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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by and welcome to The Carlyle Group First Quarter 2022 Earnings Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions]

I would now like to turn the conference over to your speaker for today, Daniel Harris, Head of Investor Relations. You may begin.

Daniel F. Harris  
Managing Director & Head—Public Investor Relations, The Carlyle Group, Inc.

Thank you, Towanda. Good morning, and welcome to Carlyle's first quarter 2022 earnings call. With me on the call this morning is our Chief Executive Officer, Kewsong Lee; and our Chief Financial Officer, Curt Buser.

Earlier this morning, we issued a press release and detailed earnings presentation, both of which are available on our Investor Relations website at ir.carlyle.com. 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 presentation to the extent reasonably available.
Any forward-looking statements made today do not guarantee future performance and undue reliance should not be placed on them. These statements are based on current management expectations and involve inherent risks and uncertainties, including those identified in the Risk Factors section of our Annual Report on Form 10-K that could cause actual results to differ materially from those indicated. Carlyle assumes no obligation to update any forward-looking statements at any time.

Turning to our results, for the first quarter, we generated $183 million in fee-related earnings and $303 million in distributable earnings with DE per common share of $0.74. We produced net realized performance revenue of $118 million and grew our accrued carry balance of $4.3 billion. We declared a quarterly dividend of $0.325 per common share. To ensure participation by all those on the call this morning, please limit yourself to one question and then return to the queue for any additional follow-ups.

With that, let me turn the call over to our Chief Executive Officer, Kewsong Lee.

Kewsong Lee
Chief Executive Officer & Director, The Carlyle Group, Inc.

Thanks, Dan. Hello, everyone, and thank you for joining us today. We're accelerating Carlyle's growth by diversifying our global business and running the firm better than ever before to drive long-term shareholder value. This strategy helped us continue to deliver for our shareholders and investors in the first quarter. Our FRE grew over 40% compared to the first quarter last year. Our leading investment platform demonstrated continued excellence as witnessed by record accrued carry balances, and we are increasingly diversified as over two-thirds of our total AUM is away from Corporate Private Equity.

We are pleased with our progress and we will continue to pursue organic and inorganic opportunities to drive further growth and diversification, while maintaining investment excellence and business discipline as we navigate market and geopolitical uncertainty. The start of 2022 has been complex on many fronts, including the war in Ukraine and rising inflation and interest rates. And the world is now in a more tenuous place. Specifically on our exposure to this conflict in region, across our global portfolio and distribution platform, we have minimal direct exposure to Russia, Belarus or Ukraine and have not seen significant impact to Carlyle's business.

Having said this, there are major paradigm shifts occurring which are driving complexities and volatility in the investment environment. But Carlyle continues to perform and importantly, our focus on thoughtful portfolio construction over the years is paying off this quarter.

Our aggregate investment portfolio appreciated 5%, led by a 7% increase in Global Private Equity while public markets were down approximately 5%. We saw particular strength in our real estate platform with 10% appreciation and our infrastructure and natural resources platform with 19% appreciation. These were the major drivers of our net accrued performance revenue balance growing to $4.3 billion, a record level for our firm.

Our credit strategies are also performing well. Our direct lending strategies are currently yielding approximately 9% and the portfolios in our market leading CLO business continue to have a default rate less than half the industry average. This broad-based performance across all asset classes is a testament to the value of our diversified global platform, time tested investment approach and world-class teams. The private markets continue to outperform public markets over the long-term. And our portfolios are well-positioned for the current market environment.

Turning to our growth and strategic plan to drive shareholder value, we're executing on what we told you and pleased with our progress. In the first quarter, we generated a record of $183 million of FRE, up 42% over the first
quarter last year. This reflects the organic growth in our business over the past year and importantly, does not yet capture the impact from several strategic growth transactions we recently announced.

To that end, we are also pursuing growth by repurposing balance sheet capital for strategic inorganic opportunities. On last quarter’s call, we told you 2022 was going to be a breakout year for credit and insurance, two key areas identified for growth as part of our strategic plan. And we are already delivering on that.

We're continuing to scale our Global Credit platform with FRE accretive acquisitions as evidenced by our recent iStar and CBAM transactions. And we also saw major milestones and insurance solutions with a $2 billion capital raise and creation of a new strategic advisory services agreement with Fortitude.

Our strategy in this area is differentiated, providing a real engine for growth and alignment for all stakeholders. This new agreement better aligns Carlyle's financial growth with the strategic interest of Fortitude, and has significant and immediate impacts to our FRE and total AUM, which on a pro forma basis for this agreement, is now approximately $375 billion. Keep in mind with this new advisory relationship, we have a fee stream which is more perpetual in nature and will grow as Fortitude continues to scale.

Turning to fundraising, which continues to fuel our growth. In the first quarter, we raised more than $9 billion. Changing dynamics mostly related to a crowded private equity fundraising marketplace is affecting the timing of some of our private equity funds in the market. But the breadth of our platform and the strength of our brand and LP partnerships remains a differentiator for Carlyle.

We continue to benefit from our diversification beyond traditional Private Equity, as demonstrated by our second Credit Opportunities Fund, which recently had a final close at $4.6 billion, almost twice as large as its predecessor fund, as well as increasing traction within our infrastructure and renewable strategy. We have also added and launched additional products and Global Credit and Global Investment Solutions to meet the rising demands of investors for these asset strategies. Putting it all together, I want to underscore the real magnitude of the acceleration in FRE that we've delivered by executing against our strategy.

In 2017, we delivered approximately $190 million in FRE. Last year, we reported almost $600 million. That is more than tripling our FRE in just four years. And now we said we expect to deliver $850 million in FRE for 2022, which is 40% projected growth year-over-year. If we achieve that, we will have grown FRE by more than four times in just five years. That is significant value creation for our shareholders.

I'll end today with this. We are transforming Carlyle into a more diversified global investment firm, helping us capture growth and expanding strategic areas like Global Credit, infrastructure and renewables, insurance and Global Investment Solutions. And we are doing this while building a powerful Private Equity business.

We feel confident in our strategic plan and our ability to drive future FRE growth. Our leadership team is focused on managing through the complexities presented by the current market and geopolitical landscape. And I'd be remiss if I didn't continue to stress that this complexity and volatility also creates opportunity.

We have built an increasingly diversified business mix that positions us well to continue capturing opportunities across the expanding private markets and to perform across cycles for all of our stakeholders.

With that, I'll turn it over to you, Curt.
Curtis L. Buser  
Chief Financial Officer, The Carlyle Group, Inc.

Thank you, Kew, and good morning, everyone. I want to focus on three areas in my remarks that complement Kew’s comments, but also follow-up on our presentation from just a few weeks ago. First, our strong start to the year and fee-related earnings underscores the work we have done to broaden our earnings stream and provide increased balance to our distributable earnings.

Second, our thoughtful and differentiated portfolio construction underpins our ability to deliver strong distributable earnings. And third, we’re poised for additional FRE growth, further diversifying our earning streams.

Let’s begin by discussing our strong start to the year in fee related earnings. We generated a record level of fee related earnings, 42% higher than a year ago and our FRE margins increased to 36%, up 500 basis points from a year ago. And all of this is before any meaningful contribution from our recently completed acquisitions that will be additive beginning next quarter.

Management fees of $454 million increased 19% year-over-year, with the most significant growth in Global Private Equity and Global Credit driven by solid fundraising activity and active deployment. Compared to the fourth quarter, Global Private Equity management fees declined due to strong realization activity in the second half of 2021, alongside a step down in Carlyle Partners VII management fees.

In Global Credit, you will see a material step-up in quarterly FRE from our most recent acquisitions, beginning next quarter, With CBAM which closed on March 21st, and Fortitude which closed on April 1st, both adding high incremental margin FRE. In Global Private Equity, FRE should continue to build throughout the year as we raise additional capital in our new buyout and growth vehicles and we expect to see higher levels of top-line fees throughout the year.

This quarter, we began reporting a new line item in our non-GAAP results, which was historically reported as a component of fund management fees, fee-related performance revenue. This presentation is similar to disclosures from others in our industry. Included in this line item are regularly recurring performance revenues we earn from our perpetual products, such as our credit interval fund, CTAC, our BDCs and Core Plus real estate. The latter of which accelerated meaningfully this quarter as we passed through the third anniversary of the CPI Fund. We expect to generate significant revenues in this line item every year, though certain quarters throughout the year will be higher than others.

Moving on, our portfolio performed incredibly well in the first quarter, as Kew summarized, with 5% overall appreciation. Our portfolio construction, diversity of investments and strong underlying performance of our portfolio companies more than offset the negative impact of increasing market uncertainty and the downward pressure from our public positions, which currently make up only about 10% of our portfolio.

The only area where we have meaningful direct exposure to Belarus, Ukraine and Russia across our investment platform is in our credit aviation portfolio, which resulted in downward valuations in these funds for the quarter. As Kew noted, the portfolio’s appreciation drove our accrued carry balance to a record $4.3 billion. To put that in perspective, our accrual is up about 35% year-over-year and has more than tripled over the past two years.

This level of net accrued performance revenue provides us further confidence that Carlyle expects to generate our previously indicated average of $1 billion of annual net realized performance revenues over the next several years dependent upon market conditions. First quarter’s net realized performance revenues of $118 million was
up 55% from last year’s first quarter, though below recent record levels and was driven by exits in our Japan Buyout Funds, US Real Estate Funds and our Credit Opportunities Fund.

Now as we look forward, we’re off to a strong start to the year with distributable earnings this quarter up more than 40% higher than a year ago. And, we have already signed several large transactions that are expected to close in the next few quarters.

Adding to this growth will be the three transactions we discussed in March that add $120 million in annualized run rate FRE and $65 billion in both AUM and fee earning AUM. That adds more than 16% in annualized FRE on a run rate basis setting us up for 40% FRE growth in 2022.

That’s attractive growth, highlighting both acceleration in our organic investment platform and optionality driven from strategically utilizing our balance sheet to drive, inorganic growth. We are purposefully shaping our business to grow FRE, expand margins, diversify earnings and now increasingly access larger sources of perpetual capital.

In sum, we’re on track to grow in the short-term, while continuing to also invest in our longer-term growth. Our portfolio is performing well in a challenging environment, and we are moving forward with active fundraising deployment and exits across our global investment platform.

With that, let me turn the call over to the operator to take your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Ken Worthington with JPMorgan. Your line is open.

Kenneth B. Worthington
Analyst, JPMorgan Securities LLC

Hi, good morning. Thanks for taking my question. There’s a ton to ask. I’ll limit it to one. We’ve seen a real increase in energy prices and the outlook for the energy business seems to have improved meaningfully from, say, four months ago as evidenced in part by $300 million, I think, of extra carry in your energy funds. What does this mean, if anything, for Carlyle in terms of launching new products? Like NGP XIII, a reincarnated energy mezz fund? You’ve got a real sort of expertise and reputation in debt and equity energy investing. The market environment is better. How should we think about this for Carlyle?

Kewsong Lee
Chief Executive Officer & Director, The Carlyle Group, Inc.

Ken, it’s Kew. Thanks for that question. Look, we’ve been very focused on energy and energy transition in particular. And you’re right to note that we do have a lot of capabilities across the broad spectrum of energy and alternative forms of energy investing. So, let me just take a step back.

Our firm view is we need to invest through this period of energy transition. Our platform is very well setup to do that. We can invest in traditional carbon businesses, obviously, with a real ESG lens on it, yet we have a spectrum of products, including a very strong renewables platform. And we have all this supported by world-class ESG teams and an infrastructure business as we look around the world, trying to think about what’s happening to the energy sector, the focus on energy security and really the need to keep investing in energy transition.
So, we are very well setup to invest in all the opportunities that are going to come up and down this spectrum, and we're excited about the prospects moving forward.

Kenneth B. Worthington  
Analyst, JPMorgan Securities LLC

Okay. Great. Thank you.

Operator: Thank you. Our next question comes from the line of Gerry O'Hara with Jefferies. Your line is open.

Gerald Edward O'Hara  
Analyst, Jefferies LLC

Great. Thanks. Perhaps a question on just retail, and if you could, Kew, perhaps give us a little sense of how you are – what the firm approach is here and how you kind of see the opportunity playing out over perhaps the next couple of years? Thank you.

Kewsong Lee  
Chief Executive Officer & Director, The Carlyle Group, Inc.

Sure, Gerry. Now look, retail is one of the several alternate channels for us in terms of capital formation, which clearly, we are paying a lot of attention to. It will be important to do that as we supplement our institutional fundraising platform. And to reiterate, just so you know, we're already raising approximately 10% to 15% of our capital from the retail channel broadly defined.

Now what's important for us and how we're thinking about this is we need to access this developing channel with the appropriate product architecture. And I've said this before, it's mostly – this channel fits really well with products out of credit, real estate and the solutions segments of our business.

So for instance, we've developed a strategy, Curt mentioned it, for the retail customer called CTAC, Carlyle Tactical Private Credit Fund within Global Credit, which, without much fanfare at all, is already raising on a run rate basis about $1 billion a year from retail, and that's before we've accessed the wirehouses, which we expect to start later this year. And of course, we've got other products and we are developing to raise capital from this growing channel.

Now I want to temper this with the obvious that we have to make sure our operational technology and all the regulatory issues are being considered very carefully. But no doubt, there's real long-term opportunity here given the strength of our brand. And similar to what we've done with our credit strategy, we're going to be very thoughtful and patient as we develop the right product architecture and our organizational capabilities to access capital formation successfully in this clearly attractive channel.

Gerald Edward O'Hara  
Analyst, Jefferies LLC

Great. Thank you.
Craig Siegenthaler  
*Analyst, BofA Securities, Inc.*

Good morning Kew and Curt. Hope you both are doing well?

Kewsong Lee  
*Chief Executive Officer & Director, The Carlyle Group, Inc.*

Good morning.

Curtis L. Buser  
*Chief Financial Officer, The Carlyle Group, Inc.*

Hey Craig.

Craig Siegenthaler  
*Analyst, BofA Securities, Inc.*

Kew I heard your prepared comments on the crowded private equity fundraising backdrop. You also may be seeing some impact from the denominator effect of lower public markets and also general client de-risking in addition to some competition. Maybe give us some color on how those three factors are impacting fundraising today? And does this just mean it's just going to take a little more time to raise funds or is there some risk that you may miss targets?

Kewsong Lee  
*Chief Executive Officer & Director, The Carlyle Group, Inc.*

Yes. The upshot is I think it's more a timing issue than anything else. The demand, obviously, for private market products are very strong. But let me just provide a little bit more color and some context for you. So look, over the last 12 months, we've raised $53 billion, a little more than $9 billion just this quarter. So, we do have strong momentum across our platform, and we are seeing real demand and real strength in areas like private credit, real estate, infrastructure, natural resources and solutions.

With respect to Private Equity, there are some changing dynamics mostly driven by the record number of funds that are coming back to market much faster than LPs thought in large part, because of the success that the Private Equity asset class has had over the past few years. So, this is going to result in longer time frames to traditional Private Equity fundraising.

But taking a big step back, I think this is where the diversification that we've undergone and the breadth of our platform is so important because we have a broad array of fundraising going on across the firm any given point in time. And we really feel good if you take a step back about the products we have and the progress we're making in the market.

Importantly, you just saw it, the performance we're generating consistently across cycles. And as demonstrated this quarter, it's that type of performance, the historical strength of our partnership with LPs, the strength of our brand. It's a huge differentiator for us in these types of markets.

Craig, let me just add one other comment, which I think is really important, which is to take a step back and think about Carlyle and capital formation in totality. So, everyone is focused on fundraising, but keep in mind, we just acquired $65 billion of AUM between CBAM, about $15 billion and Fortitude about $50 billion. That's outside of traditional fundraising, that $65 billion that's seven times the amount that we fundraised this quarter. So, the point...
being that fundraising is just one aspect of our capital formation strategies. We're continually looking for new inflows of capital to drive our future growth.

Craig Siegenthaler
Analyst, BofA Securities, Inc.

Thank you, Kew.

Kewsong Lee
Chief Executive Officer & Director, The Carlyle Group, Inc.

Thanks Craig.

Operator: Thank you. Our next question comes from the line of Michael Cyprys with Morgan Stanley.

Michael J. Cyprys
Analyst, Morgan Stanley & Co. LLC

Hey, good morning. Thanks for taking the question. I was just hoping you could just give a little bit of perspective around how you see the deployment environment shaking up? And how that opportunity set is evolving for putting capital to work? Are there more compelling deals today, are the deals getting harder to get done because of less willing sellers, just given valuations? How is financing trending? Is that getting sort of tougher in this volatile environment? Just overall, how is the landscape changing? And how are you adapting at Carlyle?

Kewsong Lee
Chief Executive Officer & Director, The Carlyle Group, Inc.

Yes. The big picture is, the type of issues you're raising, the complexities, actually, I think, favor platforms like ours. It's a broad platform, as you know, globally, lots of industry sector expertise. And we're across all asset strategies. So, we're continually pivoting and adapting to go to where the opportunities are.

In a world of – let's just start with volatility, there's higher volatility. That, for sure, is creating deal flow for us in our credit business, particularly [indiscernible] (00:24:13) opportunities, and in our solutions business, LPs need to rebalance and rejigger their portfolios in light of what's happening in the markets, and we are seeing increased activity levels in our solutions business.

As you see rates rise, there's increasing demand for private credit strategies that are floating rate based, which the majority of our strategies are in our private credit business. So, we're seeing real demand for direct lending, for CLO business, and that's all quite positive. As it relates to Private Equity, I referred to this in other commentary, but there was a slight pause in M&A activity, which was – everybody saw it, buyers and sellers were taking a step back to recalibrate in light of the obvious environmental issues.

But we are seeing that activity come back. Pipelines are about as full as ever. And I really like the architecture of our Private Equity business because in a world, Mike, that's decoupling, our strong Asia platform, Europe platform, Americas platform, Japan platform, really plays to our advantage because we have deep local teams that have already been set up within the regions.

So as regionalization occurs and regional ecosystems become more important, as supply chains need to be reassessed, etcetera, you're going to see our platform have much more advantage in the Private Equity business. So taking a step back, we've demonstrated this over the years, which is with complexity and volatility comes
opportunity and our platform and the culture of our teams working well together, we pivot, we adapt and we go to where the opportunities are.

Michael J. Cyprys  
Analyst, Morgan Stanley & Co. LLC

Great. Thanks so much.

Operator: Thank you. Our next question comes from the line of Brian Bedell with Deutsche Bank. Your line is open.

Brian Bedell  
Analyst, Deutsche Bank Securities, Inc.

Great. Thanks. Good morning, folks. Thanks for taking my questions. Maybe just to talk about the FRE margin a little bit, Curt, if – with the acquisitions, obviously, in incrementally very high fee margin businesses, just the timing of when you think you'll be surpassing like a percent level, whether that's in the second quarter or just more in the second half. And then as we think about growth in the retail business, Kew, maybe if you can just talk about how you think you might scale that, scale your existing product architecture versus investing more in operational technology and sales and marketing and how that might impact the FRE margin?

Curtis L. Buser  
Chief Financial Officer, The Carlyle Group, Inc.

Hey, Brian, thanks for your question. So look, I'm really pleased and excited about where we are. So, $850 million of FRE is what I told you guys just a few weeks ago in terms of what I expect for us to do in fee-related earnings this year. That's really nice growth over the $600 million we did last year, not to mention where we were in the past.

And margins, we just did 36% this quarter, and that's up 500 basis points from 31% a year ago. And with the deals that'll turn on here in the second quarter, in particular in Global Credit, you're going to see that margin really expand. You're going to see it going up to 40% over the year in Global Credit. It's not going to take the whole firm to that level, but you're going to see continued growth in our margin over the balance of this year, and I'm very excited about that. And we're continuing to focus on that, but just as I've said before, first and foremost, is FRE growth.

And then secondly, margin is a way to kind of get there, but we're really optimistic about the growth that we've had and where that's going. From a retail standpoint, I would be – a lot of this is if you go back to what Kew said, it's about getting the right products in the market. We have some really nice products that we're putting in the market right now. CTAC is showing really good growth in the credit space. We have a number of things coming in. And a couple of things early on, even in the solution spectrum that's really going to take advantage.

Same token, our team is really in the focus of ramping up in terms of our capacity to do that and not to mention kind of just the historical 10% to 15% that we've always kind of done out of the retail space broadly defined. But look, we're going to pick our shots carefully as we go through retail and back specific products as opposed to trying to turn everything into a retail solution. The institutional market remains a good market for us, and it really is – in our platform, we're coming off of a year of very strong momentum, over $50 billion raised. First quarter was good. We're doing well.
Okay. That's a great color. Thank you.

Curtis L. Buser  
Chief Financial Officer, The Carlyle Group, Inc.

Thanks.

Operator: Thank you. Our next question comes from the line of Chris Kotowski with Oppenheimer. Your line is open.

Chris Kotowski  
Analyst, Oppenheimer & Co., Inc.

Yes. I guess I'm wondering about – you've had three kind of major initiatives on inorganic growth. And knowing that you can't be very specific about other opportunities that you see, I guess I'm thinking, though, can you kind of frame the opportunities that are there? Are there opportunities in solutions, what is the white space as you see it in terms of other inorganic growth opportunities? And...

Kewsong Lee  
Chief Executive Officer & Director, The Carlyle Group, Inc.

Hey Chris. Go ahead. Finish your question, your add-on question.

Chris Kotowski  
Analyst, Oppenheimer & Co., Inc.

Yes. Related to that, I mean – or do you feel like that kind of your firm with these three initiatives, you're kind of tapped out for the moment when we should expect 12 to 24 months of integration and consolidation before you can move on to the next thing.

Kewsong Lee  
Chief Executive Officer & Director, The Carlyle Group, Inc.

Okay, Chris, it's Kew. Thanks for that question. Yes, look, obviously, we've been busy. We've announced four balance sheet transactions already this year. And in aggregate, they're going to move the needle for us. We're going to add approximately $120 million of high-margin FRE.

It's going to continue to diversify our earnings stream and business mix and continue to help us accelerate perpetual capital in supporting our earnings base, right? And on that front, by the way, about 20% of our AUM is now perpetual capital. So, as I said, we continue to look for opportunities to repurpose balance sheet capital.

Our criteria, it has to be strategically adjacent, it has to be scalable and high growth, it has to be FRE generative, and ideally, it has to be perpetual capital in nature. Of course, all these businesses need to be compatible with our culture, which is a huge criteria for me and the team. We've been very busy. There is no quota. There is no timeline. In particular, I said this in the past, I think the credit business and the solutions business are the areas where there tends to be a lot of activity, but there is no – like I said, no quota or timeline for needing to do anything.
But I want to make sure you appreciate, we have a very intentional strategy to drive inorganic growth. We're very much out there looking for things to do that make strategic sense. So, it's a proactive approach. But there's no way to predict when we're going to do the next one. And obviously, when there's something important to announce, you'll be the first to know.

Chris Kotowski  
*Analyst, Oppenheimer & Co., Inc.*

Okay. All righty. Thank you. That's it for me.

Kewsong Lee  
*Chief Executive Officer & Director, The Carlyle Group, Inc.*

Thanks, Chris.

**Operator:** Thank you. Our next question comes from the line of Rufus Hone with BMO. Your line is open.

Rufus Hone  
*Analyst, BMO Capital Markets Ltd.*

Great. Good morning. Thanks for taking my question. I wanted to ask about your Solutions business? And you mentioned rising demand for the Solutions products generally. And the investment performance in Solutions has been really strong. I'd be interested to hear some of your thoughts around the potential for growth there in new products, whether it's on the institutional side or perhaps something that might be introduced in the retail channel, some kind of a democratized product. Is that something you're seeing demand for? Thank you.

Curtis L. Buser  
*Chief Financial Officer, The Carlyle Group, Inc.*

Thanks for the question, Rufus. Look, Solutions is an area that we're very excited about. First and foremost, the performance there has been really strong. So 4% appreciation this quarter, 35% in the last 12 months. The funds and performance have been great.

Second, that's really translated. You can see that in the net accrued carry. It's now up about $340 million in that business. The distributable earnings potential out of Solutions is very good. Keep in mind, those are European-style waterfalls there, but then it's going to ramp up this year and then 2023, 2024, we should see some really good realizations out of this sector.

The growth that we have in Solutions, still keep in mind that these are still funds and so there's a natural stair-step aspect to it. But the deployment, in particular, in our secondaries business has been really strong. And so we see that kind of really propelling our ability to grow that business quicker than otherwise would have occurred. And there's a lot of white space.

So, we're active in looking at kind of how to fill in, add new products, one of which is exactly what you're thinking around is how do we kind of tap that from a retail perspective. In the infancy stages, but you'll hear more about it over time and give us a little patience because we want to make sure it's all done right. But there's lots of great opportunities here for long-term growth. Hope that hits your questions, Rufus.

Rufus Hone  
*Analyst, BMO Capital Markets Ltd.*
Thank you.

Operator: Thank you. Our next question comes from the line of Alex Blostein with Goldman Sachs. Your line is open.

Alexander Blostein  
Analyst, Goldman Sachs & Co. LLC

Q

Hey, good morning. Thanks for taking the question as well. I wanted to start maybe with a question around the new breakout you guys are doing within fee-related earnings breaking out, fee-related performance fee revenues, again, similar to, I guess, how many of your peers do it now.

As we think about the trajectory and the baseline of kind of how to think about this revenue stream going forward, can you help us frame either the asset base, kind of the growth in the asset base, the consistency in these fees, just to kind of help us better think through the impact on FRE going forward?

And then just secondarily to that, just any comments around compensation rates or any other expenses we should keep in mind as we're building this out? Thank you.

Curtis L. Buser  
Chief Financial Officer, The Carlyle Group, Inc.

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It's a great question, and thank you. So look, the way I think about this, these are recurring revenue streams generally from perpetual like products, not subject to claw-back and not dependent upon divestment of the – divestiture of the underlying investments. So, it's really a quarterly revenue piece. And you see it really interestingly in our credit business, so we now give you the transparency. It was about a little over $9 million a year ago, about $14 million or so this quarter.

So, you've seen real nice growth and that's really as in particular, like the CTAC business product that we referred to has grown. So, as those perpetual nature products grow, you see it really kind of increase in size and that's – while the numbers are relatively small, 48% growth.

In our Global Private Equity business, our Core Plus real estate platform, same characteristics, it's now an $8 billion platform. And since we've now kind of gotten to the point of scale and where we have visibility on that that really kind of came in really strong this quarter. It's going to be more volatile on a quarter-to-quarter basis, but really seeing the strength of that really on a year-to-year basis being real nice and continuing to grow as that business continues to perform well. And our US real estate team has really done a nice job in all of their products, in this one as well.

The thing to keep in mind on your question on the compensation, generally speaking, think about 45% of those revenues drive compensation, that's included in cash comp. So, if you think about it in the current quarter, some of the increase $15 million or so, $16 million or so of the increase in the quarter is really due to the increase in those performance revenues and so that's why your cash comp this quarter is a little bit higher than you otherwise expect. If you were to strip that out, we're at essentially about an 8% growth rate versus a quarter a year ago.

So, Q1 2021 to Q1 2022 [indiscernible] (00:37:54) about an 8% growth in comp and the way I think about that is that's not too bad with the growth that we've had in FRE. Hopefully, that helps in terms of clarification on that.
Alexander Blostein
Analyst, Goldman Sachs & Co. LLC

Great. Thanks so much. I'll jump back in queue.

Operator: Thank you. We have a follow-up from the line of Michael Cyprys with Morgan Stanley. Your line is open.

Michael J. Cyprys
Analyst, Morgan Stanley & Co. LLC

Hey, thanks for taking the follow-up. I just wanted to circle back to the Private Equity business. Just curious how your portfolio companies are navigating through the, sort of, current backdrop with inflationary pressure, supply chain bottlenecks, rising interest rates.

Maybe you could just talk a little bit about how the portfolio companies are navigating, how Carlyle is helping those portfolio companies navigate through this environment? Maybe you can give us a flavor for how much floating rate debt exposure there is at the portfolio of companies, how you're navigating around that? And what are you seeing in terms of revenue and EBITDA growth trends, are those accelerating, decelerating? Just any color there would be helpful? Thank you.

Curtis L. Buser
Chief Financial Officer, The Carlyle Group, Inc.

Hey Mike, thanks for the question. And Kew and I will team this one in terms of responding. So, look, the underlying portfolio in Private Equity has done really well. Obviously, in energy and in real estate and infrastructure I think it's kind of obvious to see kind of a lot of the drivers of that, happy to kind of dive back into that.

In Private Equity, traditional Private Equity, really what you're seeing is just amazing growth. So, we're seeing really strong growth in terms of both top line and underlying EBITDA. Now look, there's some exceptions, obviously, in the portfolio, but generally the performance has been really good. The other thing – and look, we've got teams that focus on helping companies grow, improve, etcetera, and that's been working, continuing to invest in that from all areas, human capital, technology, data management, etcetera.

The other thing that's really also been playing out is the number of transactions that we have teed up. So, there's a number of signed transactions. If you were to put that in terms of carry, it's $500 million or so of net realized carry that we have signed up to – that we think will come through in the next couple of quarters.

So that, in connection with not only just good growth, in the companies and underlying stats plus kind of what we've done to sign that stuff up. I think it's been really good.

From a debt structure perspective, and Kew can weigh in here, generally, the strategy is always to get stuff converted to more of a fixed rate debt once we invest in the company. And so, I don't know the exact percentages, but it's a relatively high percentage that we try to get converted over to fixed. I don't know, Kew, if you have anything to add.

Kewsong Lee
Chief Executive Officer & Director, The Carlyle Group, Inc.
Yeah, Michael, the only thing – a couple of points to highlight. First of all, as we look through to our Private Equity portfolio, obviously, it's very well-constructed from a diversification basis. But the underlying operating metrics are quite strong.

And look, obviously, every fund will have one or two issues here or there, but taken as a whole, our companies are managing inflation quite well and are finding ways to pass through higher input costs. And currently, the operating margins are about as high as they've ever been. So, I would point that out.

Second, we tend to invest in companies that are in the higher growth parts of the economy. And so, it's much more of a – there's a lot of growth. And when you marry that with the things that are happening with the use of digital to drive productivity, the changes in processes that have been made over the past two years, during period of COVID, you're seeing productivity increases, which also enables these companies to perform better than they ever performed better before, which is kind of our mantra on how we drive value creation at all of our portfolio companies.

So, I think the first quarter performance of our portfolio highlights a lot of the strong operating performance of the underlying Private Equity portfolio. And as we told you, the marks were quite attractive and were up nicely, despite the market volatility that we witnessed. So, we're pretty comfortable with how our portfolio companies are managing through this volatile environment thus far.

And then, as it relates to floating rate versus fixed rate debt. Look, we have a lot of discipline about hedging out floating to fixed, as soon as we sign up deals or close deals. And we have a capital markets team that works with all of our portfolio companies to ensure that. We obviously don't swap everything out. And in certain instances, we do have a little bit of floating rate exposure, but we're always looking to manage financing cost risk, because we want the real driver of value creation at our portfolio companies to be growth.

And we like to remove certain variables out of the equation, and that would be obviously interest rate volatility. So, we do have real active hedging that we put in place to immunize ourselves from real big swings in rates.

Great. Thanks so much. Really appreciate all the color, including the carry pipeline. Thanks so much.

Operator: Thank you. Our next follow-up comes from the line of Craig Siegenthaler with Bank of America. Your line is open.

Great. Thanks for taking the follow-up. Realization activity in 1Q benefited from a few large deals that were announced before January. And I heard your response to the last question that there's a few more transactions out there. But in aggregate, how does the realization pipeline look heading into 2Q and 3Q, just given the prospects of lower exit valuations with the public markets and also less activity on the private side, too?

Great. Thanks for taking the follow-up. Realization activity in 1Q benefited from a few large deals that were announced before January. And I heard your response to the last question that there's a few more transactions out there. But in aggregate, how does the realization pipeline look heading into 2Q and 3Q, just given the prospects of lower exit valuations with the public markets and also less activity on the private side, too?
So Craig, the number I just quoted is our signed transactions, should be Q2 or Q3, like I can't guarantee closings. But the team has done a real nice job of getting stuff lined up. And that's all private transactions. That's exclusive of exits of any of the public portfolio there'll be some of that as well.

But the real thing that we're focused on is being able to exit where appropriate on some of the larger transactions. That, coupled with what we're seeing both in credit opportunities where you see the carry turned on there as well as US real estate continuing to perform strong, underpins a lot of strength in the year for carry.

Look, it's always an imprecise science in terms of exact amounts per quarter. But still feel really good about the $1 billion [indiscernible] (00:44:54) for the year. But obviously, that's dependent upon capital markets.

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Kewsong Lee
Chief Executive Officer & Director, The Carlyle Group, Inc.

Yeah. Hey, Rufus, it’s Kew. Look, as rates go up, there’s clearly recalibration of some valuations that are going on. And to the extent that, we do decide to make more moves strategically with respect to corporate development activity, obviously, we will be factoring that in to how we think about value, valuation and pricing.

So, to the extent that there is more volatility, to the extent that there’s rising rates, to the extent that we see assets that, again, are strategically on target for us, we will be recalibrating valuations as the market environment changes. I’m not quite sure how to say anything more than we’re going to be quite sensible about making sure our acquisitions reflect conditions and the future prospects and are strategically accretive and financially accretive for us.

As it relates to blocks, I think you’re referring to our Fortitude business. And I would just comment to say that, our pipeline of reinsurance and deal activity in Fortitude, which is the way we scale, is about as high as I’ve ever seen it. There is a tremendous market for legacy liabilities that are a very attractive target set for Fortitude.

It is a differentiated platform. It is a diversified liability streams that it can go after. It is not focused just on a monoline consumer-facing product. It’s very differentiated in terms of its – the liabilities that it’s targeting. And as such, I suspect that Fortitude is going to be busy for many years to come in light of the fact that we do believe we have a differentiated platform that’s quite scalable and a very large addressable target market for us.

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Operator: Thank you. We have a follow-up from the line of Alex Blostein with Goldman Sachs. Your line is open.
Alexander Blostein  
*Analyst, Goldman Sachs & Co. LLC*

Hey, thanks for taking the follow-up. I wanted to ask a question around cash utilization and just capital management broadly. Since the Investor Day, you guys made it very clear that there’s a lot of cash on the balance sheet, you will generate a lot more cash. And the goal is really to convert some of that cash into FRE, which should theoretically drive a higher multiple. That hasn’t really happened yet. Stock has been under pressure. The implied multiples are quite low. What are your thoughts around deploying some of that capital back into the balance sheet and effectively buying back some stock in a more aggressive fashion here?

Curtis L. Buser  
*Chief Financial Officer, The Carlyle Group, Inc.*

Hey, Alex. Thanks for your question. Look, odd things happen in the market due to factors that we can’t control, and we’re playing long ball here, and we’re planning to grow a company that has strong characteristics of growth, FRE growth, earnings growth, delivering value for shareholders. And we think that that’s best done by investing in the business for – you spelled out the strategy pretty well.

And look, at the same token, we do buy back stock. So, we spent $80 million this quarter buying back shares. You will see us also use stock as part of growing the business and issuing stock in the acquisitions. So, we had a little over 4 million shares issued in connection with the CBAM transaction. We’ll continue to manage dilution for the shares that we issue to our people and manage that below the 1% dilution as we’ve historically done and try to drive that even lower than that on that side of the equation.

Not making that same guarantee with respect to how we issue shares for acquisitions. So, that will cause probably some more aggregate dilution because of acquisitions that we’ll do. But as time goes and then based on capital flows and where things are, we’ll pivot back and forth, again, focused on driving shareholder value.

Alexander Blostein  
*Analyst, Goldman Sachs & Co. LLC*

Got it. All right. Makes sense. I figured [ph] I would check it (00:49:57). Thank you.

Curtis L. Buser  
*Chief Financial Officer, The Carlyle Group, Inc.*

Thanks.

**Operator:** Thank you. I’m showing no further questions in the queue. I would now like to turn the call back over to Daniel for closing remarks.

Daniel F. Harris  
*Managing Director & Head-Public Investor Relations, The Carlyle Group, Inc.*

Thank you, Towanda, and thank you, everyone, for joining our call today. I know it’s another busy earnings day. If you have any follow-up questions, feel free to reach out to Investor Relations at any time. Otherwise, we look forward to speaking with you again next quarter.

**Operator:** Ladies and gentlemen, this concludes today’s conference call. Thank you for your participation. You may now disconnect.
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