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OVERVIEW:

Company Summary

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CONFERENCE CALL PARTICIPANTS

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PRESENTATION

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

All right. I think we can go ahead and get started here. Good afternoon, everyone. I'm Mike Cyprys, equity analyst covering brokers, asset managers, and exchanges for Morgan Stanley Research.

We're excited to have with us for our next session, Justin Plouffe, the Chief Financial Officer of Carlyle. With over $475 billion of assets under management, Carlyle is one of the world's largest alternative investment managers. Justin, thank you for joining us today.

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

Thanks for having me, Mike.

QUESTIONS AND ANSWERS

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

Great. I thought we could start a little bit about your background. Well, you've been at Carlyle for many years. You're newer to the CFO role, and I believe this is your first sell-side conference appearance.

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

It is.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

We'll go easy on you.

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

Appreciate that, yeah.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

I think you've been in the CFO role for now about six months. 20 years at Carlyle. Just give us a little bit of color about the transition to the CFO role, how that's been, what parts of your background at Carlyle have helped you grow into that role.

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

No, it's been great. I've been at Carlyle for almost 20 years now, almost all of that time as a credit investor. I started off in the CLO business way back in the days when CLOs were esoteric alternative assets. I eventually became the deputy CIO, working for Mark Jenkins and helping him grow the credit business to the $200 billion business it is today. I think that when I was in credit, a lot of what I was doing was managing the business, talking to our LPs, figuring out ways to grow. Even though I was a credit investor, the day-to-day actually had a lot of overlap with what one does as a CFO.

I will also say that our CEO, Harvey Schwartz, and John Redett, who was CFO before me, they actually dealt with a lot of issues when Harvey came in three years ago. They dispensed with a lot of distractions, we'll say, and they left me in a great position, which is to continue the growth story. What I've been doing for the last six months is really just focusing on how do we grow the business, what areas should we be dedicating resources to, and how do we ultimately scale what Carlyle has to be even bigger and better. It's been a great six months. I'm having fun.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

Great. Well, let's begin here. Let's start with deployment. Carlyle is sitting on, I think, roughly $100 billion of dry powder at a time when geopolitical uncertainty, higher for longer rates, market volatility, all creating risk, but also opportunities. How has your macro outlook changed, say, versus three months ago? Where are you finding some of the most compelling risk-adjusted opportunities today in the marketplace?

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

Yeah. I would say that given everything that's happened in 2026 so far, it's actually surprising how resilient the economy has been globally. Our companies are generally still growing. The companies that we lend to are generally still performing well. We don't see things like waves of defaults. We don't see problems we weren't expecting. It's been actually quite surprising how well the macroeconomic environment has held up.

The counterpoint to that, right, is that there's been enormous volatility in the political scene, right? That has created a great deal of uncertainty. When you go around the world, what you hear from just about everybody is that they want security. They're focused on not just national security, but economic security, cybersecurity, right? There's a shift from this sort of just-in-time view to just in case. That is a very different mindset for investors to have. That, I think, in a lot of ways, does play into the power alleys that Carlyle has.

We have a 40-year history of investing in aerospace and defense. We have great franchises in healthcare and financials and industrials. These are all areas that over the last decade probably have taken a bit of a backseat to tech. Now, because we are not heavy in that industry, we don't have a lot of the problems in software that maybe some other firms have, and we have LPs coming to us for the expertise that we have in those power alley areas. There is a lot of uncertainty and volatility in the world. With the stronger-than-expected economic backdrop, I think there's also a great chance for us to put capital to work.

As you mentioned, we actually have a record amount of dry powder for Carlyle right now, and we are out there deploying it. Defense, industrials, healthcare, those are some of the more interesting areas of opportunity. They're interesting areas. They're areas where LPs are invested, and they're areas where we have a long-term strong track record. Our CEO, Harvey Schwartz, likes to say when he came to Carlyle, people said, oh, you're in trouble because you're not big in tech. You missed it. Now not being tech is somehow a virtue. I guess if you wait a lot of things will come your way. Right now, the areas where we have great capabilities are the areas where LPs are interested.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

Now one of the more interesting tensions in the recent quarter was strong exit activity, but not necessarily from funds that were yielding carry. How should we think about carry realization pipeline from here? Do you feel like ingredients are in place for a more meaningful pickup over the next couple quarters? What needs to happen in the markets for that to come through on a more consistent basis?

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

Sure. Carried interest is a really hard thing to predict quarter to quarter. There are so many factors that play into when it's realized. At a high level, the way I like to think about it is we've got $2.6 billion of accrued carried interest on our balance sheet. Generally speaking, that will flow through DE over a four-year period. I feel pretty good about saying that. Which quarters it will flow through, that's a much harder thing to predict.

You mentioned in first quarter Carlyle Partners VII, two vintages ago, US buyout. That one is close to carried interest. It is not our finest piece of art, as we've said in the past, but we do expect it to get to carried interest in the coming quarters. Carlyle Partners VIII, the last vintage, is still really too early in the investment cycle, but it's a fund that's doing great. It's a first or second quartile fund, depending on the measure. That one's more just a matter of time.

As the year goes on, we would expect to have realizations in funds like our Carlyle Japan Partners, Carlyle Europe Technology Partners, Carlyle Realty Partners, Carlyle Global Financial Services Partners, that are in carried interest time. We would expect to see that flow through DE.

I always want to be careful that when I speak with shareholders that it is very difficult to predict this quarter to quarter. You need to take the longer-term view, and that really is that $2.6 billion of accrued carried interest that should come out over the next four years.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

Let's shift gears and talk about fundraising. Carlyle laid out a goal to raise over $200 billion over three years, which implies a meaningful acceleration versus the prior three years. Which pieces of the plan are largely visible today and which require more or the most execution?

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

When we put together the plan, we wanted it to be something that we felt very confident in. Meaning we didn't want to put in placeholders for acquisitions or new businesses, things that we didn't have a line of sight on. The plan is very much based in our business as it exists today, scaling organically. We felt great about that in February. We feel great about it today. If you think about that $200 billion of fundraising, about $90 billion of it's credit, which is actually only a very small increase over the $88 billion that we raised as of three years prior for credit.

If you think about the wealth aspect of it, of that $200 billion, it's $40 billion, so 20%. We've been running at a run rate of about 15% of our inflows being wealth, so that goes from 15 to 20. Again, not a huge jump. We also are looking at, in this period between now and 2028, really a super cycle for fundraising for us where all of our flagships are going to be in the market, right? US buyout, our opportunistic credit fund. Japan buyout will likely be back. Our AlpInvest funds, which have been growing at a very fast rate either are in the market now or should be in the market soon.

We have some of our best funds with great returns, our largest funds coming to market, and that all makes us feel very confident in that 200 number. Will the ultimate composition look exactly like what we put in the model? Probably not. There'll probably be puts and takes here and there, but there are many paths to achieve that number, and we feel really confident about it.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

Which contributors to the 200 do you feel the market misunderstands or is most underappreciated? If you miss the target, where is it most likely to be the shortfall?

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

Look, I think what is not in there that people may underestimate are the upsides around doing something new in the insurance space, for instance. We didn't build that in. I mentioned there are no acquisitions in there.

There's also no retirement in there in terms of flows from that channel. We just announced a partnership with SEI to do a product that is focused on retirement. We announced a product with AllianceBernstein in Brookfield. We'll be partnering with them to do a retirement product. None of that is in the build. I think there are multiple areas that could result in us doing even better than what is in the build. Otherwise, it's organic, and we feel really, really good about multiple paths to get to 200.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

I wanted to ask about SPV and the structured products that you put together to help fund the $5 billion commitment to help support the next vintage fund for flagship buyers. Maybe you could just describe the transaction, how it came together, and is this something that you think could be more commonplace for you, for others across the industry?

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

Yeah. This was a transaction that really started with Harvey getting a bunch of the senior people together and saying, what can we do to differentiate ourselves in the market? What can we do for our LPs that they will appreciate, will solve a problem for them, and maybe will jumpstart some fundraising for us? We went out and we spoke to a number of the largest LPs, and this was the result. A less than a handful of very significant LPs for us that have significant existing exposure, who also wanted to increase their exposure to Carlyle going forward. What they did was take their existing LP commitments, put them together into an SPV, also made forward commitments to that, and those were the assets.

On the liability side, we had bank loans, so just banks indicated borrowing. We had a preferred equity instrument, and we had a common equity instrument. The preferred and the common owned mostly by the LPs that committed to the deal alongside Carlyle, and then we placed a little bit of the preferred, some of the preferred, with third parties. It really was a structure that was a win-win. Right? The LPs got some liquidity that they could use to reallocate today.

They ultimately, as investors in the structure, retained exposure to the Carlyle funds they had, and they also increased their exposure to future Carlyle funds. For us, that's $5 billion that's earmarked for the next vintage US buyout fund at full fees and carry.

A solution for the LPs, a great win for us. Do I think it could be replicated? I expect it will be. You need to do it in size. The structure overall was more than $8 billion in size for us. I don't think this would make sense to do with too many smaller LPs, I think for LPs of significant size that are looking for liquidity, that have a long-term relationship with you, I think it makes a lot of sense. I don't think this is the last time you'll see it in the market.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

That unlocks that $5 billion commitment to the next flagship buyout.

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

That's right.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

Great. Let's shift and talk about FRE growth margins. At your investor day earlier this year, you outlined an FRE target of $1.9 billion plus, I should emphasize.

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

We did put the plus, yes.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

You put the plus, in 2028, which implies a 15% CAGR. Can you unpack the building blocks to get there, how durable do you think this growth is, what are some of the biggest risks, if any?

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

Yeah. Again, our plan is rooted in the business as it exists today and scaling that business. We felt great about that in February, we feel great about it today. We've said a number of times, if you look at that 15% CAGR, that's not going to be the same every year. 2026, for instance, it happens to be a year where some of our funds are stepping down in management fees. We're in fundraising mode. It's a year where we're focused on fundraising and deployment and realizations that are great for our LPs.

As you get into 2027 and 2028, you should see us ramp up to that ultimate $1.9 billion plus and 15% CAGR number. We feel really strongly about the ability to achieve it simply because it's based on organic growth of the flagship funds that are in the super cycle, I mentioned before, yes, wealth is part of it's 20% of the fundraising. It's not an enormous part of it doesn't include things like retirement. I think there's a lot of ways to get there, we wanted to make sure we put out a number that we felt very confident in. $1.9 billion is something we feel confident in.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

Credit insurance central to the next phase of growth at Carlyle. I guess, what do you think Carlyle does uniquely well there? How are you leaning into your unique advantages as you drive the next step function growth in credit?

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

Yeah. I think the differentiating factor for our credit platform is really the diversification that we have. We did not build the platform based on one type of strategy. There are many successful monoline credit managers out there, but the vision that Mark Jenkins brought was that we wanted to be a solutions provider. We wanted to be able to go to a company and say, no matter what solution you need, we have a pocket for that. If you want us to anchor your broadly syndicated loan deal, we can do that. If you want a regular way vanilla direct lending loan, we can do that. If you need junior capital, if you need something more bespoke, if you want us to lend against a hard asset, if you want us to securitize assets for you, we can do all of that. We've been able to, over the last eight years, build that out. I guess 10 years now, geez. We've been able to build that out, and now what we need to do is scale.

Every part of it, I would say, other than the CLO business, which is quite well scaled, every other part of it is built to be bigger than it is today, and is on a path to be bigger than it is today. Really the goal there is to scale all of those solutions. I don't think there are many credit platforms out there that truly have that full set of capabilities unified under one leadership group that can face the borrower and say, whatever you need as a solution, we can provide it.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

Given some of these newer strategies, not just in credit, but you look across the rest of the platform, if you were to zoom out five years from now, what portion of the overall firm earnings do you think could be from businesses that barely existed five years ago?

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

When we put together our plan for 2028, if you look at where the revenues are coming from, it's about a third, a third, a third between private equity, private credit, and our AlpInvest business. That is a far cry from what we used to be. I think five years ago, it was at least two-thirds private equity. We've diversified. The firm is much more durable for that. We don't rely on one particular channel of fundraising, right? We have insurance, yes. We have wealth, yes. We have our traditional institutional. We don't rely any longer on one flagship fund or one strategy, right? If the market for private equity is not that active, but there's a vibrant secondary market, people need liquidity solutions. Our AlpInvest business is incredibly well-positioned to take advantage of that as it has for the past five years. I think wherever the markets move now in the private space, one part or another of our business is well-positioned to take advantage of that, and that's going to be the difference between Carlyle going forward and maybe what we were in the past.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

You mentioned AlpInvest. I want to dig in there for a moment. It's become one of the firm's clearest growth engines, and today it looks less like a secondaries business and more like a private market solutions platform. How much larger can that opportunity become? Talk about some of the steps you're taking over the next couple of years to further expand AlpInvest.

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

AlpInvest has been an enormous success story for us. It's over $100 billion in AUM now. It's grown its FRE, it grew 60% last year. It's grown 4x in the last four years. This is really all about the natural evolution of private markets. Any market that starts out as esoteric, at first you can charge high fees, the returns are outsized. Over time, it moves to be more normalized. More people come in, there's pressure on the returns, then eventually what happens is people need liquidity. Private markets are now coming to that point where people want liquidity solutions.

To your point, AlpInvest started out as a primaries allocator, then it went into co-investment, then buying secondaries. Now it also has solutions in portfolio finance. It could do securitizations like we just did for our US buyout franchise. NAV loans, it's moving into the credit space. Again, it's like our credit business. We want to be able to approach GPs and LPs around the world and say, what do you need? What type of solution do you need? Because we have a pocket that can provide that. I think that that will continue to grow with the private markets. What rate can AlpInvest grow at? At the rate that the private markets grow, because the more capital is out there in private markets, the more participants you have, the more there will be needs for liquidity.

Frankly, I will get the question sometimes, well, isn't this a moment in time because private equity has not exited as much, perhaps as it has in the past? That's one reason. When we talk to LPs, there are many other reasons they want liquidity. They want to reallocate within private equity. They want to reallocate to credit. They have liability structure issues. The fact that private equity maybe hasn't realized as much, we've actually realized quite a bit as a firm, some others haven't. That's one factor of many, this need for liquidity and liquidity solutions, it's not going away. The demand will only go up.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

Let's talk about private wealth, which has been a key priority for Carlyle, for the industry. What lessons has Carlyle learned from building out the wealth platform over the last couple of years, including recent experience with CTAC and investor behavior?

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

Look, we were a little bit later to the wealth process than some others. I think the team's done a phenomenal job catching us up. The brand name has resonated very well in the wealth channel. CTAC was the first thing that we did in the wealth channel, a private credit interval fund. I got to be part of that process and building that and going out into the wealth channel. The investors there are just as sophisticated as they are in the institutional channel. They have different concerns and different questions, but they are very discerning, and you have to be ready to provide phenomenal client service for them.

We've now built out the private wealth business so that we have a flagship in every one of our strategies, at least one, and that's kind of new in the last 12 months for us. We're really at the very beginning of being able to offer the full suite of Carlyle investment products down the wealth channel. The response so far has been great. It is a different kind of marketing and talking.

We entered into a sponsorship agreement with Oracle Red Bull Racing of Formula 1. That's been a very fun thing. I don't think we would have done that if we were only in the institutional channel. I'm still waiting for my chance to meet Max Verstappen.

Things like that are just a bit of a different world and a different way of thinking. It is a channel that fully understands the need for exposure to private markets. You just can't create a truly diversified portfolio for a client now if they don't have some exposure to private markets. They're too big. They're too big a part of the economy. We have these bumps in the road, as you always have in fundraising. Right now, it's private credit. If you ask me five years from now, are wealth investors going to have more or less private market exposure than they have today? It's going to be more, it should be more because it has a place in a broadly diversified portfolio, I know the advisors in the channel understand that very well.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

How has your experience so far impacted your approach to new product development? What are some of the types of strategies and vehicles that we could see from Carlyle in the coming years in the wealth channel?

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

Yeah, I'm pretty happy with the strategies and the structures that we have for the wealth channel now. Our big step was to get at least one product for every one of our investment strategies. I'm sure there will be more, but I'm not sure that we need to have 20. We probably need to have seven that really encapsulate everything that we do, and I think we'll do that.

The most important thing is that they're structured correctly for the underlying assets. There are certain assets where they really are illiquid, and you need to put them away for five or six or seven years and understand that that's not going to be a source of liquidity for you. Let the investors do their job. There are certain ones that fall in kind of the middle bucket. Credit probably is there. You can get some liquidity, but it shouldn't be your first source. There are some that are fully liquid. The structure has to match that, and I think we made a good choice when back in 2018 for CTAC, we decided to use the interval structure, which provides 5% per quarter liquidity.

That's the right structure for private credit. You never want to be a forced seller in credit. I mean, if you look back at how people lost money through the great financial crisis, generally speaking, it wasn't because they made bad credit decisions, had defaults, and poor recoveries. Generally, it was because they were a forced seller at the wrong time.

When we were designing these products, we designed them that way. That's the future, I think, for these products, is that the buyer base needs to understand where they fit in the liquidity spectrum. I think most of the advisors do. If they don't, they will learn. Once they do, then I think you'll see even more uptake because there'll be a greater understanding of how these products work within a broader portfolio.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

While there's a lot of focus on the wealth channel, it seems the retirement channel may emerge as a new channel. Understandably, it's not in your targets for 2028. I guess what still needs to happen for private markets to become mainstream inside defined contribution plans? Talk about the steps you're taking over the next 12, 24 months to capture this opportunity.

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

Yeah. In a lot of ways, if you think about where private markets assets should sit, it's retirement. Really, the first uptake for private markets were pension funds, which are thinking about long-term retirement liabilities. It only makes sense now that eventually they make their way into individuals' retirement planning. I think just from an asset management standpoint, there is a natural pull there. The difficulties tend to be a little bit more around the regulation. It is a heavily regulated space. It is a unique space that has a lot of rules that others don't.

What we're working through as an industry right now is, how do you fit there? I think first it will be part of a broader portfolio solution, so a target-date fund or something of that nature. Mentioned before, we're partnering with SEI on an interval fund product that will package a variety of private markets investment solutions into a sort of one vehicle, effectively.

Same thing with our partnership with AllianceBernstein and Brookfield, where we're doing the private equity, Brookfield's doing real assets, AllianceBernstein's doing some credit, and we're packaging it all as one solution. That's probably the first step.

I think we're probably a ways away from having one-off individual asset solutions for retirement investors, but we'll see over the next few years. I expect it will be more of an evolution. It's not going to happen overnight. It will likely be a slower uptake. Again, if you think about just intellectually where these assets should sit and what type of liability they should sit against, retirement just makes a ton of sense. I expect it will grow consistently over time.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

Let's shift and talk about AI. I know it's a focus for you- I've heard of it, yeah at Carlyle. Yes. Across the investment process- Yeah across portfolio management, firm operations. As we move beyond experimentation, where are you seeing measurable productivity gains today, and when do you expect those benefits to become more visible in the economics of the business?

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

Yeah. It's a great question. AI is going to revolutionize eventually every single industry in one way or another. I will tell you, in our industry today, right now, it is helping us with efficiency. It is able to do things faster than human beings can in certain instances, with the proper human oversight. We are finding efficiency gains in all sorts of things, payment processing, putting together slide decks. I think our junior folks are probably very happy to have a lot of the AI tools that we have now. It just allows them to get work done more efficiently and faster than maybe it used to be when I was putting together slide decks. There's a lot of that that really has had an immediate impact on the business.

I think the longer-term stuff, we are spending an enormous amount of time on. We are very much believers that AI is going to significantly impact the investment process going forward. I wouldn't say it's there yet. That's where we're more in the lab. We are working with some of the leaders in the AI industry about how to properly train these models and have them bring more value to decision-making. At this particular moment, most of the value really is in sort of the efficiency gains and speeding along the processes and decision-making that was already happening. In the next five years, you're going to see the decision-making itself start to get impacted, and that will be very interesting.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

Any way to quantify the benefits so far?

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

Boy, I don't think so. It's a really difficult thing to measure. I wouldn't tell you that we have particular measurement of, oh, we saved this many hours, or we saved this many dollars. The other thing that every industry is going to have to grapple with, which people are starting to think about now, is that AI is not free, right? You have to pay for this.

I was half-joking with someone the other day, like maybe we'll still need to hire junior people. Of course, we're going to need to hire junior people, right? AI isn't going to do everything for us. There is going to have to be a balance of what do you use AI for, especially when you're talking about major, significant computing power, and what can you use maybe lesser technology for, or simply have a human do?

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

How do you think about the implications for talent management.

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

I think it's something we think a lot about because, on the one hand, you want to understand when you're evaluating talent that somebody is doing their own work and that their thoughts are their thoughts, and they're not getting them from AI. That said, the moment they come in to do work, you expect them to use AI. You're really trying to identify people that have that creative thinking aspect of the work that we do, but also can interact with the tools, including AI.

I think ultimately, it will change things, but we will still have a structure of mentorship. It will really still be about the senior people training the junior people about what makes a good investment, how do you look at a company, how do you look at an investment process. AI will be a tool and an important part of that, but there still will be that apprenticeship model in the investment industry. I think hopefully what it will do, and I tend to be optimistic about these things, hopefully what it will do is reduce the amount of rote work and really increase the focus that we can have on the key decision-making that goes into an investment.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

If we look out three to five years, is it primarily an efficiency tool, or you think it can become a genuine source of competitive advantage?

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

I think it's both. I think it's absolutely an efficiency tool, but I also think in terms of decision-making, the technology will get to a place where it can be helpful. I don't think that we will ever fully replace the human element, but I think it can be very helpful and a huge part of that. I would hope that we're at the forefront of using AI in our decision-making process because I think it's a very powerful tool.

I will say, though, that some of the predictions of software companies not existing or anything don't strike me as that credible. Just because somebody can go and vibe code a CRM solution doesn't mean that that's the most efficient thing to do, or you can't imagine every single company vibe coding every single application that they need. This is actually a significant concern in many ways because of the cybersecurity threat that can come from it. AI will be incorporated in just about everything that we do, and it will simply be sort of like the internet, right? We don't talk about using the internet. Every company obviously interacts with the internet today. Every company will interact with AI, and it will be embedded in everything that we do.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

We're almost up on time, final question. If you look to Carlyle of 2030, which of your emerging growth initiatives do you think has the potential to be the most transformational to the firm? What do you think investors are most underestimating about where Carlyle will be in five years?

Justin Plouffe - *Carlyle Group Inc - Chief Financial Officer*

Well, the theme I think that AI has the greatest transformational impact both for our portfolio companies and for the firm, I would say that's true of just about every company in every industry. I mean, it is a revolution that we're going through. In terms of Carlyle, as I said before, I think we have built the foundation of being a full solutions provider in private markets across AlpInvest, credit, private equity, scale is really what we need to focus on now.

I think what people underestimate about Carlyle is how that diversity and durability will be a huge advantage going forward. To not be a monoline, to be able to move wherever value is across private markets, that's an enormously valuable thing. To do that across many different geographies around the world, that's something that's hard to replicate, I think it will serve us well, it will give us the opportunity to, I think, really be one of the firms that continues on for a very long time in private markets and has a very durable brand.

Michael Cyprys - *Morgan Stanley & Co Ltd - Equity Analyst*

We'll have to leave it there. Justin, thank you so much.
