

06-Aug-2025

The Carlyle Group Inc. (CG)

Q2 2025 Earnings Call

CORPORATE PARTICIPANTS

Daniel Harris

Head-Public Investor Relations, The Carlyle Group Inc.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

John C. Redett

Chief Financial Officer & Head-Corporate Strategy, The Carlyle Group Inc.

OTHER PARTICIPANTS

William Katz

Analyst, TD Cowen

Steven Chubak

Analyst, Wolfe Research LLC

Alexander Blostein

Analyst, Goldman Sachs & Co. LLC

Benjamin Budish

Analyst, Barclays Capital, Inc.

Brian McKenna

Analyst, Citizens JMP Securities LLC

Patrick Davitt

Analyst, Autonomous Research USLP

Brian Bedell

Analyst, Deutsche Bank Securities, Inc.

Kenneth Brooks Worthington

Analyst, JPMorgan Securities LLC

Glenn Schorr

Analyst, Evercore ISI

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Daniel T. Fannon

Analyst, Jefferies LLC

Kyle Voigt

Analyst, Keefe, Bruyette & Woods, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good day and thank you for standing by. Welcome to The Carlyle Group Second Quarter 2025 Earnings Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there'll be a question-and-answer session. [Operator Instructions] Please be advised, today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Daniel Harris, Head of Investor Relations. Please go ahead.

Daniel Harris

Head-Public Investor Relations, The Carlyle Group Inc.

Thank you, Kevin. Good morning and welcome to Carlyle's second quarter 2025 earnings call. With me on the call this morning is our Chief Executive Officer, Harvey Schwartz and Chief Financial Officer and Head of Corporate Strategy, John Redett. Earlier this morning, we issued a press release and a detailed earnings presentation, which is available on our Investor Relations website. This call is being webcast and a replay will be available.

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 reconciliation of these measures to GAAP in our earnings release, 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.

In order to ensure participation by all those on the call today, please limit yourself to one question and return to the queue for any additional follow ups.

With that, let me turn the call over to our Chief Executive Officer, Harvey Schwartz.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

Thanks, Dan. Good morning, everyone, and thank you for joining us. We delivered an exceptionally strong second quarter. Our performance marked significant progress against our strategic plan and underscores, once again, the momentum we have globally.

We set a number of new record highs. FRE was a record \$323 million, up 18% year-over-year. FRE margin for the first half was also a record, 48%, and we hit record AUM of \$465 billion. It's also worth noting, at \$886 million, this is the highest level of first half DE the firm has ever had. We also brought in \$51 billion of organic inflows over the past 12 months. This is a clear sign of continued confidence from our investors and is reflective of the diversified nature of our global investment platform.

Before I dive into more specifics of the quarter, I'd like to address the macro environment. As we progressed through the second quarter and into the summer, sentiment has continued to pick up meaningfully. Markets are functioning quite well and activity has accelerated. Equities are near record highs and credit spreads are also near record high levels.

Markets have responded quite well to progress by the administration on tariff negotiations and tax policy. This has reduced uncertainty and is accelerating M&A and deal activity. As we all know, confidence is the greatest market elixir, and with this increasing confidence, we're seeing continued demand for private capital.

We're investing where we have strong conviction and see relative value, while maintaining our disciplined approach to how we price risk. Across the firm, we deployed \$26 billion in the first half of 2025. This is up almost 50% year-over-year.

I would also like to highlight how much capital we're returning to investors. Firm-wide realized proceeds are up nearly 40% year-over-year. While the corporate private equity market broadly has faced criticism for low levels of capital returned to investors, we have defied that trend. We returned almost \$15 billion to investors over the last 12 months. This represented 17% of our portfolio and is 3 times the industry average. And again, this is just [ph] through (00:10:26) the second quarter, which doesn't include significant post-quarter activity already announced.

This is a really impressive achievement for our teams and fantastic for our investors. It highlights the strength of the portfolio and differentiates us in the marketplace compared to other firms.

And trends and performance also continue to be quite positive. Our two most recent US buyout funds appreciated approximately 20% over the past 12 months. In Asia, funds I through IV each ranked in the top 5% for performance in their respective categories, and our fifth fund appreciated 8% this quarter alone. We've also had distinctive performance versus the market in other parts of our business.

Amid one of the most difficult fundraising environments for real estate in recent memory, this week we announced the final close of our 10th US fund at \$9 billion. That's nearly 15% larger than the predecessor fund. This team it is worth underscoring, given the team's standout performance versus the industry in a difficult real estate investment backdrop. This marks the largest US real estate fund raise across the industry in the past 18 months, a real reflection of the performance excellence of our team and the power of our global brand.

Over in Global Credit, we hit key milestones across multiple parts of the platform. In asset-backed finance, a key area of growth for Carlyle, we see lots of momentum. This quarter, we announced the first of its kind collaboration with Citigroup in the fintech specialty lending space. We also entered into a new strategic origination partnership, bringing us to six platform partnerships that collectively enhance our differentiated origination capabilities. Asset-based finance AUM is up 40% year-over-year and continues to scale rapidly. And in our opportunistic credit business, we provided a landmark hybrid capital solution with Trucordia, a leading insurance broker.

More broadly, global insurers continue to represent an important and growing client base for Carlyle. We continue to see strong demand for capital and liquidity solutions for insurers through Fortitude Re, which closed on \$8 billion of reinsurance contracts through July.

We also continue to be a compelling partner to third-party insurance clients globally, providing access to a diverse range of investment opportunities, particularly as interest in private investment grade solution accelerates. This enables us to work with the full spectrum of insurance clients, while benefiting from the growth of our partner, Fortitude Re.

Moving on to Carlyle AlInvest, the business had a record quarter with fee revenues up more than 50% and FRE nearly doubling over the past year. Secondaries continue to be a major growth engine and our latest fund currently in market is already significantly larger than the prior vintage. The secondaries co-investment portfolio finance business provides us with unique content and a competitive advantage as market dynamics shift and liquidity needs evolve. Our expertise, combined with the scale of our global platform, puts us in a strong position as secondaries and portfolio finance markets continue to grow.

Turning to Global Wealth, we've seen the assets in CAPM increase nearly six-fold over the last year. CAPM provides diversified exposure across our Carlyle AlInvest investment strategies. There are a number of reasons advisors and investors have interest in this solution, including the speed of deployment, liquidity, diversification benefits, and of course, a long history of outstanding investment performance. This is an extraordinary solution for our wealth clients. Last month, we launched a partnership with UBS, where we are the only private equity secondary solution for their international wealth clients. We're thrilled to partner with them and the early response has been fantastic. UBS is one of the leading global wealth management platforms, and we expect this partnership to be a strong driver of growth. In aggregate, we now have almost \$30 billion in AUM of perpetual evergreen strategies, up nearly 40% year-over-year.

Lastly, we continue to gain momentum in our Capital Markets business, another important strategic initiative for the firm. Over the last 12 months, we generated over \$230 million in capital markets fees, and we see further upside to this level as M&A and IPO market activity increases.

To wrap things up, obviously, we've seen tremendous growth and momentum over the last year. As we look ahead to our next phase of growth, we announced a series of leadership appointments last week, including naming John Redett, Mark Jenkins and Jeff Nedelman as co-presidents and appointing Justin Plouffe as our new CFO. These appointments are a natural evolution of our business and solidify our ability to operate at scale with the focus, alignment and agility required to lead in today's environment. I look forward to partnering closely with these leaders as we execute our strategy and deliver significant value to our investors and stakeholders around the world.

With that, let me turn things over to John.

John C. Redett

Chief Financial Officer & Head-Corporate Strategy, The Carlyle Group Inc.

Thanks, Harvey, and good morning, everyone. As Harvey said, we had a fantastic second quarter. We delivered record FRE of \$323 million, up 18% year-over-year. Year-to-date FRE totaled \$634 million, up 18%, with a 48% FRE margin. DE of \$2.05 per share over the first six months was a record start for the firm. Management fees reached \$590 million for the quarter and \$1.1 billion year-to-date, a 7% increase. Capital market fees were \$48 million in the second quarter and \$126 million year-to-date, more than double last year.

Overall, year-to-date fee revenues of \$1.3 billion increased 14% year-over-year. We also reported record firm-wide AUM, ending the quarter at \$465 billion. First half inflows totaled \$28 billion, and over the last 12 months, inflows reached \$51 billion, a 12% organic growth rate. We raised \$2.2 billion in our evergreen funds during the quarter, bringing our AUM in this important growth area to nearly \$30 billion, up more than 40% year-over-year.

Both Global Credit and Carlyle AlInvest delivered record FRE, together accounting for 55% of firm-wide FRE, up from less than 30% two years ago. This shift reflects the increasing earnings power of these businesses and the overall diversification of our earnings stream.

Carlyle AlInvest FRE reached a record \$68 million for the second quarter and year-to-date FRE of \$134 million is up more than 80%, driven by a 43% increase in management fees. We raised \$5.1 billion of new capital in the quarter, supported by the final close of our latest co-investment fund, which is nearly 15% larger than its predecessor. We've also seen a strong fundraising in our latest secondaries fund, which is already significantly larger than its predecessor, and we are still raising capital. FRE margin in AlInvest reached 54% in the quarter, up from 49% in Q2 last year.

Global Credit also delivered strong performance with \$111 million in FRE compared to \$81 million in the second quarter of last year, a 37% year-over-year increase. For the first half, FRE of \$215 million increased 41% organically year-over-year, with a 46% margin. Global Credit benefited from strong capital markets activity, increasing fee-related performance revenue and 11% growth in management fees.

Credit inflows remained strong, with \$5.5 billion raised during the quarter. This was driven by CLO issuance, asset-backed finance and flows into CTAC. Over the past 12 months, Global Credit inflows of \$24 billion reflect continued scaling in our strategy, as well as cyclical and secular tailwinds.

Turning to Global Private Equity, a key highlight in the quarter was the activation of our 10th vintage US real estate fund, which closed at \$9 billion, nearly 15% larger than its predecessor, a great outcome amidst a challenging real estate fundraising environment.

Performance in our US buyout platform remained strong with CP VII and CP VIII portfolio appreciation of 3% to 4% in the quarter and 17% to 20% over the last 12 months.

We also continue to return significant capital to our investors. This quarter, realizations in StandardAero, NSM Insurance, Forgital and Novolex drove nearly \$4 billion of realized proceeds in Corporate Private Equity. In addition, we've announced approximately \$4 billion of transactions that have not yet closed. It's worth repeating what Harvey said. Over the last 12 months, we have returned almost \$15 billion to investors in Corporate Private Equity, nearly triple the industry average.

Realizations across our Global Investment platform over the last 12 months are approaching levels not seen since 2022.

Given the exceptional first half performance and momentum across the business, let me update you on our 2025 outlook. We now expect full year FRE growth of approximately 10%, up from our prior outlook of 6%, while continuing to invest in the business to drive growth. We see potential upside if markets continue to improve. We're also tracking towards full year inflows of \$50 billion compared to our prior outlook of around \$40 billion.

Before we wrap up, I'm real excited for Justin to step into the CFO role in January. I've known Justin for a long time, as we've been colleagues at Carlyle for nearly 20 years. He's an exceptional investor and business manager, and I'm excited to work with him over the next several months as we both transition into our new roles.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Bill Katz with TD Cowen. Your line is open.

William Katz

Analyst, TD Cowen

Q

Great. Thank you very much for taking the questions this morning and congratulations to everyone with the promotions. Wonderful to see. Just maybe, pick up, John, where you left off on the guidance. Great to see the increase for sure. I was wondering – maybe a two-part question. Maybe part one for you and maybe part two for Harvey. For you, I'm wondering, maybe unpack maybe the driver to the step up of the FRE growth. How much of that is more second half versus sort of strong first half? And then where do you see the incremental growth on sales?

And then for Harvey, I know we've been speaking about this a little bit. A number of your peers are laying out sort of five-year targets. It doesn't seem like you want to do that, but it seems like you might be receptive to looking out a little bit more intermediate term. I'm wondering if you can maybe frame out how we should be practically, but sort of initially thinking through 2026 opportunity to grow the business. Thank you.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

A

Well, hey, Bill, maybe I'll kick off. And I heard it was your birthday today, is that right?

William Katz

Analyst, TD Cowen

Q

Yes and thank you for the great results. Great birthday present.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

A

That's all about you, Bill. Yeah, well, happy birthday. Okay, to be serious, look, when I arrived at the firm, some of the feedback from our stakeholders is that we didn't have forward-looking metrics for people to dive into. So for the first time ever, as roughly two years ago, we put out the annual metrics. You guys have given us feedback that you'd like to see longer duration. And so we'll think through that. We want to make sure you guys have the information you can use.

I don't know. You and I have talked about this. I've talked about this with lots of shareholders. I'm not sure anyone in the world can predict five years in any business given the complexities of the world. But certainly if there's a bit of a desire for more, we'll certainly contemplate that. I'm not committing to anything, but we'll certainly take that into consideration. But yeah, I want to turn it over to John for the second part of the question.

John C. Redett

Chief Financial Officer & Head-Corporate Strategy, The Carlyle Group Inc.

A

Yeah, Bill, look, the revised outlook, it really just reflects the strong momentum we have. It's across the entire platform. And look, the firm's – the firm is performing ahead of our expectations. So, yeah, look, we're pleased with the year-to-date results. The momentum is strong, as I said, but we continue to invest heavily in the franchise

to drive growth looking forward. I think it's helpful just to frame. I mean, FRE was up 18% in the second quarter, up 18% year-to-date. Very, very pleased with the results. So the outlook really just reflects improved momentum across the franchise.

What's driving this outperformance? I would say the growth at – the organic growth at AlInvest is just – it's exceptional. There's no other way to describe it. They are – and again, I think it's important to realize, it's all organic. It's truly exceptional. We had really strong capital markets revenue year-to-date. And the markets I would describe as kind of neutral, not super strong, not weak. So I think that has – that could be a source of growth for us looking forward. And we do see some upside to the guidance if the markets improve.

Wealth is a big driver that's becoming increasingly more important for the firm, and that's an area where we're investing heavily. Clearly, fundraising is a big driver. We're very pleased with the fundraising, a lot of momentum there. And we had a good quarter, a good couple of quarters of deployment in credit, and that's how we activate fees in credit, based on deployment. So we feel very good about the back half. The guidance is not really meant to manage you quarter to quarter, but more to give you a look through the full 2025. And again, if the markets improve, there could be some upside to the outlook we've provided you.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

A

The only thing I'd add to that, Bill, is when I travel the world, the level of engagement is as high as I've ever seen it [ph] since (00:25:37) the first day I've been at the firm. And that obviously reflects all the great work the teams are doing on executing the strategy. But it's also part of the environment. In the last point John made, I think there's a lot of operating leverage to an improving environment. And so I think there's upside to these numbers.

William Katz

Analyst, TD Cowen

Q

Thank you.

Operator: One moment for our next question. Our next question comes from Steven Chubak with Wolfe Research. Your line is open.

Steven Chubak

Analyst, Wolfe Research LLC

Q

Hi. Good morning, Harvey. Good morning, John. Thanks for taking my questions.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

A

Hey, good morning, Steven.

Steven Chubak

Analyst, Wolfe Research LLC

Q

So wanted to just unpack some of the retail commentary a bit more. The momentum is quite impressive. Flows are steadily building. We also know the CPEP launch coming in the back half. So just feel like fundraising is potentially poised to take another step function higher. So what do you think is an achievable level of run rate flows on the platform, just when we think about the vehicles already out there in the market, some of the launches

still on the come? And given that you're likely marketing CPEP right now, just wanted to get a pulse on some of the initial receptivity to the product.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

A

Yeah. So why don't I give you some insight into that? So when I got here, there really wasn't a, what I would call, systematic strategy for how we were going to engage wealth around the world. But it was very obvious, the wealth trend was emerging. And I say emerging because even though it's been significant, I still remain quite committed to the view that globally, this was a – this is a trend that's going to continue for many, many years. And we've systematically repositioned the business, the platform with our partners.

And again, this ties back to basic fundamentals. The brand has such global recognition. The partnerships that we have, we're really thrilled with our partners as I mentioned, launching this partnership with UBS as their exclusive partner internationally. So these are world-class partners that we're working with.

From time to time, people, I think, would suggest, okay, there's a lot of people on platforms. There's not a lot of Carlyles on platforms with the scale we have, the brand we have, the history we have, and the ability to create solutions the way we can. John talked a bit about Carlyle AlInvest, but that's a category killer in terms of the wealth business. It has all the characteristics and it allows us to build off that in some unique ways.

So here's the – here are the sort of fundamental components of the strategy. Three flagship funds, and a third of which you mentioned CPEP, which will be coming online in the second half of the year. All these things have a very natural flywheel effect. So we're known globally. We have a position in the marketplace. I spend a lot of my time with advisors, and advisors are quite interested in including this in their tool kit. It's not for every advisor; it shouldn't be for every advisor. But the momentum is pretty palpable. And so we'll have these three flagship products.

And then it's a lot of what we can do to work with advisors around the world to come up with unique solutions because we have all the component parts. And again, this is built on the success of the brand.

The last piece I'll talk about is obviously everyone in the industry is enthusiastic about the potential Executive Order that may come out of the White House maybe as early as today around the retirement space. I think that, again, is going to open up a space which is long overdue. Wealthy clients have had access to this space for a long time. Firefighters, teachers all around the United States have had access to their pension plans. So I think, again, this is all going to bundle in to the strategy across the board. So we're super enthusiastic about the momentum here. This is just getting started.

Steven Chubak

Analyst, Wolfe Research LLC

Q

That's great color. Thanks for taking my question.

Operator: One moment for our next question. Our next question comes from Alex Blostein with Goldman Sachs. Your line is open.

Alexander Blostein

Analyst, Goldman Sachs & Co. LLC

Q

Great. Good morning...

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

Hey. Good morning, Alex.

A

Alexander Blostein

Analyst, Goldman Sachs & Co. LLC

...Harvey and everybody. Hello. I wanted to maybe double click into another area of sort of strategic priority for the firm, which been around credit. Really nice results this quarter even when you back out the catch-up fees. Maybe talk a little bit about how you view the credit business over the next couple of years, specifically related to asset-backed finance, investment grade, private credit, the capabilities you have there and how you expect that business to grow, not so much for the back half, but if you think about it on a multi-year basis.

Q

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

So one of the more interesting phenomenons in the industry, which I think is really just – fits really nicely in our wheelhouse is this convergence of insurance credits, private credit. And private credit has evolved, as you know. Like several years ago, people would talk about direct lending. Direct lending, still a critical part of the toolkit. But the diversification across the asset classes in private credit is allowing our partners earn incremental returns, and they're effectively, as they grow, they're moving assets into the space because of the risk reward and the fact that, again, it's private investment grade is just another [ph] sleeve (00:31:31) of private investment right now. A lot of the excitement around this is around the size of the marketplace and the need for capital in the marketplace, which, again, we only see growing.

A

We've taken the strategy of selectively establishing collaborative partnerships. I think we're at six now where we think we can provide – we are at six now, but we're always actively partnering with people where we can generate unique asset flow. You saw last year, we did the largest transaction last year in Discover. And so we have a pretty fantastic capability set, and I just see this market continuing to grow.

Over time, again, we talked about, well, this will be another wealth opportunity part of the sleeve, fits in already nicely into things like Sea-Tac. But this is a space that's getting a lot of attention. And again, originally, I think it's really started with the convergence of insurance and private credit and the search for incremental, improved risk adjusted returns. But now this is a global discussion. Sovereign wealth funds, institutions, pension funds, asset-based finance is becoming much more mainstream in these investing discussions. And we've built up quite a franchise and a lot of internal content on the back of our partnership with Fortitude. So we got an early start here. We feel really good about the trajectory.

Alexander Blostein

Analyst, Goldman Sachs & Co. LLC

Great. Thank you.

Q

Operator: One moment for our next question. Our next question comes from Ben Budish with Barclays. Your line is open.

Benjamin Budish

Analyst, Barclays Capital, Inc.

Q

Hi. Good morning and thank you for taking the question. Just curious if you could talk a little [ph] bit (00:33:22) more about the near-term outlook for AlInvest and the overall solutions business. It seems like the secondaries' vehicle fundraising is going really, really well. Curious how much more there is to go there. CAPM's in the market. You've got a new secondaries vehicle launching a little bit later. I know in the past, there's been a little bit more of a kind of cadence of big fundraises for co-invest and secondaries and then kind of gaps in between. But it seems like that's starting to fill out a little bit more.

So just curious if you could – I know you mentioned earlier you're not necessarily looking yet to give kind of longer-term targets, but how should we think about that one? Can the FRE potentially double again with the same speed as it has in the past and how should we be thinking about that kind of medium-term trajectory there, given all those moving parts? Thank you.

John C. Redett

Chief Financial Officer & Head-Corporate Strategy, The Carlyle Group Inc.

A

Hey, Ben, it's John. Thanks for the question. Look, I think you're right. When you kind of look back historically at AlInvest, the growth was more of a kind of a step function. We would raise money, then it would be flat for a period of time. Then [ph] we'd be (00:34:21) back in the market and raise money. And that was kind of what that business looked like for a couple of years. I think the business has really evolved. I don't really see that step function growth going forward.

I think CAPM is going to be a big driver of growth, a consistent driver of growth looking forward. I mean CAPM year to – in the second quarter, it's up 6X what it was relative to second quarter 2024. So just exceptional growth there.

The funds we're raising are bigger than predecessors. I said the co-investment fund we raised, we closed in the second quarter, it's 15% bigger. The secondaries fund we're raising is – it's going to be significantly larger than the predecessor. It already is and we haven't finished fundraising. I think it's important to note that we continue to raise money for our latest secondaries vintage fund, and that fund's 65% committed. So, obviously, we're going to be back in the market at some point in time in the near term with another secondaries fund. So I think that will even out the growth. And this UBS partnership we have on the secondary front, I think, will continue to drive growth.

So I look at the business and I feel very comfortable that the business can continue to generate consistent growth. I'm not going to sit here and tell you it's going to grow at 45% every single year. I think that's quite exceptional. But I think this business has tremendous growth attributes to it, and I would fully expect it to continue to grow at a very attractive growth rate going forward.

Benjamin Budish

Analyst, Barclays Capital, Inc.

Q

All right. Thank you very much.

Operator: One moment for our next question. Our next question comes from Brian McKenna with Citizens. Your line is open.

Brian McKenna

Analyst, Citizens JMP Securities LLC

Q

Thanks. Good morning, everyone. And first off, congrats on all the momentum. So, John, you've been CFO for about two years now. I'm assuming you've had a little bit of a different view and look at the entire business just in this position. So as you transition back to Global Private Equity, is there an opportunity to collaborate more and leverage the broader Carlyle ecosystem to drive better outcomes in that business?

And really, what are your top priorities going to be once you're back in that role? And ultimately, how do you permanently accelerate growth in that segment longer term?

John C. Redett

Chief Financial Officer & Head-Corporate Strategy, The Carlyle Group Inc.

A

Yeah. Look, I think collaboration across the Carlyle platform is something that's always been very strong. I think it's a hallmark of our culture. We've always been a very collaborative culture, and that really reflects collaboration within Global Private Equity, but more importantly, between Global Private Equity and credit and AlInvest. So I don't think there's much I need to change there. It's actually – it's quite impressive looking at it today.

In terms of Global Private Equity priorities, look, we've been very focused on Global Private Equity the last several years. It's been an area where Harvey and I spent a lot of time. And I look at the progress within our Corporate Private Equity business, and I think it's quite exceptional. We had to make some changes to that business, and we've talked about it in the past. And you look at the business the way our Corporate Private Equity business is performing in the US, the performance is very strong, up 3% to 4% this quarter in our US Corporate Private Equity business, up 17% to 20% the last 12 months. So I feel very good about our US private equity business.

Our Asia private equity business performance is very strong. Look, performance drive – drives realizations and more realizations leads to carry release. And we talked about it in our remarks. We are an outlier in a good way in terms of realization – realizations, and we've been active the last 12 months. We've continued to be active post the second quarter. So I feel very good with how the investment teams are completely focused on performance and monetizations.

And, look, real estate, it's probably been one of the most challenging real estate fundraising markets that I can recall, maybe ever. And we were able to raise a real estate fund, our 10th fund that was 15% larger than the predecessor, which, look, it reflects just the caliber of the team we have in place and the performance.

So I feel very good about the role I'm stepping into. I'm stepping into a business that is actually performing exceptionally well.

Brian McKenna

Analyst, Citizens JMP Securities LLC

Q

Really helpful. [ph] Thank you (00:39:07).

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

A

On the move – I'll just add two things on the move. One, a little – maybe a little more nuanced. When you think about the trajectory of big, big strategic growth areas of the firm, credit insurance, how we think about global client relationships and just take CPEP, for example, which basically, to some extent, is a horizontal slice of everything we do in private equity and AlInvest.

Having John in his role is going to be extraordinarily beneficial in terms of driving all that, driving all best practices, which we already have, and making sure we're uniform across the board in terms of how we think about resource allocation, investment excellence and product development, right? John being in the seat leading CPEP is kind of natural, right?

Also, look, I'll speak on his behalf. Obviously, the last two years has been the most enjoyable part of John's career. He doesn't want to say that. I'll say it on his behalf. But hey, we'll have a chance to thank John. But John's been extraordinary.

I'm super excited for Justin coming into the seat because again, you're taking another big part of the firm, someone who's been with us for 20 years, has all the history now coming into this seat. And this moving people internally is hugely beneficial as we think about strategy for the firm. Really, really, I can't overstate how critical it is in terms of these leadership positions and the synergies they bring for the company. It was really fantastic that we were fortunate enough to have John be able to step into the seat, and we feel great about Justin. And so we'll be – this transition is going to be seamless for you guys.

Brian McKenna

Analyst, Citizens JMP Securities LLC

Great. Thanks, Harvey.

Q

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

[ph] Thanks (00:41:05).

A

Operator: One moment for our next question. Our next question comes from Patrick Davitt with Autonomous Research. Your line is open.

Patrick Davitt

Analyst, Autonomous Research US LP

Hey, good morning, everyone.

Q

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

Hey, Patrick.

A

Patrick Davitt

Analyst, Autonomous Research US LP

You highlighted the strong flagship marks, obviously returning a lot more capital. But the net IRR of CP VII is still kind of stuck at that 8%. So how should we think about the tipping point where you would feel more comfortable taking cash carry on incremental realizations from that fund? And I know you don't give specific realization numbers, but you mentioned the \$4 billion in 3Q already.

Q

As you look at that, think about what could be sold before year end, how are you feeling about the tenor of realized performance fees in 2H versus 1H or does the CP VII issue and/or lead times make this more of a 2026 story now? Thank you.

John C. Redett

Chief Financial Officer & Head-Corporate Strategy, The Carlyle Group Inc.

A

Yeah, it's John. Look, we've been pretty clear in previous calls. CP VII is not going to be our best fund. I think when I look at CP VII today versus two years ago, I think what we've done is quite extraordinary. That fund has appreciated 17%. And you look at CP VIII, CP VIII's a second quartile fund. And that fund's – that fund appreciated 20% and quite frankly already has a pretty healthy level of DPI given that it's only 65%, 70% invested.

So it's really hard for me to tell you exactly where the tipping point is for carry. But the only thing we can do really to drive carry is continue to perform. And that's what we're doing. I mean, the performance in the US is very strong, performance in Asia is very strong. The first four funds are top 5%. Our Asia buyout fund returned 8% last quarter. So we're going to focus on performance. Performance drives realizations. And when DPI gets to the right level, that will be the tipping point for carry.

I think it's important also to look at just our accrued carry on our balance sheet at \$2.9 billion. That's up 30% from last year, 30% from last year. And the two big drivers of that 30% increase have really been Corporate Private Equity, a lot of it US-driven CP VII and CP VIII and AlInvest. AlInvest had a big driver this quarter, which is great to see. And again, this \$2.9 billion, a 30% increase from last year, that represents \$8 a share. So it's a tremendous source of value for shareholders going forward.

Operator: Thank you. One moment for our next question. Our next question comes from Brian Bedell with Deutsche Bank. Your line is open.

Brian Bedell

Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thanks. Thanks for taking my question and congrats on the promotions as well. Maybe just going back to capital markets fees, obviously, this has been a great growth [ph] build for us (00:44:08) on a strategic perspective – a strategic level, sorry. I'm counting like seven quarters of year-over-year – straight quarters of year-over-year growth. So maybe if you could just comment, given the capital markets backdrop coming into the second half, whether you think the second half can exceed the first half [ph] in terms (00:44:29) – in capital markets fees. And then a little bit on the longer-term strategy coming into 2026 in terms of what are the – some of the key organic growth drivers you see in the capital markets business in terms of what you're building relative to just simply the macro environment.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

A

So just stepping back for a second. Thanks for the question. So as we discussed when I got here, there really was no strategy around capital markets fees, and the team has done an amazing job creating a strategy, implementing a strategy. One of the things that is core to the strategy is we're not risking capital. So these are very, very, I would say, highest quality fees you can have in capital markets. They spin off all the business activity, which is why I earlier said, there's a lot of operating leverage because of a flywheel effect relative to activity levels.

So as we come into the – and we progress into the second half of the year and into next year, I think a couple of things are happening. One, this is just second nature in the business now. Two, over time, we still have businesses that, for various reasons, historically, documents prevented us from taking fees. Been very antiquated in the industry. As you know, people have been taking fees for well over a decade. We're just putting that in place now. So there's more organic opportunity. But also as the businesses grow, the opportunity grows.

So I think you see three components of natural organic trajectory. One is other funds, as they come online into new vintages, will have the opportunity to drive fees. Two, operating leverage to [ph] (00:46:17) the environment. And just the muscle memory. This is now becoming real muscle memory in the business. And then three is the scale of the platform growth, asset-based finance or things that we're doing across credit, other parts of the firm, then those are natural fee drivers.

And so I think we've looked – we gave you some numbers at one point. We went back and we said, hey, look, at a really active point in the cycle, this was a \$300 million business. I think over the intermediate term, we'll be in a position where in the right environment, we should be exceeding that meaningfully.

John C. Redett

Chief Financial Officer & Head-Corporate Strategy, The Carlyle Group Inc.

A

Yeah. The only thing I would add, I'd reiterate what Harvey said. I do think our capital markets revenue stream is very high quality in the sense, and Harvey mentioned this, we're not taking balance sheet risk for this earnings stream. So it's not a balance sheet-driven earnings stream. Two, it is only focused on Carlyle. We're not doing capital markets outside of Carlyle. And if you just look at the last two years, the tremendous growth we've had in the capital markets revenue, the markets have been relatively benign, and we've been able to drive tremendous growth. So I think this is going to be a great source of growth looking forward.

Brian Bedell

Analyst, Deutsche Bank Securities, Inc.

Q

Okay. That's great color. Thank you.

Operator: One moment for our next question. Our next question comes from Ken Worthington with JPMorgan. Your line is open.

Kenneth Brooks Worthington

Analyst, JPMorgan Securities LLC

Q

Hi. Good morning. I wanted to...

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

A

Good morning, Ken.

Kenneth Brooks Worthington

Analyst, JPMorgan Securities LLC

Q

Good morning. Just digging into wealth, your wealth products are really ramping nicely. We're seeing flows get better each quarter. Great success in CAPM and CTAC, and you've got new funds coming. Just remind us, can you flush out the path forward and next steps? What's the ongoing vision here?

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

A

Well, global domination. No, sorry, I don't mean to joke, Ken. I would say that, again, this is really right in our [ph] power zone (00:48:22). Why do I say that? There are a handful of things that one needs to be successful in wealth and ultimately retirement. You need brand recognition. So brand recognition is a – it's a little bit of a cliché thing and it gets overused a lot. But what does brand recognition really mean? Brand recognition is about a

business established in 1987 that's built trust around the world, is recognized around the world, that the founders developed and gives us global reach.

Within global reach, we also have 25-year history in Japan, a 30-year history operating in Non-Japan Asia. The wealth phenomenon is a global phenomenon. We often talk about it solely in the US, but brand is a key differentiator for Carlyle in terms of our ability to reach advisors, connect with advisors and wealthy individuals around the world, full stop. That's one.

Two, diversification of the platform. This is super, super critical. As a monoline, you can have some success. But having the diversification of platform we have, and as I said, think about the countercyclicality of a AlInvest platform, Carlyle AlInvest and conventional buyout.

So as we sit in the lab and think about solutions for clients, we have the flexibility to build things that advisors want, and that is really the key to – so that's why I spend so much of my personal time with advisors, I was just out on the West Coast with advisors, because understanding what the advisors want for their client is key, solving those issues, and we have all the capabilities to do that. We have the brand reach, we have the global footprint. And again, I just really think this is early days in this trend around the world. We're on multiple platforms in multiple geographies, and we're very, very excited about it.

Kenneth Brooks Worthington

Analyst, JPMorgan Securities LLC

Q

Good. I'll hold you to global domination. Thanks.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

A

Don't put that in the report.

Operator: One moment for our next question. Our next question comes from Glenn Schorr with Evercore ISI. Your line is open.

Glenn Schorr

Analyst, Evercore ISI

Q

Thanks so much.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

A

Hey, Glenn.

Glenn Schorr

Analyst, Evercore ISI

Q

So wanted to follow – hello there. I wanted to follow up on all the good growth across AlInvest and secondaries. And my question is more on potential for performance, because you see – you're seeing great growth, the industry is raising tons of money. And I know turnover is small as a percentage of the total pie, so that's what's exciting.

The flip side is that you're seeing some of the perpetual products bid through the institutional bid. And I'm just wondering, can the industry and you continue to put up good returns in the face of all the capital raised and narrowing discounts available?

John C. Redett

Chief Financial Officer & Head-Corporate Strategy, The Carlyle Group Inc.

A

Yeah. Glenn, and we talked a little about this in the past. I think the industry has cyclical and secular tailwinds. And I kind of think of the secondaries industry as 10 years, 15 years behind the corporate private equity sector or industry. So you have tremendous demand for this product, which is driving a lot of our growth.

The other thing, too, is this is a business industry where there are only a handful of large-scale players, which is somewhat different than the private equity industry. This is an industry that's growing at – the secondary space, is growing at 40% per annum.

So I'm not going to sit here and say AlInvest can continue to grow at the 40-plus percent a year. But I do think we are a long way off from this being a mature industry. The growth dynamics driving the growth here are just – they're just too strong. The utilization of secondaries is very different than it was 10 years ago. A lot more people are using secondaries as a liquidity mechanism that they never had before, not just being driven by lack of realizations in Corporate Private Equity, but more as a – an annual liquidity mechanism to constantly be rebalancing their portfolio. So I think it's got tremendous tailwinds that are going to drive it for the foreseeable future.

I think from a wealth perspective, I think this is one of the best products. I think it's just a great wealth product when you think about it in the context of like a private equity product. You don't have a J-curve, much easier to manage. Two, it's much more diversified private equity exposure. So I think this, from a wealth perspective, has tremendous growth looking forward.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

A

I'd take a step back for a second and first of all, underscore everything John said. I think sometimes a couple of points here strategically that need to be identified can kind of get lost in the industry. One is, as John mentioned, there's only a handful of hyperscalers in this business. We're one of them. And what it means to be a hyperscaler is it means to have 25 years of history, and we celebrated our 25th anniversary of AlInvest in Amsterdam this year. It's about understanding cycles, consistency of performance, consistency of a team, but it's also often shorthand gets referred to as secondaries. Not just secondaries. It's secondaries, it's co-invest, it's primary [ph] on our (00:54:14) platform and it's also portfolio finance. And this, I think, is where you kind of get into the secret sauce.

And by that, I mean it is evolving to be a corporate finance solutions business, not just secondary. So I'm in conversations with sovereign wealth funds, with CEOs or CIOs or wealth clients. It's really more about how can we deliver the full breadth of that platform? And that's been a big part of the pivot over the last couple of years. That and integrating it into the everything Carlyle to give the business leverage.

But when I sit with a CEO or a CIO, in the same conversation, it could be, do you want to bid on these assets? We like to buy assets, we like to rebalance assets, and we like to talk to you about a portfolio of finance solution. It's a solutions business truly in all aspects of the word. And so I just feel really good about its place and its value to our clients, whether institutional or wealth.

Glenn Schorr

Analyst, Evercore ISI



Thanks for all that extra color.

Operator: One moment for our next question. Our next question comes from Michael Cyprys with Morgan Stanley. Your line is open.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC



Hey, good morning. Thanks for taking the question. Just wanted to follow up on the success in the private wealth channel with the success with CAPM, CTAC and the new private equity evergreen product to come in the second half. So, just curious how you're thinking about leveraging the success across a even broader suite of products over time in the private wealth channel. So curious how you're thinking about product development, scope for partnerships to maybe create hybrid public private products, scope for accessing the 401(k) channel. Just curious how you're thinking about this, how you're approaching this and what might we see from Carlyle over the next several years.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.



Yeah. Thanks. So, fantastic questions. Something we're spending a lot of time on internally, as you can imagine. So I think that the key to all this is putting the client at the center of the discussion. What I mean by that is if it's the retirement channel, as that opens up, what are the fundamental needs in retirement? How do we think about the fact that – there's a lot of talk, for example, [ph] if we're talking (00:56:28) about [ph] TAM (00:56:28) and the excitement and the enthusiasm. I think all that's fantastic, I think it's true.

I also think it's long overdue that hardworking people have access to these tools in their retirement. There's a lot to be sorted out between now and then in terms of working with regulators ultimately and government officials to make sure, as an industry, we get it right.

What do I mean by get it right? We have to develop solutions that over long periods of time, consistently deliver exactly as an industry what we say we're going to do. So when we look at this strategically, it's about, okay, what are the things where we have fantastic capabilities? Just spent a lot of time talking about the secondaries business. There are a lot of things you can do in a lab with a hyperscale or secondaries business in terms of creating solutions.

The key is not – we could create. If you and I got in a room, we could create an almost unlimited list of solutions of things we can provide for this platform. We could do regional funds. We could do tilts in different solution spaces, we can combine. It's again about understanding what is the fundamental client need, whether it's the wealth advisor, the mass affluent, ultimately the retirement channel, and really developing solutions that over the long term have fantastic performance and deliver. And so that's how we're thinking about it. But there's any number of permutations that we could build. We don't want to build for the sake of building. Just we want to build the things that are right.

Operator: Thank you. One moment for our next question. Our next question comes from Dan Fannon with Jefferies. Your line is open.

Daniel T. Fannon*Analyst, Jefferies LLC*

Q

Thanks. Good morning. Wanted to follow up on...

Harvey Mitchell Schwartz*Chief Executive Officer & Director, The Carlyle Group Inc.*

A

[ph] Hey, Dan (00:58:17).

Daniel T. Fannon*Analyst, Jefferies LLC*

Q

...the insurance opportunity. You guys had some announcements earlier in the year, but was hoping to get an update for the back half, or as you think about kind of longer term, the growth and contribution from that segment.

John C. Redett*Chief Financial Officer & Head-Corporate Strategy, The Carlyle Group Inc.*

A

Yeah. Look, we've been pretty clear on Fortitude. It's been a very good investment for us. It's been a big driver of growth. And look, I know there was some commentary around 2024. 2024 was deliberately quiet for us. We had to absorb the Lincoln transaction, which was in the fourth quarter of 2023. So that was a conscious decision on our end. We really started ramping up activity towards the back end of 2024, and I think the results this year reflect that. We announced a \$4 billion transaction, closed in the first quarter. The Unum transaction, which we announced earlier in the year, actually closed July, July 1. So that transaction closed. And there's a couple more in the pipeline.

So, look, I think it will be a very busy year on the Fortitude front. One thing I particularly like about Fortitude is it's a reinsurance solution for us. It's been a great solution on that front. It's very active. The pipeline, quite frankly, is probably busier than it's been in a couple of years. We're probably the most active reinsurance business in Japan, and I think there's more to come on that front. But also, as we think about how do we get kind of more of a flow insurance capability into Carlyle. The way we set up Fortitude is we can do that inside Fortitude, we can do it outside of Fortitude. So we have tremendous strategic flexibility in terms of how we think about attacking the flow segment of the insurance business.

But look, overall, we're very pleased with Fortitude. This year's been a good year in terms of growth, and again, I'd just reiterate, the pipeline is very active.

Operator: Thank you. One moment for our next question. Our next question comes from Kyle Voigt with KBW. Your line is open.

Kyle Voigt*Analyst, Keefe, Bruyette & Woods, Inc.*

Q

Hey, good morning, everyone.

Harvey Mitchell Schwartz*Chief Executive Officer & Director, The Carlyle Group Inc.*

A

Good morning.

Kyle Voigt*Analyst, Keefe, Bruyette & Woods, Inc.*

Just on GPE, earlier this year, you mentioned the rate of decline for 2025. Management fees would be meaningfully below the 7% you posted in 2024. And it seems like you're well on track to deliver that. I just wanted to get your updated thoughts on the progression of management fees for GPE and whether you think we could be at an inflection point here in terms of getting back to year-on-year management fee growth in 2026.

And Harvey, there's been a lot of change in the macro environment just over the past year – or, sorry, the past quarter. When you're out speaking with LPs, how do you think receptivity is right now for potentially allocating to US buyout and has the tone changed at all there recently? And obviously asking just in light of you getting ready to launch CP IX fundraising.

Harvey Mitchell Schwartz*Chief Executive Officer & Director, The Carlyle Group Inc.*

Yes. I mean, engaging with LPs has been great. You see that reflected across the whole global platform. And when we work with our LPs, we work with them obviously across the entire platform. And so I think that private equities industry, as I stated in my prepared remarks, has kind of gotten tagged, maybe appropriately so, and criticized with not returning capital.

I am super pleased and proud of what the teams have done at Carlyle. John went through it earlier, so I won't repeat it. But you take what the US buyout leadership has done in the past 2.5 years since I showed up in terms of making changes, repositioning the portfolio, investing really, really well. I mean, the performance in CPA John talked about second quartile and already distributing liquidity back to our investors. And we are an outlier at this stage in the industry in terms of returning capital.

Returning three times the industry average in terms of capital in Corporate Private Equity, that's no small feat. It's not – it's perfectly true also to say we're not happy with some of the net IRRs, and we have some work to do. But the momentum in this business and the engagement with LPs is quite high, and we're doing everything our LPs want us to do with the portfolio. So the feedback for me has been positive.

In terms of the macro environment, I think it's taken market participants a bit of time to understand how policy gets implemented in the new administration, right. If you go back to Liberation Day, I think everybody was a bit caught off guard by that. I think now there's a general acceptance that the administration is acting as everybody expected at the beginning of the year, which is very pro-growth. And while some might struggle with the approach of the process, we actually look at sort of where things land. It feels very pro-growth, leaning in on regulatory changes, getting the tax policy through.

So again, on any given day, you could see a lot of noise in the marketplace, but the marketplace feels pretty friendly at the moment. Again, anything can happen in the world. There's a lot of geopolitical stress in the world, which we're being thoughtful about it. But the momentum across the whole platform feels good and I'm really proud of what the teams have done on the buyout side. It's super impressive.

Operator: Thank you. I'm not showing any further question at this time. I'd like to turn the call back over to Daniel for any further remarks.

Daniel Harris

Head-Public Investor Relations, The Carlyle Group Inc.

Thank you for your time and attention this morning. Should you have any follow-up questions, feel free to reach out to Investor Relations. Otherwise, we look forward to talking to you next quarter and have a great summer.

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

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2025 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.