not able to raise money, we won't have the seed kernel to kind of do what we want. So, if we – it takes some expense to do it, but we think it's well worth the expense we're putting into it.

And I should have added, by the way, on the defined benefit plans, the defined benefit plans are still going to be a large source of capital for us. But if you go to defined contribution plans as some states are, and eventually you'll see in the United States much more defined contribution plans than defined benefit over a period of many years, it's not precluded that these defined contribution plans cannot invest in private equity.

At some point, I do think the mechanisms will be evolved so that unaccredited investors and non-accredited investors will be able to have a check-off for some putting some money into private equity funds even though the private equity funds are typically reserved for our credit investors today. That would change in my view in the next couple of years.

<Q – Marc Irizarry – Goldman Sachs & Co.>: Okay. And then just on the five-year-old-plus capital, and I think you called out that $27 billion or 44% of the PE is 2008 or older, vintage. I have a feeling the answer to this is going to be no. But do you have a – could you give us a sense of where that piece of the portfolio is marked, maybe how much of it's public versus private or even the performance of those assets this quarter because clearly it's more aged capital, and I would think that that's sort of on the common terms of distributions and carry that you should get from that?

<A – Adena Friedman – The Carlyle Group>: We do not actually publish what the MOICs are by vintage of investments. We tend to – we obviously show you what the MOICs are by vintage of fund. And if you do look at our older funds, they tend to have a higher MOIC just because of the J-curve effect. But I think that it's probably safe to assume that even though the overall MOIC of our current portfolio – the fair market value of the portfolio in the [indiscernible] (01:03:10) today is about 1.3 times that the MOIC of those investments done in 2008 or earlier is quite significantly above that. But we don't publish it. We don't give you that by vintage.

<Q – Marc Irizarry – Goldman Sachs & Co.>: Okay, great, Thanks.

Operator: [Operator Instructions] Our next question comes from David Chiaverini of BMO Capital Markets. Please go ahead.

<Q – David Chiaverini – BMO Capital Markets (United States)>: Thanks. Good morning. Could you comment on portfolio company EBITDA and revenue trends in the first quarter, and what you're seeing thus far in the second quarter in light of economic indicators being a bit weaker than observed a quarter ago?

<A – Bill Conway – The Carlyle Group>: Well, I'd say – once again, I would say that our portfolio can be different than the economy. But having said that, many businesses are struggling a little bit to grow the top-line revenue. Whereas the EBITDA continues to have reasonable performance, it can vary pretty dramatically by industry and by geography. And I think it's highly likely, of course, over time that our economic indicators do affect the portfolio, which I said I thought was slightly weaker than we thought three months or so ago. But so far, it hasn't appeared very much in our overall portfolio performance in terms of our EBITDA growth.

<Q – David Chiaverini – BMO Capital Markets (United States)>: Okay, thanks. And one for David, you mentioned about continuing to expand the Carlyle platform, and you talked about building out the in-house energy effort. Are there any other areas that you're looking to grow?

<A – David Rubenstein – The Carlyle Group>: You mean like energy?

<Q – David Chiaverini – BMO Capital Markets (United States)>: Yes, any other areas whether it's technology or further expand real estate or any other areas that...

<A – David Rubenstein – The Carlyle Group>: Well, we have some but we're not prepared today to announce them. So, stay tuned. But obviously, we're always looking for trends. And if we can find something half as good as energy, we're certainly going to pursue it. We are working on some but we're just not prepared today to announce anything. But at some point, I wouldn't be surprised if we did something else that would be attractive to our investors and to people that cover our stock. But we're not prepared to announce anything today.

<A – Bill Conway – The Carlyle Group>: And if you have any good ideas, just e-mail us, david.rubenstein@carlyle.com.

<Q – David Chiaverini – BMO Capital Markets (United States)>: Got it. Got it. Okay. Thanks a lot.

Operator: And with no further questions at this time, I would like to turn the conference back over to Mr. Daniel Harris for any closing remarks.

Dan F. Harris, Managing Director & Head-Investor Relations, The Carlyle Group LP (Corporate Private Equity)

Thank you for your time this morning. Should you have any other questions, feel free to contact Investor Relations. Then we look forward to talking to you again next quarter. Thank you all very much.

Operator: Ladies and gentlemen, this does conclude today's conference. You may all disconnect and have a wonderful day.