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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Carlyle Group fourth-quarter 2014 earnings conference call.

(Operator Instructions)

I would now like to introduce your host for today's conference, Mr. Daniel Harris. You may begin.

Daniel Harris - *The Carlyle Group - Head of Public IR*

Thank you, Kevin. Good morning and welcome to Carlyle's fourth-quarter and full-year 2014 earnings call. With me on the call today are Co-Chief Executive Officers, Bill Conway and David Rubenstein, and our Chief Financial Officer, Curt Buser.

Earlier this morning, we issued a press release and detailed earnings presentation with our fourth-quarter and full-year 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 investors.

Please limit yourself to one question and one follow-up, so we can provide everyone on the line a chance to participate, and return to the queue for any additional follow-ups. Please contact Investor Relations following this call with any additional questions. This call is being webcast, and a replay will be available in our website.

We will refer to certain non-GAAP financial measures during today's call. These measures should not be considered in isolation from, or as a substitute for measures prepared in accordance with Generally Accepted Accounting Principles. We have provided reconciliations of these measures to GAAP in our earnings release.

Any forward-looking statements made today do not guarantee future performance, and undue reliance should not be placed on them. These statements are based on current management expectations, and involve inherent risks and uncertainties, including those identified in the risk factors section of our annual report on Form 10-K, that could cause actual results to differ materially from those indicated. Carlyle assumes no obligation to update any forward-looking statements at any time. With that, we turn it over to our Co-Chief Executive Officer, David Rubenstein.

David Rubenstein - *The Carlyle Group - Co-CEO*

Thank you, Dan. 2014 was our best year as a public company, as measured by many of the metrics we regard as meaningful signs of our financial performance. As a public company, we have always regarded distributable earnings as the most important metric, so we are pleased that last year, Carlyle generated our highest level of distributable earnings since being public; $973 million in pretax distributable earnings, up 16% over 2013, and $2.78 in post tax DE per unit, up 11% over 2013. For unitholders of record on February 23, they will receive $1.61 in distributions per unit on March 6, for a full-year distribution of $2.09, up 11% over the 2013 level. On a full-year basis, this equates to nearly an 8% yield, based on the unit price at close of business yesterday.

We were also pleased with a number of additional accomplishments in 2014. We raised $24.2 billion during the year, up from $22 billion last year, and $14 billion in 2012. Most of our largest private equity funds are now fully reloaded and deploying capital. Our carry fund portfolio appreciated by 15% for the year.

We realized proceeds of $19.7 billion for the year, up 13% from $17.4 billion in 2013. We invested $9.8 billion, up from $8.2 billion in the previous year. With those investments, we finished the year with $63 billion of remaining fair value in our carry funds.

We generated total realized performance fees of $1.3 billion. Even with that level of realizations, finished the year with gross accrued carry of $3.8 billion, and net accrued carry of $1.8 billion. We ended the year with $194.5 billion in AUM, up 3% from 2013's year-end number, and our highest year-end AUM level. Pre-tax ENI for 2014 was $962 million, and while that level is down from $1.3 billion in 2013, the 2013 number reflected the impact of two large buyout fund crossing into carry at the very end of that year.

Turning to the fourth quarter of 2014, we produced $311 million in pretax distributable earnings. Our ability to produce such attractive levels of distributable earnings for the quarter and for the year highlights, in our view, the strength and stability of our diversified platform, as well as the extraordinary economic engine that is our corporate private equity business.

For the quarter, we raised $4.8 billion, $2.7 billion of which was for our corporate private equity business. During the quarter we also invested $1.6 billion, and realized proceeds for our fund investors of $5.6 billion. So in addition to a strong financial year, we also had a strong financial quarter.

On fundraising, a general comment first. It is clear that many of the largest institutional investors in the world have seen substantial increases in their assets in recent years. One result is that they have decided to deploy increasingly larger amounts an alternative investment areas. And, in particular, with global alternative asset-management firms, seen by them as having the ability and the scale to invest these larger amounts prudently and attractively. Carlyle is clearly a beneficiary of this trend, and that was evident to us in 2014, even more so than in prior years.

On specific funds, over the course of 2014, we closed our fourth Asian buyout fund at $3.9 billion, and in early January 2015, NGP closed its 11th fund at $5.3 billion. We also all but officially closed our first international energy fund. Its final close is likely to occur in the near future, and the fund is then expected to be at the cap level of $2.5 billion.

Also during 2014, we made meaningful progress towards closing our fourth European buyout fund, our third European technology fund, our third Japanese buyout fund, our seventh US real estate fund, and our second US power fund. Last year, we also initiated, and expect to see meaningful progress in 2015 on our second midmarket US buyout fund, our second energy mezzanine fund, and our first Asia structured credit fund. Both of these second funds seem likely to achieve their stated target levels in a relatively short timeframe for private equity funds.

For the year, $7.6 billion of the funds raised were in our corporate equity business, and over the past two years, that number for corporate private equity is $19.4 billion. Let me also mention that we raised $9.2 billion in real assets last year, the highest level for this segment in our history.

Finally on fundraising. In 2014, we also raised $4.9 billion of eight new CLOs and added to the size of our [BBC], which now has $1.3 billion in committed equity.

Before turning the call over to Bill, let me address two subjects about which we are often asked. The first relates to our energy exposure. Carlyle was an early investor in energy through our affiliation with Riverstone, which we helped to create in 2000. We continue to believe that energy is one of the great global investment sectors, perhaps the best, in terms of size and breadth in the world.

For that reason, when we amicably ended our arrangement with Riverstone, though retaining some passive interest in its funds, we decided to rebuild our energy investment business in ways which would provide us with an array of discrete, specialized energy focused funds, and with far greater economics than we had with the Riverstone affiliation. The result is that we now have four dedicated energy vehicles. NGP, international energy, energy mezzanine, and power, which collectively have approximately $9 billion of current dry powder. We expect to raise this year, another $3 billion to $4 billion for our energy-related funds.

To the real point, if someone believes, as we do, that now is a great time for an experienced investor with significant capital to invest in energy, because of the recent price corrections in the sector, our investors and ultimately our unitholders, should be regarded, in our view, as clear beneficiaries. That is because we have an enormous amount of dry powder, have four experienced and respected energy teams, and we have far greater economics with the new energy funds, generally by a factor of 2 to 3 times, compared to our legacy positions. Stated differently, in properly gauging our energy business, we think it's better to look at today and to the future, rather than to the legacy past.

Now, the second matter about which we often get asked is our distribution policy. When we went public in May of 2012, we wanted to put into place a distribution policy which gave us enough flexibility to meet our expected year-long cash needs. So, we adopted a year-end true-up policy, in which we had a fixed $0.16 per unit distribution for the first three quarters of the year, and a true-up at the end of the fourth quarter.

We think this policy has worked well as we adjusted to being a public company, and with the 2014 true-up distribution, we will have distributed $1.64 billion to our unitholders over 11 quarters. Now, with nearly three years of experience as a public company under our belt, we feel very comfortable adopting a policy under which we will simply pay out approximately 75% of our distributable earnings each quarter, as opposed to the $0.16 fixed payment each quarter, and the fourth quarter true-up. This new policy will begin with the first quarter of 2015, payable in May of 2015.

Now, let me turn the call over to Bill to review our investments and a realization. Bill?

Bill Conway - *The Carlyle Group - Co-CEO*

Thank you, David. Given valuation levels and market conditions, 2014 was an excellent year for realizations, which totaled $19.7 billion in our carry portfolio. We invested $9.8 billion in 2014, up 20% from 2013, and we continue to find opportunities, despite the valuation levels that could benefit from our value creation and global network.

The US continued to be our most active area in terms of investments and realizations, with about two-thirds of our activity here. Our overall carry portfolio appreciated by 1% in the quarter and 15% for the year. Our portfolio in the ground ended the year at $63 billion, of which $19 billion was publicly traded.

Let me now turn to a discussion of each of our business segments. Our corporate private equity business, or CPE, is as strong and well-positioned as it has ever been. Our CPE funds appreciated 23% last year, after appreciating 16%, 16%, and 30% in 2011 to 2013. We realized proceeds of $14.3 billion in 2014, our best year ever.

Regarding investments, we were able to find attractive opportunities as large corporates became much more active in divesting non-core assets. 40% of our CPE investments were invested in corporate carve-outs such as Ortho-Clinical Diagnostics from Johnson & Johnson, [Tig Note] from Illinois Tool Works, custom sensors and technologies from Schneider, and ADT Korea from Tyco.

Of the $14.3 billion in realizations in the segment, 58% came from the Americas, 30% from Europe, Middle East and Africa, and 11% in Asia. Our best performing large buyout fund was in Europe, where our third European fund appreciated 9% for the quarter and 46% for the year.

Our investment activity in CPE was relatively light for the quarter, about $600 million, after investing over $6 billion in this sector in the prior three quarters. Our fourth-quarter investments included Dealogic, a financial information firm, and a majority stake in Newgen Knowledge Networks, an Indian provider of publishing and technical services.

We realized proceeds of more than $4.2 billion in CPE for the quarter. Significant realizations included the partial sale of RAC, our roadside assist business in the UK, the sale of PQ, a chemicals business, and GDC Technology, a Chinese digital movie technology business. We also executed sales of public holdings including Booz Allen, HD Supply, Altice, and Axalta.

For the year, we exited our final positions in a number of wonderful well-managed companies, including Beats Electronics, Allison Transmissions, HD Supply and SS&C. We took several companies public, including Healthscope in Australia and Axalta. The Axalta transaction alone created more than $2 billion in appreciation for our US and European buyout funds in the fourth quarter.

Turning to global market strategies, performance in GMS was mixed for the year and for the quarter. Our performance in our CLO business has been strong, and we remain a top two player in that market. Our energy mezzanine portfolio is in good shape, and is likely to be in a position to generate realized performance fees upon exits this year, and our distressed funds produced cash carry during 2014.

Our business development company, with $1.3 billion in committed equity and $900 million in assets, is already producing cash performance fees. On the other hand, our hedge fund partnerships, also in GMS, saw net losses for the quarter and for the year, and are below their high water marks. The asset weighted hedge fund performance of our reported funds was down about 9% in the fourth quarter. However, we continue to have confidence in our hedge fund partnerships. They have performed very well over a long period of time, but had a challenging year.

In our real asset segment, which include natural resources and real estate, this business was transformed in many ways during the year, given the successful fundraisers for NGP 11, and our international energy fund, and our strong performance of Carlyle Realty Partners six. For the year, the real asset segment invested $2.5 billion, realized proceeds of $4.7 billion, and the carry funds depreciated 2%, mainly due to the decline in the natural resources portfolio.

2014 was a good year for US real estate at Carlisle. We are beginning to see a sustained level of realizations emerging out of our US real estate funds, which generated net realized performance fees of approximately $25 million in the fourth quarter of 2014, and we have a number of attractive exits in the pipeline scheduled to close in 2015. Additionally, we build value across our US and international real estate portfolio, as this portion of real assets appreciated 8% in the quarter and 18% for the year.

Other than our legacy energy funds, 2014 was also a good year for our natural resources groups. Our first power fund has performed well, and is accruing carry. We made our first three investments in international energy, totaling approximately $350 million.

We acquired the carry on NGP 10, and raised over $5 billion for NGP 11. While the legacy energy funds suffered with the fall in energy prices, at year-end 2014, the net accrued carry of legacy energy represented less than 1% of the net accrued carry for all of Carlyle.

In investment solutions, our fourth and smallest segment in terms of distributable earnings, fund performance was strong, with many funds up by double digits across our various strategies in AlpInvest, DGAM and Metropolitan Real Estate. For the year, our AUM in this segment was up 2% to $50 billion. Looking ahead, Carlyle is off to a strong start in 2015.

On the investment side, we've announced a tender offer for Hitachi Metals Techno in Japan, closed our acquisition of AxleTech from General Dynamics, priced a European CLO of EUR500 million, and announced our acquisition of the gas-fired Malaga peaking power plant in California. On the realizations side, we closed our sale of Veyance Technologies to Continental AG, we agreed to do two transactions to sell shares in Altice for proceeds of almost EUR600 million, we executed a dividend in Telecable, and we priced a secondary block trade of over $300 million in Booz Allen Hamilton. Additionally, our stakes in CommScope and Freescale, worth over combined $3 billion at year-end, and each appreciated over 20% in the first month of the year.

In summary, with low interest rates and high asset prices, 2014 was another attractive year for realizations and going forward, we will continue to monetize aggressively. The investment environment today remains challenging with full valuations, increased volatility, and the recognition that this low rate, low growth environment will continue for longer than we originally believed. In order to sustain our investment performance, deal selection and value creation will become more important than ever.

Now, let me pass it over to Curt Buser, our Chief Financial Officer, to provide some more details on the financial results.

Curt Buser - *The Carlyle Group - CFO*

Thank you, Bill. We had a very strong quarter, and an even stronger full-year for 2014, resulting in the largest distribution to unitholders since we became a public company. However, as we frequently remind everyone, our performance is best viewed over a several-year period, rather than quarter to quarter.

Fourth-quarter pretax distributable earnings were $311 million, which led to after-tax distributable earnings per unit of $0.91. Distributable earnings this quarter were comprised of $67 million of fee-related earnings, and $264 million of net realized performance fees, offset by $20 million of realized investment losses. Fourth-quarter fee related earnings were 74% higher than the fourth quarter of 2013, and full-year 2014 fee related earnings were up 62% from last year. The increase in fourth quarter and 2014 fee-related earnings was largely driven by higher management fee revenues, and compensation expense discipline.

Over the course of 2014, fluctuations in foreign currencies had only a nominal impact on distributable earnings and economic net income, in part, because of the diversity of our operations. Should the Euro continue to show weakness, it will potentially have a greater impact in 2015, and accordingly, we have hedged approximately half of our net euro cash flow exposure, which is substantially all of our euro fee related earnings exposure.

Fee-earning assets under management were $136 billion at year-end, which excludes over $9 billion of newly raised capital, for which we have not yet commenced management fees. About half of this newly raised capital becomes fee-earning in about one year, and the balance will turn on over time as it is invested. While we added nearly $17 billion to fee-earning AUM in 2014, our successful exits resulted in distributions in excess of $19 billion, and when taken together with the effect of foreign exchange, we experienced a 3% decrease in fee-earning AUM from 2013. However, this excludes the $9 billion of newly-raised capital I previously mentioned.

Turning to our business segments; corporate private equity. CPE had fourth-quarter distributable earnings of $263 million, down from $286 million in the fourth quarter of 2013, reflecting $49 million less in net realized performance fees than in the prior-year quarter. However, when you look at the full-year for 2014, our net realized performance fees in corporate private equity increased 26% over 2013.

Fee related earnings for the quarter were $33 million, up substantially from $4 million just a year ago. The increase in the current quarter was given by growth in management fees of $13 million and an $18 million reduction in cash-based compensation expense, exclusive of performance fee related compensation.

Carlyle final discretionary bonus payments for 2014 were lower than the level for which we accrued during the year, causing our fourth quarter cash compensation expense to be below our typical quarterly run rate. For the full year 2014, corporate private equity earned $790 million in distributable earnings, 47% higher than 2013, driven by the growth in net realized performance fees, as well as fee related earnings, which grew $119 million over last year.

The growth in fee related earnings for the year benefited from catch-up management fees as we completed raising capital for many of our large bio funds, as well as higher than historical levels of transaction fees. For all of 2014, corporate private equity' cash compensation expense was $324 million, or 5% higher than 2013.

Economic net income for corporate private equity was $236 million for the fourth quarter, and $862 million for the year, below the $549 million and $1.1 billion for the fourth quarter and full-year 2013. ENI is lower than the fourth quarter of 2013, simply because two large funds, Carlyle Asia Partners Three and Carlyle Europe Partners Three moved through the catch-up into full carry during the fourth quarter of 2013, and generated net performance fees of approximately $350 million a year ago.

Global market strategies. GMS had fourth--quarter distributable earnings of $24 million, down from $102 million in the fourth quarter of 2013. Economic net income was $13 million in the quarter, down from $67 million a year ago. Both decreases are due principally to lower hedge fund performance, resulting from approximately $77 million in net realize incentive fees we earned from the hedge funds in the fourth quarter of 2013, not recurring in 2014.

Fee-related earnings were $18 million in the quarter, down from $21 million in the fourth quarter of 2013. The decline was due primarily to catch-up subordinated fees earned in our European structured credit business and in the prior-year quarter that did not recur this quarter.

Turning to real assets, which I think about in two components. The operating results in US real estate and energy, which showed marked improvement, and our challenges in Europe real estate and Urbplan that show up in our investment losses. Both US real estate and energy had good years as measured by fundraising and distributable earnings.

Fee related earnings in the fourth order increased to $10 million from $3 million a year ago, due to higher management fees, including catch-up management fees from raising our seventh US real estate fund and our international energy fund. While fee related earnings for the year were down slightly to $22 million from $25 million in 2013, management fees increased $35 million over 2013, as a result of new capital raised. Cash compensation expense for the year increased $23 million over 2013, which was substantially driven by internal fundraising costs, which are included in indirect compensation expense, but also includes the cost of additional personnel hired to invest and support the new funds.

In the third quarter of this year, our sixth US real estate fund began producing realized carry, and in the fourth quarter real assets produced net realized performance fees of $31 million, contributing to the 31% increase in net realized performance fees for all of 2014 over 2013. This quarter we had a net realized investment loss of $29 million related to a mezzanine loan in Europe real estate, and our investment in Urbplan. While the losses associated with these investments have been a recurring drag on our earnings, and will likely remain a challenge in 2015, we think both situations are beginning to stabilize.

At December 31, our remaining investment in the mezzanine loan was about EUR24 million and Urbplan is about $21 million. However, we expect that Urbplan will require an additional $25 million in 2015 to complete its expected business turnaround. Economic net income in real assets showed a loss of $76 million in the fourth quarter, and a loss of $59 million for all of 2014.

Negative net performance fees of $72 million in the fourth quarter were the result of reversing $93 million in net performance fees in our energy fund, due to the decrease in energy valuations. Our remaining energy-related net accrued performance fees across the whole firm was $60 million, or just 3% of the firm's total net accrued carry of $1.8 billion at year end, and many of these energy funds are currently performing well or are expected to perform well over the long-term.

Turning to investment solutions. They contributed $12 million of distributable earnings in the fourth quarter, down slightly from $14 million last year, reflecting higher expenses, and contributed $44 million of distributable earnings for all of 2014, up from $40 million in 2013. Economic net income was $7 million for the quarter, down from $12 million in the 2013 quarter, while ENI for the year was $45 million versus $38 million in 2013.

Now, two last housekeeping matters. First, we have changed our presentation of distributable earnings and economic net income for investment solutions to include certain performance fee related tax expenses in performance fee related compensation expense, as noted on pages 32 and 33 of our earnings release. This reclassification had no impact on after-tax distributable earnings and ENI per unit.

Second, we have added new disclosure in our earnings release on page 5 to show appreciation in our net accrued carry by business segment. In addition, while we have historically provided carry fund valuations by segment approximately one month before reported earnings, the change in our quarter end process will lead us to begin releasing our valuations alongside our earnings release, where we can also provide additional color around our returns, and more in line with our peer group. With that, let me turn it back to David for some closing comments.

David Rubenstein - *The Carlyle Group - Co-CEO*

When we went public in the second quarter of 2012, we made two comments about our business that I think bear repeating, now. The first comment was that we have a corporate private equity business, which by industry standards, is unusually diverse and global, and should be able to yield performance fees in a reasonably consistent and significant manner for a very long time. That has, in fact, turned out to be the case.

Since going public, we have had over 160 corporate private equity realizations around the world, producing over $36 billion in realized proceeds, and $1.4 billion in net realized performance fees for Carlyle. We are confident that this business will continue to consistently produce attractive realized proceeds and performance fees, and continue to serve as a crown jewel for us, for a great many years.

The second comment was that, while managing and growing the corporate private equity business, we expect it to grow meaningfully to the size and breadth of our other three business segments, GMS, real assets and investment solutions, which were historically less significant to the firm's bottom line. We have made real progress in this direction, as well, but we still have some work to do.

To illustrate progress made to date, assets under management in our GMS segment are up 26% since our IPO. In real assets, they are up 41%, and in investment solutions, they are up 14%. We believe that we have only begun to develop and grow many of the funds and businesses in these three segments. In these three segments since going public, we've added new funds, new teams, new strategies, and raised new commitments, and all of that, in turn, creates more earnings power for the future. Now, were happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Brendan Hawken, UBS.

Brennan Hawken - *UBS - Analyst*

You're following a pretty strong year of fundraising in 2014. Do you think that given where we are in the cycle, 2015 is likely to be above the targeted $15 billion to $20 billion range, and we should expect elevated levels of fundraising at this point?

David Rubenstein - *The Carlyle Group - Co-CEO*

Well, if we were to say yes and we changed slightly below what we said would be the elevated level, I would be not looking very good. So, I think we're very comfortable with $15 billion to $20 billion. As you probably noted, in effect, we exceeded that last year, and our predictions last were $15 billion to $20 billion and we did almost $25 billion.

I'd say today, it's hard to predict where the economy is going to go and where money is going to come from. What we have is that the large sovereign wealth funds are now coming into the market in very large sizes, and making very, very large commitments, much more than we've ever seen before. As a result, I do not think that there is likely to be a diminution in that trend this year, despite the fact that you might say, for example, in the Middle East because the oil prices are down, you might say, well, won't the sovereign wealth funds there be pulling back?

We've actually seen the opposite. We've been there many times in the last several weeks, with many different funds, and we see no decrease in interest in the large Middle East sovereign wealth funds, in deploying larger sums of capital. The same is true in the Asian sovereign wealth funds.

So, I can't say for certain that it will be above our projected level. I'm happy to stay with our projected level, but I wouldn't be shocked if it came above it, but I just don't want to predict it, because I don't want to predict something that doesn't happen. We try to be conservative and careful in what we say we can do, and I think that's what we are, $15 billion to $20 billion, but we are going to try to do better if we can.

Brennan Hawken - *UBS - Analyst*

That's fair, David. Thanks for all that helpful color. The follow-up would be -- for the $2.2 billion redemption notifications in GMS, was that driven by Claren Road, and maybe could you give us an update on what you've seen year to date in that business? Has there been any changes or updates there?

Bill Conway - *The Carlyle Group - Co-CEO*

This is Bill. I would say first of all, the majority, the vast majority of the $2.2 billion of redemptions was in Claren Road. That would be true. And no, I can't give you a -- although I know it, I can't give you what's going on early in the year for the hedge funds.

Brennan Hawken - *UBS - Analyst*

Fair enough. This isn't really a follow-up, just sort of curious. David, are you going to term up with Dr. Dre or Jay Z for your next video?

David Rubenstein - *The Carlyle Group - Co-CEO*

Well, I tell you, have gotten more attention for that than anything I've done in my professional career. So it is tempting to think that maybe I should leave what I'm currently thinking is my professional career, and do something different. Stay tuned.

Brennan Hawken - *UBS - Analyst*

Sounds good.

Operator

Ken Worthington, JPMorgan.

Ken Worthington - *JPMorgan - Analyst*

First, on CDP III, you started taking cash carry, I believe it was two quarters ago, but at a pace below what was customary. I believe you were taking about 50% what you were able to. At this point are you keeping cash carry at the customer 20% pace, and at what point do you accelerate that for not taking as much as you could have early on in the fund? Are there other big funds that are taking cash carry, but are doing so at pace below what is customary today?

Bill Conway - *The Carlyle Group - Co-CEO*

I can't give you much forward guidance here, Ken. That I would say that now, I expect we're taking 20% carry on Carlyle Euro Partners III. What generally happens in these funds, one of the things we hate and our investors hate is a clawback. We don't have much of it.

I think on gross carry above the $3 billion, I think we have clawback of $50 million or something in that range, very, very small number. We hate it. Our investors hate it.

So, we tend to be at the front the end of the fund, first of all, oftentimes in the beginning, we will take no carry. We'll have an exit, we'll move into a significant accrued carry position. We won't take a carry, and then we gradually begin taking a carry. Sometimes it's 10% or some other number, less than the typical 20% carry.

Then the vast majority of the life of the fund, we tend to stay at 20% of the time near the end of the fund, we're going to be the 20% level to make sure we get that 20% at the end of the fund. What we do is, several quarters before we think the end of the fund is going to be, when we're going to come to the end of the fund, we have kind of a glide path under which we may go 30%, 28%, 26%, 24%, 20% and close to find out at 20%.

Ken Worthington - *JPMorgan - Analyst*

Are there any other of the big funds that are taking at a slower than customary pace right now? The flagship products that you run?

Bill Conway - *The Carlyle Group - Co-CEO*

Slower than customary? No. But remember that frequently, we will have cases where we will earn carry and not take any.

Ken Worthington - *JPMorgan - Analyst*

Right. My second question is touched on the prepared remarks. The direct base compensation fell a lot in CTE, also GMS and real assets. I know you had mentioned that there were over accruals in 1Q through 3Q. What was the reason for the overaccruals, and how should we think about pace of the direct compensation going forward? It's been a source of angst for us, but there was redemption here this quarter as we now look at the entire year. I'm trying to just -- trying to figure out how I should think about this for 2015 and 2016.

Curt Buser - *The Carlyle Group - CFO*

Ken, it's Curt. Thanks for your question. Cash compensation in any one period is challenging to look at, because there's a lot of moving parts. Earlier this year, we were having a great year, and for the full year, we had a great year.

Over half of our cash compensation is in the form of bonuses. They are discretionary, and we determine those at year-end. At year-end, as we were looking to be disciplined in our practices.

We paid less than we thought we were going to pay earlier in the year, and so you see the essentially the fourth quarter favorable impact of that. On a go forward basis, hard to say exactly. But, absent strategic changes or acquisitions or anything like that, I would expect very nominal growth in cash compensation.

Bill Conway - *The Carlyle Group - Co-CEO*

We did pay less than bonuses than we had thought we might. No one has left the firm because they got a lower bonus, that I'm aware of, than they thought they might get. People were pretty highly paid and I think, pretty satisfied. So, we don't think it has any diminution in our ability to hold on to people or attract people.

Ken Worthington - *JPMorgan - Analyst*

Great. Thank you very much.

Operator

Chris Kotowski, Oppenheimer.

Chris Kotowski - *Oppenheimer & Co. - Analyst*

You went kind of fast when you were talking about the energy dry powder and the fund vehicles and the fundraising and your carry rights on those funds. I wonder if you could review that? You said that there was $9 billion in free vehicles. I'm looking at page 24 of the press release, and I see CIEP one and NGP 11 with about $6 billion. I was wondering what's the other one? You also said you were planning on raising, I think you said it was $6 billion in 2015 in energy. Would that be in new vehicles or in follow-ons to these vehicles?

Bill Conway - *The Carlyle Group - Co-CEO*

This is Bill. Let me try, but I think Curt and David both may help me a little bit on this. First of all, what we said is that we had $9 billion of dry powder roughly on our energy, four different energy vehicles. Second thing we said was that we thought that in 2015, we would raised another $3 billion or $4 billion on the energy platform. Now, what makes up the $9 billion, I think, may have been your question.

Chris Kotowski - *Oppenheimer & Co. - Analyst*

Right.

Bill Conway - *The Carlyle Group - Co-CEO*

That is NGP 11, which is a little over $5.3 billion. It is our energy mezzanine business, which has about $400 million or $500 million of available capital in that business. It is our international energy business with about $2 billion of capital to go, and it's our power business with $300 million, $400 million, $500 million of available capital right now in the energy business.

Going forward this year, what we think that we will do is we will raise some additional money for our power funds and perhaps some of the other fund as well on our energy platform. While I'm talking about energy, I can't help but say that I think there's obviously a lot of focus on this. The performance fee reversal that occurred in the fourth quarter was a big number for anybody, but, I would say that I love the way we're positioned in energy. We have 70 investment professionals.

We are not just new to this business, it's been a business we've been in for a while, first through Riverstone and now directly through our other four vehicles. I think that we are extremely well positioned with the teams and the experience. NGP, for example, is on their 11th fund and the last 10 funds, they are all in carry. So it's really been a great business.

I'm very pleased with energy mezz and the position we have there. Power with the energy, the price of raw energy low, I think power is a very attractive space in which to put money.

On the other hand you have the entire rest of the economy, the entire rest of the economy, I'm looking for something to tell me the Goldilocks price for oil. Everybody is unhappy that oil fell and the net impact it has on that investment or this investment in the portfolio. But believe me, over the course of the portfolio, everybody's a lot better off with lower energy prices.

A couple examples I would cite for you, Axalta which is our power paint business we got from DuPont a couple of years ago, and a big winner for us, so far. It benefits a lot. A lot of its raw materials are in the petrochemical space. And Philadelphia Energy Solutions, which is our refinery, the largest refinery on the east coast of the United States, right now it's benefiting from very wide spreads between what it pays for oil and what it sells the refined products for. So, I think it's a great place to be positioned for the energy business.

David Rubenstein - *The Carlyle Group - Co-CEO*

Let me add that Riverstone was a very good relationship with us. They're obviously doing very well, generally building themselves into one of the largest energy private equity firms. We changed the relationship in part, because our economics were not as attractive at the end as they were in the future, as they had been before.

For example, towards the end, the last Riverstone funds, the carry that came to Carlyle was roughly 16% of the 20%. So, a very small percentage. The amount of the cash fee was, I think less than 10% of the cash fee that was earned by Riverstone.

Today, in the energy funds that we have, I think our carry is roughly 55% is coming to the parent and roughly 45% is staying with the deal teams. With many of those funds, all the cash fee comes to Carlyle, not with NGP, but all the cash fee comes to Carlyle, and we pay out salaries and bonuses. We have much better economics. That's why we're fairly bullish on our energy prospects going forward, because we have much better economics than we had before, plus we have got a lot of dry powder.

Chris Kotowski - *Oppenheimer & Co. - Analyst*

Okay. That's it for me. Thanks.

Operator

Robert Lee, KBW.

Robert Lee - *Keefe, Bruyette & Woods, Inc. - Analyst*

Curt, could you review the hedge that you put on? I don't think I caught all of the comments on it.

Curt Buser - *The Carlyle Group - CFO*

Sure. Historically, the diversity of our operations has really helped us from managing foreign currency positions, quite frankly, just natural hedging that occurs. If you look at our fees that we earn off of our funds, roughly 80% of our management fees are denominated in US dollars.

About 16% are denominated in euros, and if you didn't think about our expenses, we also have a lot of our people are located internationally and a lot in Europe. We also have a lot of euro expenses and British pound expenses, et cetera. That creates this national offset that I alluded to, so our exposure in 2014 through economic net income or through DE was actually quite small.

2015, looked out, and said, okay, there is dramatic movement. Looked at my total cash flow exposure across fee-related earnings, what is maybe going to occur from a carry standpoint, investments and the like, and put in a place for a hedge for about half of that, at somewhere around $1.19, in terms of euro to dollar exchange rate.

The way I also think about that, because the carry component of that is really hard to predict. It's mostly covering our fee-related earnings exposure, and so there, I think I've taken my fee-related earnings exposure on foreign exchange down to a nominal amount. Hopefully that clarifies for you.

Robert Lee - *Keefe, Bruyette & Woods, Inc. - Analyst*

Yes. That's helpful. Thanks. I was hoping we could also maybe follow-up and drill into the credit business a little bit, and clearly the demand for alternative credit is pretty high. You certainly have a big CLO business and other strategies.

It feels like sometimes your credit business gets kind of lost or buried within GMS. Could you maybe give us a little more detail on where your fundraising right now within your credit business is outside of CLOs and some of the structures and strategies you're raising capital for?

Bill Conway - *The Carlyle Group - Co-CEO*

I will start and David will finish. First of all, in terms of CLOs, last year, I think we did eight of them. I think three were in Europe and five were in the United States. We were doing one every month and a half or so, on average.

We have dedicated investment teams in both places to manage those CLOs. So far, ever since we've had them, the CLOs has been great. The vehicles are enormously resilient to changes in problems that can happen in the credit markets. Right now, of course, the challenge is, can we find good assets to put in those CLOs with the diversification requirements and lots of other things, and spreads being relatively low.

The rest of the credit business, we actually carry our energy mezzanine business in our credit business. We think credit skills is important as well as energy-related skills, there. They have teams in New York and in Houston. They have done an excellent job there.

We are raising, now, our second energy mezzanine fund. We have a business development corporation inside our GMS business. That business has about $1.3 billion of equity and about $900 million of assets invested. What we do, is when we find good deals to put in the BDC, we draw down additional equity that been committed by the future investors in that business. We are raising a new Asian credit business, which we have just started to raise, now. I don't think we didn't have the first closing yet, haven't, David?

David Rubenstein - *The Carlyle Group - Co-CEO*

A small one.

Bill Conway - *The Carlyle Group - Co-CEO*

A small one. Well maybe you pick up from there, other comments on fundraising.

David Rubenstein - *The Carlyle Group - Co-CEO*

I would say that Carlyle, as you know, has a lot of different vehicles, and our credit business isn't one big credit amount of money that can be deployed anywhere. Maybe some other firms have, let's say, a large pot of money and they can deploy it as we see fit and so forth. We have more of a private approach, so it's overseen by Mitch Petrick.

Bill mentioned we have an energy mezzanine business, we have a BDC business, we have a large CLO business, we have now, the Asian credit business, structured credit business, and we also have a distressed debt business in there, which will probably be in need to reload at some point in the future. Your point is understood by us, certainly. But, it's a business that we are happy with, but we think we can grow it.

We also have, in that area, our hedge funds, and we have, as we know, Claren Road is a credit hedge fund. We have a lot of confidence in it. They had a down year but we are very, very confident that they will turn that around. So, it's a different kind of credit business than you might in some of our peers, but it got many different parts of the credit business in it.

Robert Lee - *Keefe, Bruyette & Woods, Inc. - Analyst*

Great. Thanks for taking my question.

Operator

Brian Bedell, Deutsche Bank.

Brian Bedell - *Deutsche Bank - Analyst*

Bill, I think you were talking about the -- being a little more aggressive on the realization front, as a general statement. Maybe if you can contrast that with the capital deployment outlook. Obviously, 4Q was a light quarter. You are still seeing opportunities, obviously, in the highly valued market. Maybe as we look into 2015, should we be thinking of a deployment year that might be a little lighter than what we saw in the 2014 full year? I guess in contrast on the realizations side, stepping that up in 2015?

Bill Conway - *The Carlyle Group - Co-CEO*

Thanks for the question. It's such an easy one to answer that I'm glad I have the ability to take it. I'd say, first of all, it's much easier to exit than it is to invest money today. We have pretty high standards for the kind of returns we are trying to earn for our investors around the world.

Secondly, I'd say that each market is a little bit different. The United States being our biggest market for investments and for realizations is the one where we always talk about. There, last year, we had a very good year with the big deals that we did with Axalta and Ortho-Clinical.

Although many of these companies, remember, are not actually like an American company or a European company or whatever. They tend to be global businesses. A business like Axalta, for example, does more business in Europe than it does in the United States. Sometimes, it's a misnomer to call it an American or European business.

In the United States, staying on that, I would say that today, valuations are very high in the United States. Yet the United States has a lot of inherent in damages over the rest of the world, that in many ways justifies those high valuations. We can talk about what they are. It's the dollar, it's housing, it's energy, it's our capital markets, it's our defense, it's our railroads, it's Silicon Valley, it's Google, it's Johns Hopkins, so many things that make America just about the best place in the world to invest most times. Valuations are high, here.

We have seen the American companies being more willing than they were to carve off the businesses that no longer fit, and we are pretty good at that, and that's a tough thing to be good at when you are taking a division out of a big public company and trying to set up on its own. Carlyle has built a pretty good track record of doing that, and hopefully we can continue to do that. We've actually now taken that outside the United States to Europe and Asia.

Outside of the United States, the strength of the dollar has made investing in businesses in Europe and Japan, I'd think, its more attractive to do so. Not necessarily more attractive than the US, but more attractive than it used to be. Many of those companies are export driven businesses, and they benefit from their relatively weaker currencies.

The businesses that may struggle in this kind of environment are those that really don't have their own currency that they can depend upon. Some of the emerging market countries that are dependent upon, let's say, the dollar. It's a tough thing for them, because they have a very high priced dollar and they are forced to transact their business in all that. I wouldn't make a prediction on what we're going to do in 2015, but I would predict, I expect as always, that realizations will be much bigger than will be investments.

Brian Bedell - *Deutsche Bank - Analyst*

That's helpful color. They be a question for Curt on the expenses. I was hoping to -- I think you mentioned something to the press release, in the investment solutions segment, investments in infrastructure to integrate the acquisitions. Just maybe some color, as we move into 2015 on that, plus other growth initiatives that you are thinking about for 2015, and how that relates to the expense base, versus what we saw in 2014?

Curt Buser - *The Carlyle Group - CFO*

Thanks for the question. In investment solutions, right, there are three businesses that we have pulled together to make that, AlpInvest, Metropolitan and DGAM. We have invested in that space from a systems standpoint compliance aspects, reporting to investors. We want to make the business consistent with the way we like to operate. It will require some additional investment, and also as we continue to invest to seek additional capital to deploy.

So, it's early days, still, in terms of developing that business, and so it's going to have some near-term challenges, but going well. We are investing also the sales force to work on that, and as we raise new capital, I'd just remind everybody that as we raise capital, for whatever fund or business, that incremental amount, if it's to our own people, shows up in our cash compensation, in the indirect comp line.

Across the rest of the platform, we are continuing to work both in the GMS, Bill and David already spoke to a number of those initiatives, as well as in real assets, to build up those platforms. A lot of that has been accomplished, but we are continuing to work on it. All of that taken together, we're feeling pretty good about the progress we've made today.

Bill Conway - *The Carlyle Group - Co-CEO*

This is Bill. That question -- excuse me -- I want to give you a follow-up answer, you are entitled to a follow-up question, but I will give you a follow-up answer. We have a business, a company now we make more than 80% of our money in corporate private equity. Corporate private equity for us is a great business. We're big, we're global, we're diversified. The funds aren't cross collateralized. We have got big deep teams around the world, we know what we're doing.

In our three other businesses, GMS, solutions and real assets, what our goal is, is to take one, two or all three of those segments and make them as good as corporate private equity. That is a tall order. Probably we'll never be able to be as good as corporate private equity, but that's the goal.

Today, GMS is about 10% of our DE, and real assets and solutions are each about 5% of our distributable earnings. What we have to do, and what we're working very hard to do, is to build those other segments into the powerhouses that CPE is. That takes money to do.

Brian Bedell - *Deutsche Bank - Analyst*

Well, understood and thanks very much for the extra color on that. I appreciate it.

Operator

Michael Kim, Sandler O'Neill.

Michael Kim - *Sandler O'Neill - Analyst*

First, just to follow-up on fundraising. As you talked about earlier, it sounds like there is a lot of demand out there for alternatives, more broadly, and in particular, for the bigger, more diversified franchises. It also seems like the bigger LPs are increasingly asking for more favorable fee break points, coinvestment opportunities, or even separately managed accounts. So, just wondering how you see those dynamics playing out, and how that could potentially impact the economics of the business, if at all?

David Rubenstein - *The Carlyle Group - Co-CEO*

I would say that the economics of private equity probably will never be as great as it was 20 years ago, in the sense that 20 years ago, the funds that you raised, you had a 20% carry. No preferred return, no netting of good and bad deals, there were transaction fees that you kept 100% of, and you kept, of course, 100% of the management fee. Those days are not coming back any time, while I'm likely to be on the face of the earth. We have to recognize we are in a different environment.

However, would you rather have a $500 million fund with those better terms or a $4 billion fund with, let's say, less attractive terms. If you are good at investing, the 20% carry, which is fairly inviolate, is likely to produce enormous amount of carried interest for firms like us. Yes, they are asking for different terms.

There's been a big sea change in the business. It used to be everybody paid the same fee, whenever they came into a fund. Now, the bigger investors do get fee discounts, and typically that come in early, or anybody comes in early.

Still, it clear to us that if you have the size and breadth of a firm like ours, you can get these $1 billion commitment, and they're likely to come, we think, relatively more regularly, as these firms, as these sovereign wealth funds have grown and continue to grow exponentially. Yes, there are theoretically, less attractive fee terms, but the size is such that in the end we could make more money with these fee terms, because the size is so much greater, if you invest it well.

Michael Kim - *Sandler O'Neill - Analyst*

Got it. That's helpful. And then my follow-up question. You acquired a number of firms in the past to round out the franchise. Just curious how you would characterize your appetite for further M&A opportunities? And related to that, seems like scale is becoming increasingly important. Just broadly, how do you see consolidation playing out across what seems like a still pretty fragmented industry?

David Rubenstein - *The Carlyle Group - Co-CEO*

It is fragmented in the sense that there are, let's say, 5,000 or more private equity funds and firms in the world. But, there are only seven or eight that are truly global, and are working to be continuously high scale global. So, I think in the end, you will see these seven or eight getting bigger and bigger relative to the smaller firms, and developing more and more of a franchise, in terms of doing many different things.

I would say, in terms of our appetite for making more acquisitions, we've been generally pleased with the things we've bought. NGP is a great addition to our firm and if we can find any more NGPs, we'd be happy to try to do something to make that part of our family. So, we're always looking for things, and we have a team of people that though is looking for the best possible opportunities, but we don't have anything we are ready to announce this morning.

Michael Kim - *Sandler O'Neill - Analyst*

Fair enough. Thanks for taking my questions.

Operator

Patrick Davitt, Autonomous.

Patrick Davitt - *Autonomous - Analyst*

You mentioned the $9 billion of fee-earning AUM, of which half would turn on fees in one year. Could you give us a little more color on the mix of that $4.5 billion, and why you're so confident about the one year bogey in terms of when it turns on?

Curt Buser - *The Carlyle Group - CFO*

This is Curt. The $9 billion is, a lot of it is in our energy space and parked with NGP, and then it's across some of our other platforms, including a little bit with AlpInvest. But we know that most of it will turn on specifically within a year, and then there is some components that are investment related, that will just come and really as the investments are being made.

David Rubenstein - *The Carlyle Group - Co-CEO*

With respect to NGP, let me clarify. NGP raised $5.3 billion, and relatively quickly. They have a great franchise, but they still had to invest their previous fund. Until you finish investing your previous fund, you can't really turn on the fee for the next fund.

So, in raising their fund, they made a calculation that probably would take about a year before they would really be able to turn on and need to turn on the fee for the new fund. So the fee is -- the management fee is going to be turned on after that period of time, so it's also probably helpful in fundraising because it was a bit of a fee holiday. In the end, we know it's going to be turned on at a certain date and there is no uncertainty about that.

Patrick Davitt - *Autonomous - Analyst*

Great. Thanks. Then, on the distribution, you mentioned a few deals that have closed, and now that you've changed the payout policy, it's a little bit more helpful for us, I guess, to get a better view of what that can mean for the 1Q distribution. Are you willing to tell us what all those realizations mean, in terms of how the 1Q distribution is tracking at this point?

David Rubenstein - *The Carlyle Group - Co-CEO*

What do you think the answer to that question is?

Patrick Davitt - *Autonomous - Analyst*

No

Bill Conway - *The Carlyle Group - Co-CEO*

We want to tell you.

Patrick Davitt - *Autonomous - Analyst*

Okay. Some of your competitors do it.

Bill Conway - *The Carlyle Group - Co-CEO*

Well, one step at a time. We just changed our policy. We'll look at that some other time.

Patrick Davitt - *Autonomous - Analyst*

I appreciate that. Thanks.

Operator

Bill Katz, Citigroup.

Bill Katz - *Citigroup - Analyst*

I wanted to ask a question if I may. Dave, you mentioned just the size of the asset is getting larger and the allocations are going up. When you talk with the investors, where specifically are you seeing the greatest demand for incremental opportunity for growth?

David Rubenstein - *The Carlyle Group - Co-CEO*

From fundraising you mean? Let me describe this. Historically, Carlyle raised from its funds, historically, our funds came from, I would say, more than 50% came from the United States. Probably about 50% or so, and about 16% came from Asia Pacific and about 34% from Europe, Middle East and Africa.

In 2014, less than half of our money came from the Americas, about 40%. Historically you've got 50% from the Americas, now about 40%. Asia-Pacific went from 16% to 35% in 2014, so we doubled the amount of money coming from Asia, and you see a lot of money coming in from there. I don't have it broken out in the Middle East, but Middle East fundraising is picking up a bit.

Also, in terms of the source of funds, this is perhaps the most interesting statistic I will give you. Historically, we've raised about 17% of our money from sovereign wealth funds. 17% over the 27-year period. Last year, 37% of our money came from sovereign wealth funds, and I don't have any reason to think that we are that unique compared to our peers. So a large amount of money is coming from these sovereign wealth funds, and I suspect that will continue.

US public pension funds, which have been by far the biggest source of capital for firms like ours over the last 25 years, they are going down, relatively speaking, as a percentage of money. Historically we got 28% of our money from US public pension funds, and generally, other public pension funds. Now, we got about 18%, last year.

I think the sovereign wealth funds are a gigantic source of news capital, or enhanced capital. Also, I wouldn't diminish individual investors. Other firms like ours are focusing, as we are, on high net worth individuals with various retail platforms and fundraising efforts, and I expect you'll see a lot more coming in from individual investors through various means and sovereign wealth funds I expect will continue to be a very, very large source of capital for us.

Bill Katz - *Citigroup - Analyst*

That's helpful. My final question is a two parter. One, can you address the tax rate? It looks like it was a little low for ENI this particular quarter, even on the payout.

Secondly, could you clarify your comment on the comp expectations for 2015? Sounds like you have some spend in any area outside of CPE but you also mentioned you have nominal year on year, so I'm just trying to reconcile those dynamics.

Curt Buser - *The Carlyle Group - CFO*

Sure. First, on the tax rate, you actually have a slight tax benefit coming through in the fourth quarter on ENI, obviously a tax provision for the full-year. One of the things you have to keep in mind the final aspect, what comes through really a corporate blocker, or in the firm, in order to make sure we still have the right qualified income to remain a publicly traded partnership.

Essentially, what happens in the fourth quarter, is the decrease on an ENI basis of some of the energy values. And then you don't have recurrence of the hedge fund incentive fees, so that causes the tax rate in the fourth quarter of this year versus fourth quarter of last year to be actually favorable this year. That's clearly much lower than last year, so that's really the driver of the change.

On your second question on compensation, one of the things you can see through our fourth quarter results, we've enacted discipline in terms of how we are viewing this. We've always had discipline. You can kind of really see it coming from here if you look at the corporate private equity business, you can see a nominal increase, only 5% year-over-year, and as kind of think going forward, if you take out the noise of fundraising and acquisitions and the like, I would think that it's going to be a nominal increase on a go forward basis.

Bill Katz - *Citigroup - Analyst*

Thank you.

Operator

Mike Carrier, BofA Merrill Lynch.

Mike Carrier - *BofA Merrill Lynch - Analyst*

Curt, one more. It looks like the incentive comp ratio was a little elevated. I know quarter to quarter, there's a lot of things that can impact that. Just given the funds that are in carry, that could potentially be the drivers in 2015, any sense of where we should think, even if it's a pretty big range, where that should be for the full year?

Curt Buser - *The Carlyle Group - CFO*

Are you asking about that in carry ratio or the performance fee ratios?

THOMSON REUTERS

Mike Carrier - *BofA Merrill Lynch - Analyst*

The incentive comp, the comp ratio on the incentive.

Curt Buser - *The Carlyle Group - CFO*

One of the things to keep in mind as you try to look at really the incentive comp, or the comp ratio and performance fees, is mix of funds that are generating either realized or unrealized in any given period. To kind of level set here, in corporate private equity, you can generally see fairly consistently that it's around 45% is the comp ratio on performance fees, and that's pretty clear quarter to quarter.

On real assets, it will be all over the place. It will distort, really, what you also see coming through in total. In real assets, both the performance fees from the legacy energy funds and from NGP don't have any compensation associated with them.

When performance fees go up, and there's no compensation on it, the ratio looks great, and when performance fees go down, I've got a big negative coming through without any associated comp, and so the comp ratio looks bad. That's the simple dynamics.

In GMS, it's generally similar to the CPE dynamics. 55/45. The hedge funds can create a little bit of noise and the other thing that can come into play as you go across things are when we have clawback on an accrued basis, often the clawback really relates to IPO and pre-IPO partners, and so it really goes to non-controlling interest. So that too, can distort the ratio a bit, because it's not really affecting net amount for the fund.

Mike Carrier - *BofA Merrill Lynch - Analyst*

Got it.

Curt Buser - *The Carlyle Group - CFO*

It's really real assets.

Mike Carrier - *BofA Merrill Lynch - Analyst*

Got it. As a follow-up, Bill, the European performance has been very strong. Yet the environment in Europe, very -- dependent on the quarter. It's all over the place. Just wanted to get your view on your outlook for Europe, both in terms of the investments and what's driving that performance, but also whether it's new deployment of capital and the exit environment. Is it as easy exit there that it has been in the US?

Bill Conway - *The Carlyle Group - Co-CEO*

Okay. Europe -- like as Curt said before, there's a lot going on in Europe, as well, and a lot in your question. Also, you have to think about the question from the standpoint of an investor in the European fund versus a unitholder investor in Europe. I know you represent the unitholders, but there is a relationship here, and I talk about.

The European funds have been great. Particularly in the last couple of years, they've been, I think both in 2013 and 2014, Europe three was our top big fund performer. Interestingly, although the numbers that ultimately get reported to you end up in dollars, when you look at a lot of the investments in the European fund, they are actually in companies like Axalta and CommScope and Nielsen that are global businesses that are done between both our US buyout fund and our European buyout fund.

When you have the dollar being very strong versus the euro, well, if you are an American business, and you've got these European earnings and they are translated back into American dollars, it looks like you made less money. That's what generally the headlines have been in the press. The headwinds of the strong dollar. On the other hand, if you are an European fund investor and you invest in euros, when those dollars, in which you have invested the company, they translate back into a lot more euros. That is going on, too, it's a little bit of a sideshow, maybe not on the point of your question.

In Europe, in our European four fund, which is our newest fund, we've agreed to do three deals, now. They are each in the range of EUR100 million to EUR200 million. Round numbers of equity. One, I think is a little less than that and the other two are in that range.

We find, actually, there has been pretty good value in that part of the buying spectrum for us. If you are Siemens, you don't need the global network of the Carlyle Group. Whereas if you are a smaller European business and you have the Carlyle global network helping you, I think we can really help businesses that are in that upper middle market. It doesn't mean we wouldn't do the bigger deals, but we do those.

Those European businesses, also some of them -- Europe, actually, European companies export more than American companies. If the ratio of export sales in America is X, that same ratio in Europe tends to be higher. They will benefit from a weaker euro relative to the dollar, which I think will help some investment in those businesses, as well. The European financing market has actually improved dramatically. It's not America.

America has a great big deep financing market that showed on our IPOs and shows on our debt financing for our transactions. I would say Europe, though, is catching up. In fact on our last CLO, the AAA tranche in Europe tended to be lower than the AAA tranche in the United States. We see the European markets are actually pretty good from that standpoint. Exits, while obviously happy with what we've done with the Altice exits that happened so far this year.

Not as easy as it is in the United States, but getting a lot easier. I think Carlyle, as a general strategy. We like to get our businesses public. When we get our businesses public, it gives us the flexibility to generally turn those public companies into realized proceeds a lot easier.

In Europe, for example, Altice is a big public company, Applus is a big public company, as well. Maybe this year, we'll take some others public as well. I like Europe. I think it benefits from the stronger dollar.

Mike Carrier - *BofA Merrill Lynch - Analyst*

Okay. That's helpful. Thanks a lot.

Operator

Glenn Schorr, Evercore ISI.

Glenn Schorr - *Evercore ISI - Analyst*

First, a quick one. NGP 11, $3.5 billion of funds raised, I know you said were not yet included in fee-earning AUM. I guess I'm curious on where fundraising stands for that, and how come you don't include it now, because it distorts the actual growth that you've seen.

Curt Buser - *The Carlyle Group - CFO*

Glenn, it's Curt. NGP 11 has raised about $5.3 billion of new capital. Until it turns on its fee, it won't be in fee-earning AUM. The only parts that are really in fee-earning AUM now are really what it's invested, and as David commented, they've only just started investing in NGP 11.

Glenn Schorr - *Evercore ISI - Analyst*

Okay. My big picture question is, the corporate private equity performance has been great. The fundraising is great. I hear your comments loud and clear on monetizing aggressively in the full valuations. You're a four to one almost net seller in the fourth quarter, and have about a 1.3 MOIC on the remaining fair value. The question is, should we be braced -- maybe it's an obvious one -- but should we be braced for flat to decelerating earnings, AUM, distributions in general, for I don't know what the period of time is. A year, maybe more, until either we work through another part of the investing cycle or GMS realized that solutions can pick up the pace?

Bill Conway - *The Carlyle Group - Co-CEO*

It's Bill. I don't think so. I think the fourth quarter was kind of a little bit of an anomaly. In CPE, we distributed like $4.5 billion, and we actually only invested $600 million, $700 million, something in that range. That is kind of the anomaly.

If you look at it frankly on the 12 month basis of the year, generally, in our private equity business, over a long period of time, we more than double people's money. Now, of we invest $10 billion, we might distribute $20 billion. We all know the $20 billion has no relationship at all to the $10 billion. Yes, it's double that number, but the $10 billion to invested, you're not going to harvest and realize that for a couple of years down the road.

Given the performance of our CPE business, our rough holding periods that we tend to achieve, the net IRRs we make, kind of round numbers, if we invest money, we're hoping to at least double that money over that period of time. I don't think that 2015 and beyond, I don't see a dramatic need to be reloading in the corporate private equity segment. I think it's been, for four years in a row, the last four years, we distributed $75 billion in corporate private equity, and we invested in our carry funds -- we invested, probably over that period of time, about $35 billion. I'm hopeful it continues to be pretty steady in the carry funds.

David Rubenstein - *The Carlyle Group - Co-CEO*

Sometimes we do try to send in this call and other vehicles, a nuanced message, perhaps, to let people know some things we might be worried about. But, we're not trying today to send a nuanced message along the lines that your question suggests. We don't really see that concern.

We can't predict exactly where things are going to come from. As we said, we have $63 billion on the ground, and that's a large number of different companies we can pick from that might be ripe for sale or exit some time. That isn't a message we are to convey, if that was the real question.

Glenn Schorr - *Evercore ISI - Analyst*

That is helpful. Thank you.

Operator

Michael Cyprys, Morgan Stanley.

Michael Cyprys - *Morgan Stanley - Analyst*

Bill, you mentioned that the low rate environment is continuing for longer than expected. Just curious in your conversation with investors. To what extent is that leading investors to accelerate their allocations to alternatives versus your conversation, say, a year ago.

Bill Conway - *The Carlyle Group - Co-CEO*

It's an excellent question. First of all, low interest rates are really a global phenomenon. When we look at our business, for example in Japan, deals in Japan tend to be done at TIBOR, which is the Tokyo equivalent of LIBOR. They tend to have lower spreads than they have in London and in America. Maybe it's $200 or $250 over TIBOR. Interestingly in the United States, and in Europe there is almost always a floor. The deal might be done at LIBOR plus 350 with a floor of 1%, so you're borrowing at 450 net, even if LIBOR is about zero.

In Tokyo, for what it's worth, there is no floor. So if you are borrowing at TIBOR plus 250 you are paying 2.5%. You see the low rate economy, there. I would say that people want yield. One of the things that attracts them to private equity, generally, is the kind of returns that our industry has generated over a long period of time.

The same thing is true in the GMS platform. People want yield. Some of them have to be pretty careful about reaching for yield. Yield doesn't come free. Bad things can happen when you take a risk that you maybe didn't mean to take, or got unlucky, or various things happen. I would say, today, it's maybe a little easy to be raising funds for our GMS platform, but not dramatically, not dramatically so.

Michael Cyprys - *Morgan Stanley - Analyst*

Okay. Thank you. That's helpful. Just as my follow-up question, David, you mentioned the percent of money from pension funds is coming down. Just curious how you think to the impact of the long-term shift from defined-benefit plans to defined contribution plans. What types of structures for alternatives you think that work in a DC plan, and are there any initiatives underway at Carlisle today that you can share with us?

David Rubenstein - *The Carlyle Group - Co-CEO*

The large US public pension funds which have been the biggest source of those kinds of capital for firms like us, I think it's going to be many generations, well past the time that we are here, before they will be so diminished in size that you really will have to focus only on defined contribution plans. But, as defined contribution plans become more significant in corporate America and other parts of our financial universe, I do think you are going to see allocations from them to alternative investment, in ways that will allow the defined contribution participants to actually benefit from some of the high rates of return that people like we get.

All of the legal issues haven't been resolved, and the mark-to-market haven't all been resolved. But, inevitably, there will be a desire by people who have IRAs, 401(k)s and other kind of vehicles to participate in these kinds of vehicles for some percentage of what they have, and there is some progress being made in that. It's probably a generational thing before you see a big impact on numbers for firms like ours.

Michael Cyprys - *Morgan Stanley - Analyst*

Okay. Thank you.

Operator

I'm not showing any further questions at this time. I'd like to turn the conference back over to our host.

Daniel Harris - *The Carlyle Group - Head of Public IR*

Thank you for your time and attention today. We look forward to talking to you on next quarter's call. These follow up with me if you have any questions after this, and have a nice day.

Operator

Ladies and gentlemen, this does conclude today's presentation. You may now disconnect, and have a wonderful day.