01-May-2019

The Carlyle Group LP (CG)

Q1 2019 Earnings Call
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MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen. Welcome to The Carlyle Group First Quarter 2019 Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, there will be a question-and-answer session, and instructions will follow at that time. [Operator Instructions] As a reminder, today’s conference is being recorded.

I would now like to turn the conference over to Daniel Harris, Head of Investor Relations. Sir, you may begin.

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

Thank you, Shannon. Good morning, and welcome to Carlyle’s first quarter 2019 earnings call. With me on the call today are our Co-Chief Executive Officers, Kewsong Lee and Glenn Youngkin; and our Chief Financial Officer, Curt Buser. This call is being webcast and a replay will be available on our website.

We will refer to certain non-GAAP financial measures during today’s call. These measures should not be considered in isolation from or as a substitute for measures prepared in accordance with Generally Accepted Accounting Principles. We’ve 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.

Earlier this morning, we issued a press release and detailed earnings presentation with our first quarter results, a copy of which is available on our Investor Relations website.

Let me summarize our results. We generated $103 million in Fee Related Earnings and $101 million in Distributable Earnings, with DE per common unit of $0.25. Our distribution based on first quarter results will be $0.19 per common unit.

Today, Glenn is going to update you on several key focus areas and Kew will provide a deeper dive on investment performance and realizations, and then Curt will go through our results, after which we’ll take your questions. To ensure participation by all those on the call, please limit yourself to one question and return to the queue for any additional updates.

With that, let me turn it over to our Co-CEO, Glenn Youngkin.

Glenn A. Youngkin
Co-Chief Executive Officer & Director, The Carlyle Group LP

Thank you, Dan and thank you everyone for joining us this morning. Carlyle’s first quarter results reflect good momentum across the entire business. The macro environment remains good, the private capital industry is thriving, Carlyle is meeting or exceeding the key objectives that Kew and I established for the year, and although our first quarter realized net performance revenues were down, due to timing factors, our funds continue to
perform well. We are pleased with how the Carlyle team is performing and this quarter's results reflect everyone's focus.

Let me hit on a few specifics. Fee Related Earnings for the quarter and their growth continue on track towards our goal of reaching $400 million in annual FRE, which we laid out for you last quarter. That would represent nearly a 15% growth rate over 2018. In addition, we are confident we can continue to grow FRE over the next few years by scaling new initiatives, carefully managing our global expense base, and raising capital for established fund families.

Along that same theme, our FRE margin continues to improve. We reached 26% this quarter, higher than the 22% margin for 2018 we discussed last quarter and on target to reach or exceed our expectation for a full year 25% margin. Kew and I remain focused on improving operating efficiency and there is still work to do over the coming years.

We raised $6.9 billion in new capital this quarter. Our fund investors continue to entrust us with significant capital commitments across the platform. This is a strong start to 2019 and follows two record setting years with $97 billion raised across the platform and against our $100 billion target, we have effectively reached our goal early, with the rest of 2019 fund raising providing upside to that goal.

Our funds performed well in the quarter, appreciating 3%. Our net accrued carry balance grew to $1.8 billion and equates to over $5 in value per unit. As we discussed last quarter, while we are currently generating a lower level of exit realizations and realized performance revenue than we have in the past, we believe this is nothing more than an issue of timing. On the deployment front, we invested $3.4 billion in the first quarter and as of the end of the quarter, we had approximately $6 billion in our pipeline of signed transactions, which we'll close in the coming quarters.

Growth in our Global Credit segment continues to accelerate. Management Fees grew 27% year-over-year and annualized Management Fees are closing in on $300 million per year, compared to less than $200 million annualized just two years ago. We continue to invest in this segment. And even with the high level of investment, Global Credit FRE was up 36% year-over-year with an FRE margin that continues to move higher.

And our strategic initiatives are right on track. Our investments in Fortitude Re and the associated investment management agreement as well as our acquisition of Carlyle Aviation Partners are performing as anticipated. Newer organic growth initiatives like global infrastructure, credit opportunities and Core Plus real estate have good momentum.

The combination of these efforts generated solid asset growth with our Fee-earning AUM growing 27% and our AUM growing 10%. We are on track with the important Q1 milestone achieved. We've remained focused on driving results, taking advantage of market opportunities and growing the platform.

Let me turn it over to Kew.

Kewsong Lee
Co-Chief Executive Officer & Director, The Carlyle Group LP

Thanks, Glenn. I'm going to spend a few minutes on our investment platform and how we expect realizations will trend over time. As Glenn noted, we are experiencing a short-term trough in realized performance revenue and it's reasonable for investors to ask, when will realizations accelerate? There are three elements that ultimately determine the level and timing of realized performance revenue for the firm: first, the amount of capital our funds
have at work; second, fund by fund investment performance; and third, the relative maturity of the investments in the fund. Looking across these three elements today, we expect that realized performance revenue will ramp up starting sometime next year and accelerate significantly in the years thereafter.

A bit more color. First, the asset base off of which we generate realizations is much bigger than it has ever been. The deployment capacity of our organization around the world has been growing. We have invested $62 billion over the last three full years. This is more than 50% higher than the preceding three-year period. As a result, we are currently managing a record $222 billion of AUM.

Now, a larger asset base is not meaningful if our funds don't perform, which brings me to the second driver, our funds are performing well and on track. Historically, our carry funds have generated approximately a 2 times multiple of their invested capital, depending on asset class and strategy. At this point, our largest carry funds as well as our smaller but more focused fund strategies are on a trajectory to achieve multiples on invested capital in the same range as prior vintage funds.

For example, our three latest fully invested large buyout funds, in aggregate, are currently marked at 1.4 times. And it's important to note that these current marks for each of the funds are in line or ahead of their predecessor fund when measured at the same point in time of that fund's lifecycle. To finish this point, let me just state that the predecessor funds for these three strategies are now marked at 2.1 times. So, we believe there is substantial appreciation yet to come on the newer funds.

Finally, it's important to understand where our funds are currently in their lifecycle. Many of the investments in our largest fully invested funds are relatively young, with an average duration of two to three years. While the funds are performing well, they are not yet ready to generate realized carry, as we typically hold most investments for four to six years. Said differently, across our broader traditional carry fund portfolio of $80 billion of remaining fair value, investments that are four or more years old currently account for only 20% – 26% of fair value, down from 41% three years ago.

This brings on the simple fact that our recent fund portfolios are performing well, are not yet mature enough to generate significant realizations or performance revenue. But in our view, it's only a matter of time. So, putting this all together, we have a larger invested asset base than we've ever had before, the performance and appreciation of our carry funds is on track, but the average life of our investments is relatively immature.

While it is difficult to be accurate quarter-to-quarter, we expect realization activity to pick up next year and accelerate in the years thereafter. Combining this future ramp in net realized performance revenues, along with a growing FRE base, gives us plenty of confidence that our future earnings will increase significantly and we remain excited about Carlyle’s future.

Before I turn it over to Curt, I think it's important to address our current thinking about Carlyle’s corporate structure. Over the past year, we’ve seen several firms in our peer group either announce or complete a conversion to a C corporation from their prior publicly-traded partnership status. At this point, we can say the following; we continue to seriously explore a conversion to a C corporation for Carlyle. The benefits we’ve seen from the conversions have not gone unnoticed. There are many complex operational moving parts in connection with the conversion and we intend to conclude our thinking with a decision in the not too distant future.

With that, let me turn the call over to our Chief Financial Officer, Curt Buser.
Curtis L. Buser  
Chief Financial Officer, The Carlyle Group LP

Thanks, Kew. I'm going to summarize our results and a few key metrics before we take your questions. Fee Related Earnings totaled $103 million in the first quarter, nearly 4 times the $28 million in the first quarter of 2018, and up from the $90 million run rate in Q4 2018. Over the past year, fee revenue grew $91 million with expenses growing only $16 million to produce the $75 million increase in Fee Related Earnings since the first quarter of 2018. As a result, our Fee Related Earnings margin nearly tripled to 26% this quarter from 9% a year ago.

First quarter Management Fees of $382 million were up 33% over the past year, as Fee-earning Assets Under Management increased 27% to $160 billion. During the first quarter, we benefited from $5 million in catch-up management fees, consistent with the year ago level, but down from the $16 million last quarter.

Transaction fees were $5 million this quarter, slightly better than a year ago, but down from $25 million in the fourth quarter. Cash compensation expense of $202 million increased 7% over the past year, reflecting in part the acquisition of Carlyle Aviation Partners. While we expect cash compensation to trend higher, as we invest in growth initiatives, we will remain focused on improving Fee Related Earnings and FRE margin.

G&A and other indirect expenses were $76 million in the first quarter, consistent with a year ago and Q4 2018, exclusive of the insurance recoveries of $32 million in Q4. Net realized performance revenues of $7 million in the quarter were low, and our net of a $20 million clawback realization, associated with our Legacy Energy Funds, specifically Riverstone Fund IV. This clawback obligation had been accrued for several years and is now being realized. With this realization, the remaining exposure from our Legacy Energy Funds is immaterial.

As Kew outlined, lower realized proceeds from our carry funds during the quarter, and a lower ratio of exits from funds currently realizing performance revenues also contributed to the quarter's results. Given the first quarter results and what appears to be a slower start to the second quarter, we now expect 2019 realized performance revenues to come in below the 2018 level. However, the longer term prospects for realized performance revenues remain strong and we fully expect to return to and then exceed our prior levels.

Because we realized fewer investments, first quarter 2019 realized investment income of $4 million was lower than the $19 million realized in the first quarter of 2018, which was one of our stronger recent quarters. However, as realizations increase over time, we would also expect realized investment income to build as investments on our balance sheet have grown to $1.3 billion, materially higher compared to several prior years.

Finally, as I noted last quarter, limiting unit dilution and reducing equity-based compensation expense are important focus areas. First quarter equity-based compensation expense of $39 million was lower than the 2018 quarterly average of $46 million and we continue to expect 2019 annual equity-based compensation expense to be lower than 2018. Units eligible for distributions for Q1 remain constant with year-end 2018 units.

In sum, Fee Related Earnings and FRE margin are improving on plan, our fund raising and deployment trends remain solid and the size of our platform continues to reach record levels.

With that, let me turn it over to the operator and we'll take your questions.
QUESTION AND ANSWER SECTION

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

William Katz
Analyst, Citigroup Global Markets, Inc.

Okay. Thank you very much for taking the questions. I really appreciate it. Maybe we can start with the commentary on the conversion potential. Kew or Glenn – I'm sorry, Curt, your thoughts, what are some of the remaining milestones or thoughts that are needed to sort of make that decision, number one, and how has that changed with the Blackstone news? And then underneath that, could you talk a little about the type of opportunity you might have under Section 754 in terms of limiting the tax implications for the first few years?

Kewsong Lee
Co-Chief Executive Officer & Director, The Carlyle Group LP

Hey, Bill. It's Kew. Appreciate the question, obviously, the interest. Look, I'm going to stick to what we said, which is, a tremendous amount of work is going on and the benefits of a conversion have not gone unnoticed by us. We still have a little bit more work to do, but we do intend to get back to you in the not too distant future.

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

Daniel Jacoby
Analyst, Goldman Sachs & Co. LLC

Hi. Good morning. This is Dan Jacoby, filling in for Alex. Thanks for all the color this morning. Just quickly on incentives, can you help us better understand the parameters around when current vintage carry funds are going to realize carry, just like if there's a way to think about perhaps the percentage of capital returned or something like that?

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

Sure. So, let me give you a little bit of background. About a year ago, I said the expected 2018 carry would be lower than 2017, but resume in 2019. And essentially, what's happened is, this is a timing issue, fully feel really good about the portfolio and I think things will recover in 2020 from a realization perspective. The portfolio remains in very good shape. There's $1.8 billion of accrued carry, and as Glenn said, that's about $5 per unit of value, more than most of our peer set. The funds are performing well, in fact, each of the big funds that are now fully invested are actually ahead or – equal or ahead of the pace of the predecessor funds.

The thing that we will focus on in when we choose to take care, as you know is looking at the return of capital in the current generation of funds. And so, we like to generally be at a place where about 50% or more of the capital has been returned and generally in the big funds, they're approaching that but not quite there. They're generally in that 40% return capital perspective. And so, we still need some more realizations out of those funds as well as just the rest of that peer set that actually begin to take carry and to – and mitigate our risk of clawback on those.
We feel good about that, and as Kew said, that portfolio performing well, it's just younger than really where it is right to take a good part of that and that timing is going to come, which is going to take us a little bit of time. I think 2020 second half will be a strong second half.

Daniel Jacoby  
Analyst, Goldman Sachs & Co. LLC

Got it. That's very helpful color. And then, maybe just one last vintage-related question just to clarify. When you talk about 2019 performance revenues being down year-over-year, that's for the full year as opposed to the balance of the year, so we should think about full-year 2019 performance revenues lower than full-year 2018's $320 million as opposed to 2Q 2019 through 4Q 2019 lower than 2Q 2018 through 4Q 2018. Is that the way to think about that?

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

You got it correct, which is, with this first quarter being low, second quarter off to a slow start, now we're in May, I think all the 2019 will most likely be lower than 2018.

Daniel Jacoby  
Analyst, Goldman Sachs & Co. LLC

That's very helpful. Thank you.

Operator: Thank you. Our next question comes from Patrick Davitt with Autonomous Research. Your line is open.

Patrick Davitt  
Analyst, Autonomous Research

Hey. Good morning. Thank you. I think you mentioned in the press release a negative mark in European private equity on the private side. I'm curious if you could walk through maybe the drivers of that a little bit?

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

So, what you might be referring to is in our realized investment income, in Corporate Private Equity, there is a realized loss there of a couple million dollars. There was a realization of a portfolio company at a loss, not a big deal to that overall fund, but it comes through as we pick up a loss. I'm assuming that's what you're asking about it. Did I hit it right?

Patrick Davitt  
Analyst, Autonomous Research

Yes. Thank you.

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

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

Yeah. Good morning. I wonder if you could talk a little bit about the performance. You said that performance of the funds is good, but and I realized that there's not always a direct correlation between what we see in the public equity markets and your private equity marks. But just given everything that's happened in the public markets in the first quarter, a 3% increase in the private portfolios doesn't seem that great.

And I kind of wonder if you can also put that into the context of the maturity of the funds and how you mark those, because I noticed like in the fund table that you're carrying CP VII slightly below the amount of total invested capital. So, how do you mark those [indiscernible] portfolios and how does it relate to the overall marks that we see versus the market?

Kewsong Lee
Co-Chief Executive Officer & Director, The Carlyle Group LP

Okay, Chris. There are lots of questions in that question. But let me try to give you a sense to try to answer the spirit of what I think you are asking, which is, you did note that our appreciation was about 3% and you're trying to compare that to public markets. I think, taking a step back, understand that over the past three years, on average, our funds have been up about 15% a year, which is tremendous performance. More specifically, the maturity of our portfolio is quite young and we've been adding a lot of investments recently to our portfolio.

So, I just want to make sure you appreciate what that really means or the implication of that, which is, the newer investments tend to be marked at cost or even below cost and the write-ups or the mark-ups on the newer investments don't happen for sometimes a couple years as value creation builds. And so, whenever you have a lot of recent investing added to a portfolio, the overall effect is to bring down the amount of a write-up and have a mollifying effect on overall appreciation, okay.

So, it's important to understand beneath our results kind of what's happening, which is, the recent level of significant deployment is bringing down our average maturity and the recent marks being at cost or even below cost, because that's the way we mark our brand new investments, has the effect of dampening or appreciation. Taking a step back, we do track each of our funds very, very, very closely and monitor our portfolios very closely. And when we compare all of our current funds on the same timeline, as our historical performing funds, our biggest funds are right on or sometimes even ahead of the same marks – of the marks that these historical funds had at the exact same point in time of their life cycle.

So, hopefully that gives you a little bit more color, as it relates to the fact that we do believe our overall investment portfolio is performing. It's on track and a large part of what you're seeing is reflective of the fact that the portfolio is relatively immature and we've had a recent spate of a significant deployment, which has the effect of dampening write-ups.
Curtis L. Buser  
Chief Financial Officer, The Carlyle Group LP  

Two quick thoughts to add to Kew's comments. First, if you were to combine Q4 and Q1, our portfolio appreciated better than the public indexes over these two quarters. And that just shows you'll have the stability in terms of private marks. Second, to just clarify on Kew's comments, often the new investments are marked slightly below costs, that's fundamentally the transaction costs. So, if you take a basic example of you buy a house and you pay for closing costs and the broker costs and all of that, you were to sell the house the next day, guess what, you're probably going to sell it at the same price you paid for it, but you're going to take a bit of a loss on those transaction costs. Those costs are capitalized into the cost. And so, that's why you end up with a day one mark kind of at [ph] 0.95 (00:25:09) or something like that. Sometimes it will be a little bit different, because it's always a fair value exercise.

Chris Kotowski  
Analyst, Oppenheimer & Co., Inc.  

Okay. That's very helpful. Thank you.

Glenn A. Youngkin  
Co-Chief Executive Officer & Director, The Carlyle Group LP  

Thanks, Chris.

Operator: Thank you. Our next question comes from Mike Carrier with Bank of America. Your line is open.

Michael Carrier  
Analyst, Bank of America Merrill Lynch  

Hi. Thanks and good morning. Thanks for taking the questions. Just one clarification, I think somebody asked on the CEP III, the European fund. And it sounds like that weighed on the performance a little bit, I just didn't know if there was something specific in the portfolio that was like a one-off versus something broader? And then the real main question is, just for Curt, you guys have done a good job of improving the FRE margin, I know longer term, the growth in credit is a big driver there. Just more curious, as you've been doing more and more work with the organization and with the different divisions, anything else that you guys have come up with to drive that over the next two, three years higher besides just credit?

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

So – Mike, thanks for the question. So, first on CEP III, I'm not exactly sure what you're referring to. It's – the fund was marked at 2.3 times on overall MOIC. It has a net IRR of 14%. The fund is doing well. CEP IV, which is the fund after it and you can see this on page 22, a 1.3 MOIC, 9% net IRR, both generally performing well, doing great. We did have this one realization that I referred to before, but in the overall context of the portfolio, really not affecting the portfolio that much, one way or the other.

Michael Carrier  
Analyst, Bank of America Merrill Lynch  

Okay.
Curtis L. Buser  
Chief Financial Officer, The Carlyle Group LP

With respect to – please.

Michael Carrier 
Analyst, Bank of America Merrill Lynch 

Yeah. No, just – I was just looking at page 4, where you guys say, partially offset by depreciation in our third European Buyout fund, CEP III. So, maybe I misread it or took it the wrong way. But that's the area that I was referring to the question.

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

It's just Innovation – Mike, that's just Innovation Group, it's just the one deal that I referred to.

Michael Carrier 
Analyst, Bank of America Merrill Lynch 

Got it.

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

That's all that is. Okay?

Michael Carrier 
Analyst, Bank of America Merrill Lynch 

Got it.

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

On FRE margin, look, we've – thanks for pointing out, we made great progress, 9% margin to a 26% margin. Our guidance remains this year 25%, we're very focused on it, you can see the cost containment. As you look at the numbers this quarter compared to last quarter, $16 million – compared to a year ago, $16 million total increase, G&A flat, a lot of the comp increase is really due to Carlyle Aviation. We're focused on it. We're going to continue to focus really on further scale, on growing new initiatives and really expense reductions and some efficiencies. I think over several years we can make – continue to make real improvement in both aggregate amounts and margin. And I think the margins we can get to in several years, will be 30-ish percent. I wouldn't go too high just yet, we got to actually get there, but you should see us creeping up to those numbers.

Michael Carrier 
Analyst, Bank of America Merrill Lynch 

Okay. Thanks a lot.

Operator: Thank you. Our next question comes from Craig Siegenthaler with Credit Suisse. Your line is open.

Craig Siegenthaler 
Analyst, Credit Suisse Securities (USA) LLC
Thanks. Good morning, everyone. I asked this question last quarter, but I wanted to see if I could get a little better color this quarter. What are your plans for the Aviation Partners business? Could you launch securitizations or long dated funds with these assets as collateral? And I'm thinking what client group here is really the target audience, is it insurance companies? And then if you looked at any other solutions combining these assets with other products, or maybe getting a covariance benefit?

Kewson Lee  
Co-Chief Executive Officer & Director, The Carlyle Group LP

Hey, Craig. It's Kew. Again, a lot of questions and let me try to address some of them, which is, it's very early days, but we are pleased with not only what we bought but also the upside potential on this Aviation and what I would call it a platform. There are two funds that we're thinking about bringing to the market this year; one is in early life aircraft, the second is more in line with what they've always done which is mid-life aircraft. I don't want to be specific about it, because we're thinking about going into the market formally with these plans.

And I think suffice it to say, we're finding a lot of interest, a lot of interest in what we can do with this platform not only from our existing LPs, but also new segments such as the insurance sector that you did quite correctly point out. So, I think it's early days, things are going well. We do have a lot of plans to create a platform around this. So, I guess, I should say to you be patient and stay tuned.

Operator: Thank you. 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 on FRE, looks like that's slated to grow nicely this year, grew nicely last year. I guess, what sort of pace should we be thinking about as we look out beyond 2019 in terms of reasonable expectations for FRE growth? Maybe you could flesh out some of the drivers behind that in terms of new strategies versus existing?

And then just on the Private Equity appreciation, it looked like it's a little bit soft on an LTM basis, a little bit of a dichotomy versus the Investment Solutions, which has been having some very nice performance. Just curious how to think about the dichotomy of returns and the slowdown in PE and maybe you could talk a little about the EBITDA and revenue growth trends that you're seeing?

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

Michael, thanks for the question. So, first on the FRE margins, I'm not sure there's a whole lot more I can say in addition to what I've already said, we're going to grow that. I think we can get it up over several years to something approaching or slightly above 30%. But – so, I would think that's a two to three, four kind of year cycle to kind of make that happen. And a lot of that will come by further scale expense reductions and then as we are able to find the right new initiatives to grow that.

From a scaling the business, we're in the process of wrapping up our major fund-raising cycle. We're essentially at the 100-year – the $100 billion multi-year target, 97% of that's already been achieved. This year, we've given guidance of $20 billion, so we'll definitely be above that. But I think the pace will not be at the two past year record levels of fund-raising, given that we have just raised our mega funds.
With respect to appreciation in Corporate Private Equity, it's 3% overall this quarter – in our big buyout funds, they've done well, but just as Kew said, with a lot of the new investments that came in, especially here in the fourth quarter and the first quarter, that just kind of has the way of depressing some of those, especially when they come in at 95%, 97% of cost on day one. But overall, feeling good about it.

Kewsong Lee  
Co-Chief Executive Officer & Director, The Carlyle Group LP

Hey, Mike. Yeah, just to add to the second...

[indiscernible] (00:32:42)

Kewsong Lee  
Co-Chief Executive Officer & Director, The Carlyle Group LP

Okay. Go ahead, Mike.

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

I'm sorry, I'm not asking about the FRE, understood, heard you earlier on the FRE margin. I was just curious on the Fee Related Earnings, what sort of growth we should – we could be expecting beyond 2019? Sorry, that's what I was trying to get at.

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

Sorry. So, we gave guidance of $400 million for this year. We’re not yet set to give guidance for out-years. As we continue to grow it, we’ll be able to give you some further color, but I think that we will be growing that over time. And I expect that that number is going to be up and not down going forward.

Kewsong Lee  
Co-Chief Executive Officer & Director, The Carlyle Group LP

And Mike, the only other aspect to your question, which we should address was you were asking for a little bit of color from our portfolio in terms of broader trends related to the economy. And what we can relay to you is based on what we're seeing in the first quarter, if you exclude the effect of FX, our portfolio's revenue growth and EBITDA growth is about in that 9% range. So, hopefully, that answers the last aspect of the question that you asked about.

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

Great. Thank you so much.

Operator: Thank you. Our next question comes from Glenn Schorr with Evercore ISI. Your line is open.

Glenn Schorr  
Analyst, Evercore ISI

Hi. Thanks. So, 7th of September, you made a hire for – to grow the Carlyle Capital Solutions Group. Just curious on progress made and your thoughts on what we should be expecting over the course of, say, this year and things like structured levered loans, high-yield, mezz debt, things like that? Thank you.
Kewsong Lee  
**Co-Chief Executive Officer & Director, The Carlyle Group LP**

Hey, Glenn. It's Kew. Great question. Thank you. Again, early days, we've hired some folks and we're organically growing this capability. It's – it has not gone unnoticed by us, that there are lots of different ways that having a broker dealer with committed capital can be very helpful in financings and to the extent that they can be a solutions provider in a lot of the transactions related to the activity that we have across our very broad platform, we think this is just opportunity for us.

Its early days, we are starting to ramp it up and as our progress develops on this front, we'll be sure to get back to you. We have already started booking some transactions, but given the fact that we just got this going and we're starting to build it, I think it's better for us to hang back a little bit and develop it and we'll – at the right time, we'll share with you more on its progress.

Glenn Schorr  
**Analyst, Evercore ISI**

Where will the revenue show up right now, even though they're modest for now?

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

Transaction fees will be where most of the – transaction related fees off of that business.

Glenn Schorr  
**Analyst, Evercore ISI**

Okay. I appreciate it. Thank you.

Operator: Thank you. Our next question comes from Robert Lee with KBW. Your line is open.

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

Great. Thanks. Thanks for taking my question. As always curious to get a sense of the LP base, I mean you guys have always been pretty successful in cross-selling products to your LP base. So, I'm just kind of curious, your current experience when you look at a new strategy kind of – or a follow on strategy kind of what proportion of that is coming from kind of existing clients versus clients new to Carlyle and any updated color on your success and kind of migrating up, so to speak, the number of funds that a typical LP may be investing in?

Glenn A. Youngkin  
**Co-Chief Executive Officer & Director, The Carlyle Group LP**

Great. Robert, hi. This is Glenn. Thanks for the question. And I think the three big trends that we continue to see is that investors that comprise the vast majority of our committed capital continue to invest in more things that we do. And in fact, you've seen the stats, but investors that constitute nearly 70% of our capital commitments continue to invest in six or more funds. And so, that trend continues.

Just in the last 12 months, we're continuing to see growth in sovereign wealth funds, continue to see growth in high net worth investors. The one area that, of course, has increased over the last 12 months is the participation of our insurance sector and that has a lot to do with the Fortitude Re deal, and so we're happy with that.
So, as I said in my earlier comments, the industry is thriving. I think that investors continue to want more and more and more of private capital. And while the whole industry is benefiting from that, we are getting more than our fair share. So, we're excited.

Gerald Edward O'Hara  
*Analyst, Jefferies LLC*

Great. Thanks. Here are the comments on the sort of 97% of the way through the $100 billion fund-raising goal and the expectation to exceed the $20 billion for this year. But perhaps you could talk a little bit about what the fund-raising looks like sort of ex the main draw down funds, just kind of on a – I don't know if run rate is the right word, but sort of what the complementary fund-raising goals or expectations are outside of the kind of main fund-raising cycle? Thank you.

Glenn A. Youngkin  
*Co-Chief Executive Officer & Director, The Carlyle Group LP*

Yeah. So, I'm not 100% sure what complementary is. I think we love all the funds and put all of our effort behind every initiative that we have. So, let me just put a little color in what's in the market and see if that helps. So, we do expect that over the course of the year to finish up our main European Buyout Fund, our latest generation of NGP. We had a fabulous full close on our latest European technology funds, Fund IV, in the first quarter.

And so we continue to make progress on our opportunistic credit fund. We continue to make progress on our infrastructure fund, our next generation international energy fund. And I think that all reflects what I mentioned earlier, which is the investor base that continues to really appreciate the breadth of what we do and support the new offerings that we bring.

Our outlook for the year continues to be at that $20 billion mark. We had a great first quarter, as we said. I think that puts us well in excess to about 10% in excess of where we expected to be at year-end with the $100 billion target. And I think the best thing that's happening in the market for our investors is a continued strong performance of the funds, and particularly the fact that our offering tends to meet many of their needs. And so, that all results in strong fund-raising and we'll continue to give you outlook as the year develops.

Gerald Edward O'Hara  
*Analyst, Jefferies LLC*

Fair enough. Thank you.

Operator: Thank you. And I'm clearly showing no further questions at this time. I'll turn the call back over to Daniel Harris for closing remarks.

Daniel F. Harris  
*Managing Director & Head-Public Investor Relations, The Carlyle Group LP*
Thank you, everyone, for listening to our call today. If you do have any follow-up questions feel free to reach out to [ph] Investor Relations (00:40:12) at any time; otherwise, we look forward to speak to you again next quarter.

Operator: Ladies and gentlemen, this concludes today's conference. Thank you for your participation. Have a wonderful day.