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The Carlyle Group Inc. (CG)

Q1 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to The Carlyle Group First Quarter 2026 Earnings Call. All lines have been placed on a listen-only mode, and the floor will be open for questions and comments following the presentation. [Operator Instructions] At this time, it is my pleasure to turn the floor over to your host, Daniel Harris, Head of Investor Relations. Sir, the floor is yours.

Daniel Harris

Head-Public Market Investor Relations, The Carlyle Group Inc.

Thank you, operator. Good morning, and welcome to Carlyle's First Quarter 2026 Earnings Call. With me on the call this morning is our Chief Executive Officer, Harvey Schwartz; and our Chief Financial Officer, Justin Plouffe. 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 Factor 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 line today, please limit yourself to one question and then return to the queue for any additional follow-ups.

And 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 wrapped up another strong quarter headlined by record US buyout realizations, a high level of inflows, fee-related earnings of \$300 million, and a 47% margin. Momentum across the platform continues to accelerate, and performance remained strong reinforcing our confidence in our strategic plan.

These results came against a complex, global backdrop. Before we go deeper into the quarter, I want to spend a few minutes on the environment and the global macro trends. Geopolitical uncertainty and splintering are front of mind for investors, are influencing capital allocation and investment decisions but, of course, is not new. Over the past five years, we've navigated COVID, the ongoing Ukraine-Russia war, and now, the war in the Middle East.

As a result, there are two subjects that every government official I meet with wants to discuss, national security and stimulating economic growth. By national security, I mean, both investment in traditional defense but also energy security. The focus on economic growth and competition across regions is intense, with a focus on re-

industrialization and onshoring top of mind. Underpinning all of this change is an increasing need for capital and innovative client solutions. Everywhere I go in the world, the message is the same, the demand for private capital continues to grow.

Our team and the breadth of our platform is well-positioned in this environment. Our diversified set of businesses span private equity, real assets, private and liquid credit, and Carlyle AlInvest. In today's environment, diversification is a distinct advantage. Our deep sector expertise in aerospace and defense, industrials, energy, and healthcare maps directly towards a growing investment opportunity set. And we've been doing this at scale for decades.

Now, before Justin and I run through the quarter's financial performance, I would like to highlight an important milestone from earlier this week. We closed the first of its kind investment solution, anchored by a \$5 billion commitment secured for our next vintage US buyout fund. This innovation provides a capital-efficient way to address our clients' needs. It's a solution that provides both access to our next US buyout fund and simultaneously offers them a tailored solution to provide liquidity. This solution underscores how we are leveraging Carlyle AlInvest capabilities in portfolio finance and secondaries alongside our private equity platform to deliver differentiated outcomes for our investors. It was truly a win-win for our investors and for Carlyle.

Through this structure, several cornerstone investors have increased their exposure to US buyout, further demonstrating their confidence in our platform and continued interest in the core sectors we focus on. Also, it's important to note that we haven't launched fundraising for the next US buyout fund. That will come later this year.

Let me move on to some of the strong activity trends we saw in the quarter. As you've seen in prior quarters, we continue to return capital to investors at a faster pace than the industry. Realizations were more than \$12 billion, reflecting the high quality of our portfolio and continued prioritization of returning capital to our fund investors. It's also worth noting that we returned a record amount of capital to US buyout fund investors this quarter, a rate which is more than 40% higher than our prior record set in 2021. We continue to have a deep set of assets to monetize for our investors.

Deployment was \$10 billion in the quarter, and we also announced two large transactions that will close in the coming months, the \$8 billion carve-out of the coatings business from BASF and the \$3 billion acquisition of MAI Capital Management. We also invested \$4 billion in private credit and nearly [ph] \$4 million (00:05:47) across a diverse set of strategies in Carlyle AlInvest. These transactions should also contribute to a pickup in transaction fee revenue in the coming quarters.

On inflows, we had a great start to the year, attracting \$13 billion of new capital. In Carlyle AlInvest, we raised nearly \$7 billion in the quarter, reflecting strong demand for our broad set of secondaries, co-investment, and portfolio finance strategies. We also saw sustained inflows in our wealth vehicles, including CAPM and CAPS. AlInvest is benefiting from both favorable market dynamics and strong performance.

In Global Credit, we raised \$4 billion in the quarter. Demand remains strong across our diversified platform. We had a first close on a new close in an asset-backed finance strategy. That strategy now tops \$12 million, up more than 30% compared to last year.

In summary, Carlyle continues to benefit from a diversified platform that can provide durable results across dynamic changes in geopolitics and market environments. As you would expect two months after the shareholder update, we remain quite confident that we will reach or exceed the targets we laid out for you in February.

With that, let me turn the call over to Justin.

Justin V. Plouffe

Chief Financial Officer, The Carlyle Group Inc.

Thanks, Harvey. Good morning, everyone. In the first quarter, we generated distributable earnings of \$327 million or \$0.89 per share. Fee-related earnings were \$300 million at a 47% margin compared to \$290 million in Q4. Fund management fees were \$545 million, up 4% year-over-year, driven by continued growth in Carlyle AlInvest and Global Credit. Carlyle AlInvest continues to be a great growth story with a record level of AUM and record inflows during the quarter.

Our underlying recurring fee base continues to grow, and we expect to see management fees accelerate over the next two years consistent with the path we laid out at our shareholder update. Fee-related performance revenues of \$45 million in the quarter were 15% higher year-over-year, driven by growth in our evergreen wealth strategies, where AUM now stands at \$19 billion, that's 4 times the level from just three years ago. We produced \$54 million in transaction fees in Q1, and we expect this to increase next quarter driven by the completion of several transactions that have already signed or closed.

In Q1, we generated \$12 billion of realized proceeds, our third-best quarter ever. Net realized performance revenue of \$21 million this quarter was lower year-over-year, but this was simply a matter of composition. Most of the first quarter exits were in funds not yet realizing carry, notably CP VII and CP VIII. As we continue to return capital to fund investors and drive value creation, we expect our level of NRPR to increase. We have several transactions that should drive realized carry over the remainder of 2026, notably in our fourth Japan buyout fund, third financial services fund, and fourth European technology fund.

Now, let me turn to some details on our individual segments. In Carlyle AlInvest, FRE was \$68 million in Q1, higher year-over-year despite having \$13 million less in catch-up fees for the quarter. Total AUM reached a record \$107 billion, up 20% year-over-year. Record quarterly inflows of \$6.8 billion were driven by broad-based institutional and wealth activity across the platform. Net accrued performance revenues reached \$643 million, a 13% increase year-over-year. Carlyle AlInvest continues to show great momentum with our next vintage funds expected to have first closings later this year.

In Global Credit, FRE was \$93 million in the quarter. Management fees of \$147 million increased 6%, while transaction fees were modestly lower. Total AUM of \$209 billion was up 5% from a year ago, and inflows of \$3.9 billion this quarter were led by the \$1.5 billion first close of our new asset-backed finance fund. For the last 12 months, credit inflows totaled \$25 billion.

We continue to see strength in the credit metrics of our underlying portfolio across our diversified credit platform. In direct lending, our current non-accrual rate is only 1%, and our inception-to-date loss rate over 13 years is just 8 basis points per annum. In structured credit, our default rate of about 50 basis points remains at half the industry average. We continue to actively manage the entire portfolio, and we feel well-positioned to take advantage if credit markets experience increased volatility over the rest of 2026.

In Global Private Equity, FRE of \$140 million in the first quarter was in line with Q1 last year, but the key operating metrics for this business, notably fundraising and realizations, showed strong momentum. As Harvey noted, we already have earmarked \$5 billion in commitments for our next vintage US buyout strategy. This was a fantastic outcome. The solution broadly leveraged the entire firm and highlights our differentiated ability to deliver tailored solutions for our LPs.

We returned a record \$7 billion in proceeds to US buyout investors this quarter. CP VII alone returned nearly \$5 billion of proceeds driving DPI in the fund to more than 70%, with nearly \$17 billion in remaining fair value. We've made great progress for CP VII investors over the past two years and expect to continue returning capital for at least the next several quarters before we start realizing carry from this fund.

Shifting to the balance sheet, we ended the quarter in a strong position. Balance sheet assets attributable to Carlyle shareholders, including cash, net accrued performance revenues, and investments net of debt totaled approximately \$5 billion or roughly \$14 per share. We declared a quarterly dividend of \$0.35 per common share, in line with the quarterly level in 2025. We repurchased or withheld 3.8 million shares totaling \$205 million in the quarter. And we have \$1.9 billion remaining on our \$2 billion repurchase authorization.

Our diluted share count of 360 million is down over the past year. We remain disciplined and opportunistic in how we think about capital allocation. Investing in growth remains the priority, but share repurchases are an important part of the equation as well, and we will continue to be active on that front.

Looking ahead, we entered the second quarter with strong momentum. Dry powder of \$96 billion is a record and up 13% year-over-year. Our platform is diversified across strategies, geographies and client channels, making us extremely well-positioned to navigate the current market and continue creating value for our investors and shareholders.

As we said at our February shareholder update, our growth plan is grounded in a bottoms-up organic strategy for each of our businesses. We see a clear path to \$200 billion of inflows, \$1.9 billion in fee-related earnings, and \$6 or more in per share in DE by the end of 2028. We fully expect to achieve or exceed each of these goals.

With that, let me turn it back to the operator to take your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, the floor is now open for questions. [Operator Instructions] And we'll take our first question from Alex Blostein from Goldman Sachs. Please go ahead, Alex.

Alexander Blostein

Analyst, Goldman Sachs

Q

Hi. Good morning, everybody. Thank you for taking the question. I was hoping we could start with a couple of questions just around the structure that you announced earlier this week. Obviously, quite unique and a creative way to move the franchise forward. I was hoping, however, you could expand on how this solution was originated. So, maybe spend a couple of minutes on the actual dynamics. Within the structure, there's a couple of things going on, but how the assets will be coming in into the SPV and how it's ultimately funded? Curious also on the response from other LPs. And then ultimately, when it comes to financial implications for Carlyle, anything we need to think about with respect to changes in economics, either to Fund VII or VIII, or how the fee structure will work for Fund IX?

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

A

Great. Thanks for the question, Alex. So, maybe take a step back for a minute. The Carlyle AlInvest platform, often sort of secondhand, is thought of by people as a secondaries business. And as you're seeing for the last couple of years, as we've strategically repositioned the platform, it really is obviously much more than that. It's secondaries just co-invest, it's a primary business, and it's a solutions business.

And one of the most important parts of that business is this growing solutions business, which really is about providing GPs with thoughtful solutions when they want to take incremental exposure or LPs where LPs want to dynamically manage their portfolios. And they've had huge success providing LPs for that value.

The genesis of this was really thinking about how Carlyle could, as a very capital-light firm, optimize the use of our capital. We knew of strategic LPs that wanted to reposition their portfolios in ways that made sense for them. They also wanted increased exposure to US buyout, and we were able to come up with this solution, which is not particularly complicated, but I would say, for this industry, is innovative, creative, and again solves our clients' objectives.

For the firm, obviously, and the team, it's a good outcome because it's a cornerstone financing of five-plus-billion dollars at full fees. There's no impact. The most important thing about putting this together was obviously solving for our LPs' needs but also ensuring that there was perfect alignment with the fund and the future fund raise. And so, all of that was really critical to how we brought this together.

In terms of firm and alignment, there's a subordinated portion of equity where the firm is aligned there too, supporting, which obviously our LPs love. But I think this really reflects where this industry is going. And I can tell you, the solutions business was already at huge momentum because of what they're able to provide LPs and VPs. But since announcing this, the phone's been ringing off the hook with people looking to engage in terms of how they can either replicate this and create value for their LPs or their GPs.

And so, I just think this is a direction of travel for the industry. But you really have to have the thoughtful experience of a Carlyle AlInvest team to actually bring this together.

Operator: Alex, does that complete the question?

Alexander Blostein

Analyst, Goldman Sachs

Yeah. Thank you.

Q

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

Yeah. Next question, please. Thanks, Alex.

A

Operator: Thank you. And we'll take our next question from Ken Worthington from JPMorgan. Please go ahead, Ken.

Kenneth B. Worthington

Analyst, JPMorgan Securities LLC

Hi. Good morning. Thanks for taking the question. Wanted to dig into the outlook for carry in Private Equity and AlInvest. And for Private Equity, can you talk us through cash carry and Japan IV and financial services II and III, while we wait for CP VII and CP VIII to kind of come into cash carry. And for AlInvest, carry comp was the lowest level I think we've seen on record. Are we sort of at the point where carry is coming from funds and AlInvest with really better economics for shareholders?

Q

Justin V. Plouffe

Chief Financial Officer, The Carlyle Group Inc.

Yeah. So, let me take the AlInvest side first. As you probably know, AlInvest has a European-style waterfall. So, a little bit more difficult to predict. I think the most important thing for AlInvest is the returns continue to be really great. So, tremendous momentum in that business. Admittedly, hard to predict the timing of carry, but as long as the returns continue to be strong, then ultimately, that's going to be a great outcome.

A

We've got a variety of deals that are already signed, closed, or deeply in process in some of our other funds. You noted Japan buyout, you noted Europe TAC. So, those are all going to come through, we would expect, in the next few quarters. Again, I'm hesitant to give specifics on timing and amounts because some of those are public and it will depend on pricing and market environment over the next few quarters, but those are very near term. They're well along the way. In the rest of 2026, they will definitely come through. So, we're pretty optimistic about the future next few quarters of carry realizations. Lot of activity going on around the firm. Lot of great returns for shareholders.

Kenneth B. Worthington

Analyst, JPMorgan Securities LLC

Great. Thank you.

Q

Operator: Thank you. And we'll take our next question from Steve Chubak from Wolfe Research. Please go ahead, Steve.

Brendan O'Brien

Analyst, Wolfe Research LLC

Q

Good morning. This is Brendan O'Brien filling in for Steven.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

Good morning.

A

Brendan O'Brien

Analyst, Wolfe Research LLC

Good morning. Just want to touch on the AlInvest business. You guys have had a lot of success in the wealth channel with your CAPS and CAPM products. However, the practice of Day 1 markups has come under increased scrutiny of late, with one of your competitors seeing pretty meaningful outflows in their retail product as a result. I understand you may not want to overreact to the headlines, but just given what we're seeing in some of the other asset classes within the retail space, it does seem reasonable to be a bit more front footed here. So, just wanted to give you an opportunity to respond to this criticism, whether you're considering any changes to your approach, and if you're seeing this have an impact on your conversations with advisors?

Q

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

So, on conversation with advisors remains very robust and you see that obviously in the inflows. In terms of any practices, we're not changing any of our practices. The industry participates in different types of asset pools. The team has always, for the most part, purchased asset pools that are much closer to par. Historically, when we've had our best performance in this business for 25 years is actually buying higher performing assets. So, the team doesn't really historically buy the discounted very aged assets. But the reception continues to be very strong. As Justin pointed out, the performance has been very strong. And so, we feel really quite good about our partnerships, and the platform, and the engagement from advisors. Thanks.

A

Operator: Thank you. And we'll take our next call from Brennan Hawken from BMO Capital Markets. Please go ahead.

Brennan Hawken

Analyst, BMO Capital Markets Corp.

Good morning. Thanks for taking my question.

Q

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

Hey, Brennan.

A

Brennan Hawken

Analyst, BMO Capital Markets Corp.

Hey, Harvey, how are you?

Q

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

Doing well.

A

Brennan Hawken*Analyst, BMO Capital Markets Corp.*

Excellent. Base fees were relatively flat year-over-year, although they didn't benefit from catch-ups here this quarter clearly. You guys have spoken a lot about how active the back half of the year in particular is going to be for fundraising with the super cycle coming up. But could you maybe walk us through your expectations for what the profile of the base fee growth will look like as we progress through that fundraising and it starts to hit the top line? Thanks.

Justin V. Plouffe*Chief Financial Officer, The Carlyle Group Inc.*

Yeah. Sure, Brennan. Thanks for the question. Look, the base fees were up 4% year-over-year. They're up 7% on an LTM-to-LTM basis. We expect that to accelerate. You mentioned the super cycle in fundraising. We're just really starting that for Alpinvest, for Private Equity. We're going to have opportunistic credit out for the credit business. So, we're entering a period where we think our fundraising will really accelerate. We had, as you know, a couple of funds step down. We're past that now. So, that rate that you see today, 7% LTM-over-LTM, I expect that to accelerate as we go into this super cycle because we're getting really great feedback from LPs, and that bodes well for the next few quarters of fundraising.

Operator: Thank you. And we'll take our next question from Mike Brown. Please go ahead, Mike.

Michael C. Brown*Analyst, UBS Securities LLC*

Great. Good morning, guys. Wanted to ask another question on the wealth channel. So, CTAC is a diversified credit fund. You have a small portion of direct lending exposure in there. Yet it still saw elevated redemptions last quarter. Why do you think that's the case? And was it just kind of caught up more in the private credit direct lending fears? And when we think about maybe the coming quarters, do you think the redemption requests and gross sales could differentiate going forward? And maybe how are you messaging that kind of more different aspect to the wealth channel? And do you think that message is kind of getting through to the channel?

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

Yeah. I spent a lot of time with advisors. I think that the message is getting through. CTAC is quite diversified, as you know. It was over 900 names. It's across the platform. It's marked daily. It's one of the few solutions – maybe the only solution out there that's marked daily, and we've been marking it daily for over five years, I think, going back to 2020. And so, advisors respond really well to that.

I think when you have an environment like we've seen in the last quarter where you – and remember, we were later in the queue for redemptions, and so they were building through the course of the quarter. And so, sort of going from one fund to the next one, I think that was to be expected. There was no surprise for us in that. The performance remained strong in advisor engagement.

I think we'll probably will likely, just given what you see across the industry, if I had to guess, it's a bit of a guess, I think this period of redemptions may persist for a little while. Some of the analysts have come out with their forecasts. I think that's reasonable. But CTAC has a diversified, marks daily, credit solution offers a lot of benefits. So, over the long-term trajectory, we feel quite good about.

Operator: Thank you. And next, we'll go to Bill Katz from TD Cowen. Please go ahead.

William Katz

Analyst, TD Cowen

Q

Okay. Thank you very much for taking the questions. Good morning, everybody. I'd like to sort of maybe click into the credit portfolio a little bit. If I look at the AUM, they've been – well, fee-paying AUM have been relatively stable now for better part of a year or so. I was wondering if you can maybe speak to the opportunity. I think you were sort of talking about direct lending. What you're seeing in the insurance channel. And then curiously, yesterday, one of your peers had some very pointed commentary about the efficacy of CLOs. And I was also wondering if you could talk about maybe the durability of that business as well. Thank you.

Justin V. Plouffe

Chief Financial Officer, The Carlyle Group Inc.

A

Sure. Well, we're seeing good fundraising momentum in credit. We raised nearly \$4 billion in the quarter, really on a broad-based basis. As you know, Bill, we've been resetting many of our CLOs over the past few years. So, that's really stabilized the CLO base fees going forward. CLOs went through the financial crisis, and they did incredibly well. There is a very well-established investor base for CLOs. So, we actually feel great about that business.

Importantly, the most important thing, our investment performance in credit has been really strong. We've been managing CLOs for 25 years. We've got half the level of defaults as the industry does. In direct lending, we have a fantastic track record that I think investors have been very responsive to as we continue to grow that business. So, private credit, CLOs, these have reached exit velocity in terms of being asset classes that have a place in the financial system. They're not going anywhere. And with the track record that we have, we think we're incredibly well-positioned to continue to grow in both areas, frankly.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

A

Yeah. The only thing I'd add to that, Bill, is that, in conversations with institutional investors, a lot of the headlines that have been coming around about the wealth channel and direct lending have really piqued the interest of institutional investors. And as you know, we added significant resources to our team over the past six months. So, we feel really well-positioned with the new team to build market share across the platform. So, actually, the momentum feels quite good, and obviously we don't have some of the challenges that some of the other market participants have in our portfolio. So, we feel very well-positioned and feel really good about the CLO business. Thanks, Bill.

Operator: Excellent. Thank you. And our next question comes from Dan Fannon from Jefferies. Please go ahead.

Daniel T. Fannon

Analyst, Jefferies LLC

Q

Thanks. Good morning. Wanted to follow-up on credit one more time here. Just in terms of the management fee growth, and it's been a bit more stagnant in recent quarters, so curious about the ins and outs in terms of what you're fundraising versus what's leaving and maybe the mix and change in fees as we think about the products as we go through the rest of this year.

Justin V. Plouffe*Chief Financial Officer, The Carlyle Group Inc.*

A

Sure. Well, I'll note, credit manager fee is up 10% LTM basis. So, we are seeing good momentum there. For a bit, there was some CLO runoff, which has now been stabilized as we've gone through so many resets in the past couple of years. The other thing I'd note is now we're coming to market hopefully soon with our opportunistic fund. That's a higher-fee product. We're raising capital in direct lending, having good success with our private BDC there. That's another product that would have higher fees than CLOs.

So, I think you'll continue to see the mix improve and, again, tremendous momentum in that platform. If you think back seven, eight years ago, it was really only a CLO business. Now, it is incredibly diversified and durable. No matter what's going on in the market, we have a strategy that can take advantage of it. So, that's going to lead to, I think, great fundraising as we go through and navigate these different cycles, where maybe a direct-only shop isn't so well-positioned to take advantage.

Operator: Thank you. And our next question comes from Michael Davitt from Autonomous Research. Please go ahead.

Patrick Davitt*Analyst, Autonomous Research LLP*

Q

Hey, good morning, everyone. It's Patrick Davitt. I go by my middle name. I have a follow-up on Brennan's fee growth questions. I know it wasn't an explicit part of the Investor Day guidance, but during the Q&A, you suggested a path to mid to high single-digit FRE growth this year. Do you still think that's achievable? And if so, what are the big levers that get you there after the slower 1Q? Thank you.

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

A

Yeah. We feel confident about those numbers. If there was a change in that, we would update you. Q1, again, I feel really good about the momentum given the fundraising, and we expect things to accelerate. Obviously, we can't predict the environment. The world has been a little bit complex, but, yeah, we feel confident about the trajectory.

Operator: Excellent. And our next question comes from Michael Cyprys from Morgan Stanley. Please go ahead, Michael.

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

Q

Hey, good morning. Thanks for taking the question. Wanted to ask about AI.

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

A

Hi, Michael.

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

Q

Thanks. Hey. I wanted to ask about AI deployment across the portfolio of companies. Just curious where you're seeing any sort of AI-driven revenue uplift versus cost savings in the portfolio, how you might quantify any of the benefits you're seeing so far. And your expectations as you look out in terms of AI as a source of value creation, maybe you could talk about how easy it is, what's hard, and any sort of lessons learned from adoption so far.

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

A

I would say the adoption is steady. I think we're obviously – you've seen sectors where we're not as exposed, obviously in software and things like that. I think obviously in high-scale automated functions like accounting, lots of processing, rule-based systems, you're starting to see the adoption rate. I would say, across the firm taking a step back, we're leaning in very, very heavily into the data science and AI, and I would call sort of what's becoming table stakes in terms of how to think about the point of investment, the 360-degree, 360 degree review of where the opportunities that relates to deploying AI, how to think about disruption, how to drive revenues. And so, all that's becoming table stakes.

I don't have any specific story to share with you that I would call sort of earth shattering, but I would say the momentum is meaningful. The [ph] CO (00:32:07) buying at the portfolio level is quite high. And obviously with the advances that the models are coming out with, literally almost feels weekly, it gives you the opportunity to obviously engage at a level where you're really starting to begin to see efficiency and productivity gains. But I think it's going to overall take a little longer than people might expect, but it's still a step function change in the way things will operate.

Operator: Thank you. And our next question comes from Ben Rubin from Evercore. Please go ahead, Ben.

Benjamin Rubin*Analyst, Evercore Group LLC*

Q

Hi. Good morning. Thanks for taking my question. I wanted to ask another one on...

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

A

Good morning.

Benjamin Rubin*Analyst, Evercore Group LLC*

Q

Thank you. I wanted to ask another one on your secondaries business, maybe from a different angle. On last quarter's call, you noted that the software represents a relatively small proportion of overall firm-wide AUM. But is it fair to assume that exposure to software for AlInvest and for the secondaries industry more broadly is probably higher just given the timing of when capital was raised and the type of companies that were coming to market for liquidity at the time? So, I was hoping you could just touch on your approach to risk management for your secondaries platform and how do you manage concentration risk as it relates to certain industries or even vintage years where entry multiples were probably higher than they've been historically? Thank you.

Justin V. Plouffe*Chief Financial Officer, The Carlyle Group Inc.*

A

Yeah. Thanks for the question. The AlInvest team is incredibly thoughtful about managing diversification, not just on a manager basis or a position basis, but also on a vintage basis. Their software exposure is low- to mid-teens

across different portfolios. I would characterize that as market weight or below market weight. But the vintage question that you asked about, that is incredibly important. And I think one of the great values that AlInvest brings to the table is that they create portfolios that are diversified in vintage exposure. They've been doing this for 25 years, have gone through multiple cycles, and are thoughtful about that. So, I expect that that will serve them well as we find out what some of these 2022 and 2023 vintage deals really end up looking like.

Operator: Thank you. And our final question comes from Brian Bedell from Deutsche Bank. Please go ahead, Brian.

Brian Bedell

Analyst, Deutsche Bank Securities, Inc.



Great. Thanks. Good morning. Thanks for squeezing me in here. Maybe just to talk about transaction fees. So, the long-term growth trajectory here and also the short-term, you mentioned I think with some transactions, you expect a pickup in 2Q. Just wondering if you could comment whether you think that could approach a record on a quarterly basis? But then more importantly, that growth trajectory over the long term and the efforts that you guys have been making in enhancing that business. We've seen good growth, obviously, over the last two years. Is that effort getting more mature or do you still think you're in early innings in this process?

Justin V. Plouffe

Chief Financial Officer, The Carlyle Group Inc.



Well, we definitely do like records around here. I don't know if Q2 will be a record, but we do feel good about the trajectory because we already have seen a lot of activity in the first month of Q2. So, that's why I said I expect that number will go up. Look, remember, our capital markets business really is derived from deals that Carlyle was doing across our broader platform. So, it's a natural expansion of that business that you'd expect to see as we build the rest of the business out.

So, quarter-to-quarter, it'll depend obviously on what's happening in the market. But just over the last couple of years, we've really started to capture all the work that we were doing across the entire platform. And as you continue to see all of our businesses grow, you'll continue to see the capital markets business grow alongside of it.

Operator: Excellent. Thank you. And that will conclude our Q&A session. I'd like to turn the floor back to Daniel Harris for closing remarks.

Daniel Harris

Head-Public Market Investor Relations, The Carlyle Group Inc.

Thank you, everyone, for your time today. If you have any follow-up questions, please reach out to Investor Relations after the call. We look forward to speaking with you again next quarter.

Operator: Thank you. Ladies and gentlemen, this does conclude today's teleconference. We thank you for your participation. You may disconnect your lines at this time and have a great day.

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