23-Feb-2021

# The Carlyle Group, Inc. (CG)

## Investor Day


Copyright © 2001-2021 FactSet CallStreet, LLC

# CORPORATE PARTICIPANTS

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

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

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

**Peter J. Clare**
*Director, Chief Investment Officer of Corporate Private Equity & Co-Head of US Buyout, The Carlyle Group, Inc.*

**Sandra J. Horbach**
*Managing Director & Co-Head of US Buyout and Growth, The Carlyle Group, Inc.*

**Mark David Jenkins**
*Managing Director & Head of Global Credit, The Carlyle Group, Inc.*

**Ruulke Bagijn**
*Head-Investment Solutions, The Carlyle Group, Inc.*

**Nathan Urquhart**
*Managing Director & Global Head of Investor Relations, The Carlyle Group, Inc.*

**Jason Thomas**
*Managing Director & Head of Global Research, The Carlyle Group, Inc.*

**Megan Starr**
*Global Head of Impact, The Carlyle Group, Inc.*

**Kara Helander**
*Managing Director & Chief Diversity, Equity and Inclusion Officer, The Carlyle Group, Inc.*

# OTHER PARTICIPANTS

**Kenneth B. Worthington**
*Analyst, JPMorgan Securities LLC*

**William Raymond Katz**
*Analyst, Citigroup Global Markets, Inc.*

**Alexander Blostein**
*Analyst, Goldman Sachs & Co. LLC*

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

**Patrick Davitt**
*Analyst, Autonomous Research LLP*

**Michael Carrier**
*Analyst, Bank of America Merrill Lynch*

**Glenn Schorr**
*Analyst, Evercore Group LLC*


Copyright © 2001-2021 FactSet CallStreet, LLC

# MANAGEMENT DISCUSSION SECTION

**Daniel F. Harris**

*Managing Director & Head-Public Investor Relations, The Carlyle Group, Inc.*

Thank you and good morning. Welcome to Carlyle's 2021 Investor Day. We have been thrilled by the level of interest in today's event and are incredibly pleased you all joined us. Thank you for your interest in Carlyle. As always, I have the honor of starting with some important disclaimers. Today's event will include forward-looking statements that reflect our current views as of today and do not guarantee future performance. Please see our 10-K Risk Factor section for risks and uncertainties that could affect results and cause actual results to differ materially from those indicated today.

Carlyle assumes no obligation to update any forward-looking statements. During today's event, we will refer to certain non-GAAP financial measures that should not be considered as a substitute for GAAP. To the extent available without unreasonable effort, there are reconciliations of these measures to GAAP in our recent earnings release. In addition, today's presentation does not constitute an offer to sell or solicitation of an offer to purchase an interest in any Carlyle product. Our theme today is Accelerating Growth. Throughout the day, we will describe why in our view we are well-positioned to accelerate the growth of our platform and our earnings. Our goal is for you to come away from today with a clear understanding of where Carlyle's heading and specifically how are we going to get there.

Over the past few months, we've heard from many of you that you want more detail on our long-term growth expectations and our strategy for achieving that growth. You are going to hear about both today. Our prepared remarks are going to last approximately three hours. We're not going to take questions during this time rather we'll address them all at the end. To ask a question during the presentations just enter in the Q&A dialog box on the lower right hand corner of your screen. You can submit your questions at any time and we'll do our best to answer as many of them as possible.

To kick off, let me give you a quick overview of today's program. We will begin this morning with a short video encapsulating our growth strategy amidst the accelerating pace of global change. From there, Kew will detail our strategic plan and the impact our strategy should have on our financial results. Following Kew's presentation, you will hear from each of our business leaders who will describe the opportunities available to scale their platforms and drive attractive performance. We'll then discuss on our outlook for capital raising and how the powerful data and insights we get from our portfolio makes us better investors.

In addition, we will share with you how our commitment to impact is driving performance across our business. At the end of the presentations, Kew and I will wrap up today's prepared remarks and then we'll take your questions. We have a great program ready for you today. In addition to this webcast, the presentation is available on our website and following today's event a replay will also be available.

So thank you once again for joining us this morning.

And with that I'll turn the day over to Kewsong Lee, Carlyle CEO, right after this short video.

[Video Presentation] (00:03:03-00:05:56)


Copyright © 2001-2021 FactSet CallStreet, LLC

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

Welcome, everyone. I hope all of you are safe and healthy and thank you for joining us this morning. Now we all wish we could be doing this in-person, but we're quite excited to share with you our views on where Carlyle is heading over the next several years. We haven't hosted an Investor Day since 2013, one year after we went public. Since then a lot has been accomplished and a lot has changed.

Today's Investor Day comes at a good moment in time to tell you what we're doing, how we're positioned and why we're so excited about growth in the years to come. I'm going to share with you our strategy and our priorities and our senior leadership team is looking forward to discussing the details underlying our plans and I think in addition to giving you a good understanding of Carlyle and our path ahead you'll also get a great feel for the people and culture that make Carlyle so special.

So let's begin by stating that last year Carlyle delivered terrific financial results. By all measures whether its record FRE or record accrued carry balances or strong returns, we performed exceptionally well. Despite challenging conditions and uncertainty everywhere we've remained active and executed across a global diverse platform, investing, realizing and raising the large amounts of capital all in a remote environment, the strong results in 2020 reflect our attitude to co-exist with all that is going on in this complex environment and our firms amazing ability to adapt as changes occur all around us. 2020 isn't the culmination of hard work, but rather we believe just the beginning of continued momentum as we generate more growth in the years to come.

Now allow me to take a moment and set the stage and look back at how this journey began to get us to where we are today. Our founders were pioneers in the industry by investing wisely, fundraising in every region of the world, establishing our brand and shaping our culture they built the foundation of this amazing company. Just 20 years ago, we were a relatively small D.C. based firm with $4 billion in assets under management. Today, we've grown and evolved to become a global leader in private capital markets. We're a firm of 1,800 professionals around the world in 29 offices in 19 countries managing approximately $250 billion in assets through a broad range of investment strategies across all major asset classes. And throughout this journey our values and culture have remained true to our founders original principles of trust, integrity and partnership.

Building on the success of our past in the last several years a lot of work has gone into adapting our business model and organization to position Carlyle for the future. We simplified the structure of our organization into three business segments that reflect the way we approach the market, Private Equity, Private Credit and Private Asset Portfolio Solutions. In doing this, we streamlined our offerings and reduced product proliferation. We architected our Private Credit approach from the ground up and recruited a world-class talent which has injected new ideas and innovative thinking into our firm. We broke down organizational silos implemented a global platform oriented approach.

By taking advantage of our deep industry specialization and institutional value creation capabilities we can invest in better while also driving operating leverage. We embraced a multi-stakeholder approach, which for all of you shareholders has meant a deliberate shift away from a historical singular focus on performance fees towards an objective to deliver more FRE and growth of Distributable Earnings. We transition the firm from a private company to a full C-Corporation with industry leading governance providing simplicity, transparency and alignment, one share, one vote.

And finally we've accelerated our approach of building better within our portfolio embedding and integrating our best-in-class ESG capabilities directly into our investment processes throughout the firm thereby supporting value


Copyright © 2001-2021 FactSet CallStreet, LLC

creation to the benefit of our portfolios, Limited Partners, the communities, we live in and ultimately our shareholders. All of this work is about driving change in evolution which has kept us quite busy over the last several years. Now there really is no rest for the weary because last year in addition to navigating the complex environment, our leadership team was also hard at work creating a strategic plan to accelerate Carlyle's growth over the next four years. We kept it simple and a few key principles underpin our strategic plan, namely we are focusing our efforts to build on and extract more value from our strengths, pursuing only those strategies that are big and scalable and capturing operating leverage as we grow. If we can adhere to these principles and continue to invest wisely, it ought to all come together with terrific performance for all of our stakeholders. Taking a step back in a nutshell, I am driving Carlyle to think bigger, perform better and move faster. This is today's Carlyle.

So let's now dive into the strategic plan. Big picture there are three major priorities driving our efforts. First, we will accelerate our growth by focusing on and scaling our biggest and best platforms. There's a lot here. So please bear with me. Many of you have asked in previous earnings calls, when will your next fundraising campaign start? Well, it's now, and we've already begun. You've also asked, how much are you going to be raising, at least a $130 billion over the next four years that's our target. This is a critical component underlying our strategic plan, which will set the stage for investment activity and earnings growth for many years to come.

As you can see on this slide, we expect roughly 50% or about $65 billion of our fund raising dollars to come from our Global Private Equity business. Our flagship Corporate Private Equity funds will drive much of this growth across the United States, Europe and Asia targeting fund over fund growth of 20% or more. Our flagship US Real Estate fund is already in the market and we believe that its portfolio's resilience during the crisis an attractive historic returns will drive strong demand. The feedback so far is encouraging. Furthermore, the advantage of a platform approach is that we can pursue more investment strategies through our sector-driven teams and therefore raise additional capital around growth-oriented and core return private equity strategies.

Our confidence in scaling up within Global Private Equity is grounded in our history of consistently delivering for our Limited Partners. In particular, we have demonstrated an ability to perform responsibly at scale, not only to raise and invest, but return significant amounts of capital through cycles. As you can see, we've invested very large amounts and realized nearly $210 billion in proceeds since inception. Responsibly managing large quantum of capital at scale, which is all about deploying across cycles and performing consistently. This is what our LPs call on us to do. In the short-to-medium term markets permitting, we're anticipating making large distributions back to fund investors as exits increase and we monetized gains that we have generated in the last few years, reflected in the current record $89 billion of value in our portfolios, which sets the stage nicely for our LPs to be in a position to re-up and recycle the capital that we are returning to them back to us to fuel our growth.

Pete Clare and Sandra Horbach will go into more detail about the strength of our Global Private Equity platform and our competitive advantages, which enable us to consistently deliver for our Limited Partners and hopefully you'll share our confidence that we can continue to scale this business.

Moving to Global Credit, this platform has doubled AUM in the last five years despite a complete rebuild of our prior approach. And our ambition is to double it yet again in the next handful of years implying we could reach $80 billion-plus within the next four years of the strategic plan. You'll hear more from Mark Jenkins later, but our Global Credit segment today is a platform-driven balanced business offering broad credit investment strategies across liquid, illiquid and real assets. To reach our AUM ambitions, we're going to lean in and grow existing strategies like CLOs, direct lending and opportunistic credit. Growing adjacencies, which represent whitespace for us including strategies like infrastructure and real estate credit. And over the very long term extend our footprint and reach into developing credit markets like Asia.


Copyright © 2001-2021 FactSet CallStreet, LLC

The growth we'd like to capture is supported by strong tailwinds relative to private equity, the private credit asset class is still small only about 20% of the size of private equity. And in light of a low interest rate environment we're in, we're seeing increasingly more investors rotate from traditional liquid fixed income into private credit to do everything they can to capture more yield. Now as a reminder, everything we do in credit is helped by the sector expertise's established history and massive resources of our Global Private Equity segment. Because we purpose built this segment with a platform approach as you see on this chart, we expect the FRE pickup will be enormous. In the past five years that we've doubled AUM, FRE went from $8 million to nearly $100 million.

Let me take a moment here and just say, I remember on several earnings calls asking for your patience so that we could build this credit strategy in the right way. I want to thank you for that patience because I believe it's paying off. And with your continued support, we believe we are on a path to hit $200 million or more of FRE in our plans' timeframe.

Now turning to our Investment Solutions segment, which operates under the AlpInvest brand; this segment helps our Limited Partners to better manage their alternatives portfolios through three well-established strategies. Secondary solutions, a market driven by the maturation of the asset class, which gives LPs access to diversified and seasoned private equity portfolios. Direct investments, which supplement Limited Partners traditional commitments with the benefits and efficiency of co-invest. And primary investments, which is an entry point to alternatives for LPs looking to access multiple managers on a simple one stop and highly diversified basis.

Over the last few years, we focused on scaling AlpInvest Secondaries and co-investment businesses and we raised over $14 billion in last year alone. And what enables that type of fund raising, it's simple investment performance. As you can see this business has delivered terrific and consistent returns for our Limited Partners over time, which sets the stage nicely for AlpInvest to continue driving future growth as the alternative asset class continues to grow and mature, portfolio solutions provided by AlpInvest will only become more in demand as more and more Limited Partners look for solutions and strategies to help actively manage their growing illiquid portfolios.

As you scale these strategies, we've gone from Fee Related Earnings of $17 million in 2012 to $37 million in 2020 and have a plan to potentially double this level by 2024. This segment is a good example of what happens when we focus on our strengths, concentrate on just a few products that are large and scalable and capture operating leverage. So, we have our sight set on raising a $130 billion of capital across all three of our major business segments based on our strong positioning and track record. What I'd also like to highlight are the attractive industry trends that provide additional support for the acceleration and scaling of our platforms, a few important observations.

Let's start with the fact that we're all trying to figure out how to invest well in the current low interest rate environment. Our Limited Partners with long-term investment horizons are looking for all the performance they can get. I know this chart is a little busy, but as you can see whether it's in buyouts or private lending or real estate, our industry historically outperforms public indices. And whether its pension funds, sovereign wealth funds, family offices or the high net worth channel, they're all seeking more private strategies to generate alpha.

Given this outperformance, if the low yield environment relative to history persists, which we believe is more likely than not, we foresee sustained allocation to private markets for many years to come. Now, having more dry powder is great. But what's also happening is the opportunity set for private investing continues to grow. There is change accelerating all around us, all over the world in all industries and in all sectors. These changes create investment opportunities for Carlyle. Regions like India and Japan are opening up to private investment. Asset classes like credit and infrastructure continue to expand. Used strategies like core private equity are emerging


Copyright © 2001-2021 FactSet CallStreet, LLC

and opportunities to fund new business models for fast growing and disruptive businesses, particularly in technology and healthcare are increasing every day.

Massive shifts like energy transition and sustainability have also created huge capital needs from both the growth and value perspective. And while all this is going on entrepreneurs and high growth companies in all industries and regions want to stay private for longer as they continue to seek out the alignment and value creation that firms like Carlyle provide. On the other end of the spectrum, as large corporates pursue M&A or refocus on core businesses they are shedding and divesting non-core assets that offer spin up and carve out opportunities for us. No doubt valuations may be high in this current environment, uncertainty is everywhere, markets are volatile and generating growth is always hard. But there certainly is no shortage of opportunity.

Within the investor community, we are seeing the largest LPs wanting to consolidate their relationships and concentrate commitments with fewer GPs who can deploy and perform at scale given our track record of performing across cycles, we believe we are well-positioned to benefit as LPs continued to demand more from less, meaning broader and larger more strategic relationships with fewer GPs. Demonstrating this point and as you'll hear from Nathan Urquhart later. At Carlyle 80% of commitments from our largest Limited Partners come from those with exposure to four or more of our funds. And finally, as demonstrated by our capital raising in 2020, a trusted firm and brand is an invaluable asset in a virtual fund raising environment. So we feel pretty good that our business segments, their performance and industry trends set us up nicely to execute against the first strategic priority.

Now let's move to the second strategic priority namely doing a better job of capturing adjacencies. I want to reiterate our intention to build off strength not diluting or proliferating our strategies and focusing on big scalable markets. This lens applies not just to our existing businesses but to new opportunities as well. So with that in mind, let me touch on just two specific areas we are investing a lot of time and attention; capital markets and insurance solutions through a Fortitude platform.

We have a real opportunity to capture significant revenue through our newly integrated capital markets business. Capital markets is about as adjacent as it gets to our main business. In the last five years alone, we've generated nearly $300 billion of issuance in Carlyle related deals. We have positioned our capital markets professionals to provide placement services on capital markets transactions and to participate in securities underwritings and loan syndications currently focused on transactions involving Carlyle and our portfolio companies.

Internally, we've worked over the past few years to ensure that our capital markets team can assist our investment professionals and has access to deal flow across the firm. We believe that capturing more fees from this activity is readily achievable. Historically, Carlyle and our portfolio companies have paid third-party firms adequate fees in some years approaching a $1 billion for investment banking and other capital market services. All we are doing here is capturing a small percentage of these fees, perhaps 10% to 20% over time which is already an established practice in the industry. As deal, M&A and exit activity continues to pick up and as our LP platform scales and grows in AUM, we would fully expect our capital markets business to reflect that underlying growth. Curt is going to go into this in more detail on how we see this area developing and the profitability growing.

Now to be clear, we do not want to become an investment bank. We are and always will be an investment firm. But our capital markets team can be very effective in assisting Carlyle portfolio companies with their financing needs thereby earning a portion of fees attributable to those financings. Like I said, this business is about as adjacent as it gets.


Copyright © 2001-2021 FactSet CallStreet, LLC

The second very focused way we can expand is through our permanent capital Insurance Solutions platform. First of all, Fortitude is living up to expectations and performing quite well. The rotation of assets has begun into Carlyle funds $4.7 billion has already been investor committed, which we expect will soon increase to $6 billion in commitments. These commitments are long dated and sticky in nature, meaning we expect these assets to be maintained at Carlyle for some time. These investments have been broad-based and deployed across the full spectrum of Carlyle's product offerings with commitments to over 25 products across all of our segments.

Also on track are the multiple revenue streams Carlyle derives from this platform. Management fees and our Fortitude co-investment vehicle and standard economics and the assets rotated into Carlyle products are generating approximately $50 million in annual fees. And we're currently benefiting from attractive returns on our balance sheet investment in Fortitude. About 15% annual return on equity on our $465 million balance sheet investment. Importantly, the very complicated cover-up was completed successfully to establish a standalone business. This platform is now in place fully operational and we are ready to drive future growth at Fortitude through acquisitions as well as new reinsurance activity. The growth will be lumpy and episodic but we are working hard on a strong pipeline of reinsurance and M&A transactions in the market.

And please remember, the market size Fortitude can pursue is massive with an estimated $2 trillion of legacy liabilities on insurance company balance sheets that are looking for a home. While our activity is understandably neither projectable nor predictable, we do expect to consummate several deals in the coming years. I asked for the same patience you gave us as we rebuilt our credit platform, because we intend to build our insurance-focused platform in the right way. Similar to what I said about our capital markets initiative, just to be clear, we do not want to become an insurance company, but rather we are seeking to extend and grow our investment management capabilities and solutions into the insurance sector.

Before moving on, just a general comment about how we are thinking about M&A to drive external growth. As our capital base grows from retained earnings, we'll be looking for opportunistic strategic acquisitions that are a good fit with our organization and for buying makes sense versus building. What might interest us in the future?

Again, first and foremost, it must meet the same criteria we are using to manage our existing business. It plays off our strengths. It's in a big market and it's scalable, for example, opportunities to be a strategic consolidator like we did in the CLO business during the last great financial crisis. Opportunities that give us more permanent capital as we did with Fortitude, where we can establish even more recurring and predictable FRE base and secure long-term asset management contracts and opportunities to build our capabilities in a strategic way, like we did quite frankly with AlpInvest in 2011 or more recently in 2018 with Carlyle Aviation. Anything, we do would need to be accretive, a good cultural fit, drive FRE on a recurring basis and have the potential to increase shareholder value over the long term in a move the needle kind of way. So, we covered accelerating our existing platforms and capturing adjacencies.

Now, let me describe the third strategic priority, continuing to institutionalize the firm. This can mean a lot of things, but for us this means first more disciplined focus on expenses and managing ourselves better, ensuring we're not only effective, but efficient. We are committed to continue driving FRE and expanding our margins as we grow. Curt will provide more details on our ability to achieve 40% margins by 2024, which is a huge improvement from where we were just a few short years ago. Now, while we are enthusiastic about this goal, we do not foresee Carlyle becoming the low cost player in the industry. What we do want to be is the most effective organization at driving strong investment returns and DE over time via our deep global platform and diversified business composition and product mix, which does not necessarily equate to being the firm with the highest FRE margins in the industry.


Copyright © 2001-2021 FactSet CallStreet, LLC

Second, bringing together best-in-class management and leaders to drive our firm forward, we've already started this effort and over the last several years, we've added key talent across the firm, introducing external views to complement homegrown leaders. Nearly 30% of our partners and Managing Directors joined Carlyle in just the last five years and nearly 30% have been with Carlyle for 15 years or more. This combination of proven Carlyle track record with new perspectives provides us with a very strong team to drive our strategic plan.

Third, execution is all about alignment which is why we put in place stock-based compensation with vesting linked to the long-term timeframe with the plan and directly links to achieving defined growth and FRE targets, closely aligning success for our leadership with success in executing and attaining Carlyle's objectives. Fourth, we are continuing to shape and build the culture that makes Carlyle so special. We are widely recognized as a leader in our industry with respect to diversity, equity and inclusion. We have invested in this, because we know it makes us the best at the most critical things we do every day, making important judgments. We understand the fundamental value of an inclusive culture that fosters diversity of experiences and sharing of all perspectives, so that we can make the best decisions possible every day. We are committed to continuing our leadership on this front.

And finally, while we are already perceived as a leader in the industry, we are doubling down to do even more in ESG. At Carlyle, ESG and Impact are not a product or fund, but a culturally embedded approach that is integrated into all of our investment processes for creating long-term growth and sustainable value. To us, better businesses have five key dimensions diverse and inclusive teams, engage employees, sustainable growth, climate resilience and community ties. It's important to track report on and create alignment with these objectives, which is why we're so pleased to have announced last week an industry-first financing facility for private equity funds that is linked to achieving portfolio company board diversity objectives.

I'm excited for Meg Starr and Kara Helander to walk you through the ways we are driving value across our portfolios, what we are doing to make ourselves and our companies better and where we see opportunity going forward. So, what's the punch line to all of this? Well, when you combine all of the pieces underlying our plan together, accelerating our largest platforms, capturing adjacencies and continuing to institutionalize the firm. We believe by 2024 we can achieve $1.6 billion in DE comprised of $800 million in FRE and another $800 million in net realized performance fees. The ramp in DE is expected to stay flat or gradually start to increase this year, but the slope ought to really start to accelerate in 2022 and beyond. This would also mean FRE margins expanding from 30% to 40%.

Of course, there will be challenges and issues we must manage along the way as the world continues to change and be disrupted, after all markets could correct significantly or the real economy could stall. The past year has demonstrated that Carlyle is resilient and adaptable and that our global diversified platform can adjust and responsibly capture opportunity in complex environments. No doubt the environment is challenging as we must navigate uncertainty, high valuations and uneven economic recovery. But I believe Carlyle is well-positioned to invest, deploy and create value on behalf of our Limited Partners who turned to us in good times and bad as a trusted pair of hands to responsibly manage their capital with a long-term perspective. Our historic performance and certainly 2020 demonstrated our ability to adapt, shift and pivot to the most attractive regions, investment strategies, asset classes and industry sectors as we seek to navigate this complex environment we all find ourselves in.

So let me wrap things up with some concluding thoughts. A lot of work has gone into adapting our business model and changing our organization to strengthen Carlyle for years to come. We believe 2020 was just the beginning of some great results. Moving forward, we're going to keep it simple and stick to a few core principles that run throughout the three priorities of our strategic plan to drive earnings growth.


Copyright © 2001-2021 FactSet CallStreet, LLC

Industry trends should be helpful to our ambitions. And we're grateful to be well-positioned with our Limited Partners. As we build better in everything we do in an aligned way we are executing as one firm remaining grounded and centered because of values that have been with us from the very beginning.

And finally we'll always stay true to who we are, a global investment firm creating value over the long term on behalf of all of our stakeholders. As I handed over to Curt to give you more details I want to assure you we are thinking bigger, performing better and moving faster to accelerate growth. This is today's Carlyle.

Thank you for your time support and confidence, over to you, Curt.

---

## Curtis L. Buser

*Chief Financial Officer, The Carlyle Group, Inc.*

Good morning everyone. I'm Curt Buser, Carlyle's Chief Financial Officer. I'm excited to speak with you about how the priorities Kew just laid out will impact our results over the next four years. I'll cover many of our objectives for 2024 notably around Distributable Earnings including Fee Related Earnings and net realized performance revenues as well as fundraising. Then I'll walk you through how we plan to meet those targets and what that means for our shareholders. So let's begin.

Over the last few years, we've focused on growing our Fee Related Earnings. And we remain very committed to that priority. Our funds have performed well, which not only benefits our fund investors, but has also driven our accrued carry balance to a record level. Given the craziness of this past year, I just want to remind everyone that last January, we converted from a publicly traded partnership to a full C Corporation. So now everyone at Carlyle is fully aligned with our shareholders in a one share, one vote, one share class, that is simple and transparent. We think this has made our stock more attractive and easier to own.

Now as you've already heard from Kew, we formulated strategic plan designed to accelerate earnings growth and we have aligned and incentivized our most senior executives with that plan by granting strategic equity awards that vest upon achieving the annual milestones in the plan. We believe this creates better alignment with driving shareholder value. The first six years we were public, we averaged less than $200 million per year in FRE with margins in the high teens.

Since then we've been focused on growing our FRE and FRE has steadily increased and more than doubled to $490 million in 2020 on as an adjusted basis. At the same time, we've increased our FRE margins by more than 1,000 basis points to 30% last year. But let me be very clear, our main focus is on absolute FRE growth and as we scale and manage our expenses margin growth should be a natural output. Well maybe obvious. We can support higher dividends with higher FRE, but better margins with the same FRE will result in the same level of dividends. As we focused on growing our platform and FRE our mix of earnings has also become much more balanced. Thinking back to when Carlyle was founded, the firm operated with a single purpose, mostly just to generate carry. When we went public nearly nine years ago not much it changed.

And while investment performance will always be our top priority, we realized that growing FRE is equally important for our public shareholders, so even as we've had cyclically slower amount of carry realizations over the past three years, we've been able to actually achieve reasonably consistent Distributable Earnings given this focus on improving our earnings mix and we believe we can maintain a more balanced mix of earnings as we move forward. Even though our realizations may have slowed the last three years, our funds continue to deliver strong performance. One of the most important metrics that we track and that you should as well, our accrued


Copyright © 2001-2021 FactSet CallStreet, LLC

carry balance is at a record level and is over 70% higher than our average balance level from 2012 to 2017 when we were generating more than $600 million in annual realized net performance revenues.

The accrual is a good indicator of future realized performance revenues. The recent decline in our realized performance revenue isn't because our funds weren't performing. In fact it's almost the opposite, the decline over the past two or three years was mainly due to the transition of realizations between fund generations, our older funds were just about fully realized and our newer funds were just ramping up and not yet mature enough to take cash carry. Also as you've heard from us consistently over the years, we don't like claw back and our LPs don't like claw back either. We try to manage that risk by first return in a lot of capital to our LPs before we start to take cash carry.

Now that our most recent generation of fully invested funds are more mature and have returned a lot of their capital back to LPs, we expect realized performance revenues to ramp over the next few years.

So now let's go back to what you heard from Kew on our strategic plan. We're focused on accelerated our growth across three priorities. Let me explain how each are going to impact the results, first accelerate and scale. We're going to drive higher management fees and operating leverage. Second, adjacencies. We're going to generate incremental revenue from newer streams. And third institutionalize, we'll control costs and align our senior executives with performance and as a result improve our margins.

So first off, let's talk about earnings. Last year, we produced $762 million in Distributable Earnings and we expect that we can more than double that over the next four years. Accordingly DE per share of $2.05 in 2020 should increase to the mid-$3 per share by 2024, accounting for an increase in our effective tax rate over that same time. As I said on the fourth quarter earnings call, you should expect effective DE taxes to increase from around 5% in 2020 to the low-20s in 2024, assuming no changes to the current tax laws. So again, we think we can grow pre-tax DE at about a 20% CAGR and per share earnings more in the mid-teens because of the increased effective tax rate.

Our projected increase in earnings is supported by a few factors. A big step-up in Fee Related Earnings and a three-fold increase in realized net performance revenues. FRE was $490 million as adjusted in 2020. And by 2024, we believe FRE should reach $800 million with a margin that is up another 1,000 basis points or so from here to about 40%. I mentioned on earnings call that we see 2021 FRE remaining at similar levels to 2020. So you will see the vast majority of our expected FRE growth in the three years 2022 to 2024. In the near-term, growth in Global Credit and Investment Solutions will offset downward fee pressure in Global Private Equity from continued realizations. As we raise our next series of large flagship funds Global Private Equity FRE will also increase materially from its current levels.

On our realized performance revenue, the bottom line is that our investment portfolio is in great shape. And many of our funds are ripe for much higher realized performance revenues. Now that you know where we are going let me describe how we plan to get there. As Kew said, our next multi-year fundraising target is $130 billion. Back in 2016, we set our four-year fundraising target of $100 billion up more than 20% from the $78 billion we raised in the prior four year period. And we exceeded our last multi-year fundraising target by 8%. So after a great 2020 fundraising year when we raised $27.5 billion without fund raising for any of our flagship Global Private Equity funds, we're ready to set another multi-year target $130 billion to raise between 2021 and 2024. As you look at where we've been this target is big enough to matter and realistic to achieve.


Copyright © 2001-2021 FactSet CallStreet, LLC

Nathan will provide a deeper dive into our fundraising plans, but at this stage we're intensely focused on meeting the objective. As we reload our flagship funds over the next few years, we expect to see our fee revenues grow from $1.6 billion to over $2.1 billion.

Most of this growth is tied directly to management fees, but some fee revenue growth will also come from greater transaction fees and capital markets revenue. Faster growth in Global Credit will rebalance our overall business mix making Global Credit a bigger piece of an even bigger pie. Remember our Fee Earning AUM is very resilient. The vast majority of our capital is committed for the long term and in many cases a decade or more.

As you'll see on the next slide our Fee Earning AUM has an attractive average fee rate and is a key contributor to our earnings growth. The fee rate on our Fee Earning AUM has been stable at just about 95 basis points on every dollar. And in fact that average rate should continue to be stable even as our business mix continues to change. Over the years we've replaced lower yielding Fee Earning AUM with higher quality AUM. You've seen this in our Investment Solutions segment as well as parts of our Natural Resources platform. And we will continue to prune unprofitable product lines because we care more about growing FRE than about growing Fee Earning AUM. As not all AUM is the same nor is it necessarily profitable.

After growing fee revenues by scaling the business, we want to capture more fee revenues from natural adjacencies. In 2020 we generated $37 million in transaction fees exclusive of portfolio advisory fees. We see that amount tripling by 2024 as business generates a significant amount of deal volume and related underwriting and placement fees for investment banks, as Kew discussed. Our plan makes capturing more of these high margin revenues a priority, we've already put the teams and structures in place and earmarked the capital to underwrite this business.

Insurance is another area that should drive continued growth in our earnings, both from what we've already built, but also as what we continue to scale through acquisitions. From Fortitude we see opportunities to increase and diversify earnings. Kew mentioned, we're generating about $50 million in management fees already and we think that grows as Fortitude rotates more AUM to Carlyle management Fortitude is also operating exceptionally well, generating a mid-teen return on equity of $465 million investment in Fortitude is likely to generate higher investment income over the next several years or Fortitude may retain that capital and self-fund additional M&A. Fortitude can grow in multiple ways via a new reinsurance contracts or M&A opportunities and that we should both benefit from. We will certainly keep you apprised of our activities as we go forward.

Let me now move to how we're going to run the firm better. Something we refer to as institutionalization. We are pleased with the progress we've made over the last few years, but improvement opportunities remain. We've done a good job already going FRE as I mentioned before, the $27.5 billion in a new capital will be raised in 2020 creates great momentum as we head into 2021. But taking a step back, our primary focus in this regard is to ensure, we're growing our top line revenue in excess of our costs over a cycle. So in any one year you may see that bounce around a bit, but we'd like to see a several 100 basis point difference over time between our top line and our expense growth.

Obviously that will lead to strong margin expansion. One of the ways, we will achieve higher FRE margins is by scaling our funds or further leveraging our existing teams. Looking back over the past few years we've already seen this play out with our investment professionals managing more dollars of AUM on average than they have in the past. And as our next series of funds are raised, we should expect this trend to continue, meaning we expect to grow the asset size of our funds and while we will add some people to better manage and deploy those assets, the growth rate of our revenues should far outpace that of additional expenses.


Copyright © 2001-2021 FactSet CallStreet, LLC

Our goals are to raise larger funds and do bigger deals. And as we increase efficiency, we would drive FRE growth and better margins. Our deep knowledge base and expertise across our firm can help our deal teams collaborate to drive investment performance across more scale. As the day continues, I urge you to listen to each of our business leaders, talk about scaling their respective businesses, using a platform approach. We've also been methodical over the past few years pruning funds that can scale, such as our funds in MENA, Mexico or Africa. This process has the benefit of helping our FRE and margins as those subscale funds did not drive earnings.

And also helps us focus on our most scalable strategies and our plan contemplates continued pruning and rebalancing as we go forward.

It's not just compensation or head count that we're focused on it's our entire expense base. We learned a lot over the past year as our entire firm moved to a work from home environment. Some expenses like travel and conferences are likely to come back a bit as we start traveling more. But some of what we've learned about virtual meetings and working differently will absolutely carryover into lower expenses versus pre pandemic levels. 2020 G&A of $271 million, which excludes $30 million of one-time cost recoveries, was down 22% from 2019. As I said on our earnings call a few weeks ago, G&A expense is likely to increase in 2021 due to normalization in travel. But we believe G&A expenses should remain below prior peak levels as we work differently and more efficiently than we have in the past. All of this should be doable.

Now let's spend time discussing how our strong investment performance should lead to increased realized performance revenues. First our accrued carry balance of $2.3 billion positions us for a higher realized carry over the next few years. And when you look back over time, we typically realized performance revenue in any one year at about 40% of our accrual downs. Now that's a correlation and not a causal relationship. But historically, it was a fairly reliable guide when we were excellent at a good clip and our funds were taking carry, that percentage dipped in the past few years. As I mentioned earlier, the main reason for the decrease was due to the transition between fund generations and the newer funds weren't yet taking cash carry.

But with was our newer funds performing well and assuming generally benign macroeconomic environment after performance revenue gradual increases in 2021 over 2020, we should expect to see a recovery back to a more standard pull-through of our accrual balance helping us surpass our prior annual net realized performance revenue averages reaching about $800 million by 2020. Digging into our accrual a bit more, we see three buckets of what makes up our accrual. First from those funds already taking carry as these funds are not only performing well, but seasoned enough and having returned enough capital to fund investors for us to feel comfortable taking cash carry.

Our biggest contributor here is our most recent fully invested US Buyout fund, which has accrued $1.1 billion in net performance revenues. This fund is already marked at 2 times cost with strong performance and value creation is still in front of it. The second bucket is for those funds not yet taking cash carry, but are performing well just not yet meeting all of the criteria to take cash carry. A good example is our most recent fully invested Asia buyout fund, which we think is moving in the right direction to take cash carry sooner rather than later.

The third bucket is for newer funds that may come in and out of carry early in their fund lives. We're still a ways away from taking cash carry. We'll keep our eyes on these funds, but probably a year or more away from cash carry realizations. A final bucket that isn't shown is the group of funds across our platform that are investing right now that are not currently in a accrued carry, but we expect to drive our accrued carry balance in the future. The prime example is our most recent $18.5 billion US Buyout fund Carlyle Partners VII at $5.5 billion larger than Carlyle Partners VI. We're excited about its potential. The main message is that we have a strong pipeline of


Copyright © 2001-2021 FactSet CallStreet, LLC

performance revenues to come and that should gradually increase this year compared to 2020 and start to significantly ramp thereafter.

One last way to look at our forward trajectory of our performance fees and realization cycle is just how much money we have in the ground appreciating. Today, we have about $95 billion in remaining fair value and our Global Private Equity and Global Credit Carry funds. To put that in perspective that's about 50% higher than the average levels we had in our last cycle of high realized performance revenues. This should not be surprising as our most recent generation of carry funds are 30% to 40% larger than their predecessors. And as our newer funds also continue to scale we expect remaining fair value to trend in a similar direction. So when you consider that our funds are 30% to 40% larger our accrued carry is 70% higher than it was several years ago and our assets in the ground are also 50% larger. We see strong underpinnings for realized performance revenue to ramp from here and beyond the levels we've produced in the past.

Let's move to realized investment income generated from our balance sheet. Over the last four years, our balance sheet investments have more than tripled to $1.7 billion. That includes investments into our funds largely, but also our investment in Fortitude. Our balance sheet investments will continue to grow alongside our fund raising goal of $130 billion. In 2020, our realized investment income was $73 million, which is up compared to prior years, but we think it is at the beginning of a strong growth cycle. In fact, we expect that our investment income can get to about $150 million per year, a little vary somewhat by what is sold each year. Clearly, we have a lot to look forward to. But the future isn't without some challenges. You'll hear a bit more about this from Pete in a few minutes.

Let me frame our carbon energy footprint for you, but more importantly, why we are very excited about the opportunity for us to transition along with the industry towards a greater focus on renewable energy. Without a doubt we have a big carbon energy business. Our energy funds have provided attractive investment opportunities for LPs in the past. And we believe they will continue to do so in the future. But the market is shifting and LP focus is shifting with it. As the demand for renewable energy investments increases, investor interest in carbon assets has decreased. We've already seen this transition occurring, as our carbon-based energy AUM has decreased over the past few years from 12% to just 8% today. Over that same time, we've launched new funds and infrastructure and renewable energy to capitalize on the energy transition. And our teams are actively investing those funds.

One thing to keep in mind, in our strategic plan and the guidance we provided today, we project our carbon energy AUM to decrease and become a smaller contributor to management fees. That said, we will continue to earn management fees for a long time off this platform. But we do have the potential to benefit from a lack of new capital into the sector, which could lead to energy production shortfalls and potential profit windfalls. The real takeaway is that, we are focused on transitioning our Natural Resources exposure towards renewable energy through our integrated infrastructure platform.

Now let me finish by point all of this together, starting with how we think about our balance sheet capital and what that means for our shareholders. As we execute our strategic plan and generate higher earnings, there are several areas we want to focus on to allocate our capital. First and foremost, we are focused on maintaining and growing our quarterly dividend. After-tax FRE is the guide point and support for our dividend. And as we've discussed, we are optimistic on the trajectory of our FRE growth over the next few years and then on a lagged basis seeing our dividend grow.

Direct investments in our funds are also an important use of our capital, as it helps align our interests with fund investors and supports our earnings growth as well. We also need capital to organically grow new strategies and


Copyright © 2001-2021 FactSet CallStreet, LLC

support our growing capital markets business, which will require more funding capacity from the firm. We constantly evaluate strategic M&A opportunities, which is hard to predict, but ultimately will require capital that we have on our balance sheet today or capital that will need to raise. Keep in mind any completed strategic acquisition will have a positive incremental impact on top of what we've discussed here today and overtime, plan to limit annual equity delusion to about 1%. These items are not an order of priority, but all are critical to a sound capital allocation strategy. Our priority for excess capital is to accelerate platform and earnings growth.

Now let me just again highlight what this means on a per share basis for our shareholders. As we accomplish all that we are projecting we expect to see our earnings growth per share grow to mid teen CAGR over the next three to four years reaching the mid-$3 range by 2024. That's attractive growth. It's something we're excited about. And hope you are as well.

So before I conclude let me remind you of what you're going to hear over the next few hours. You should specifically listen to the subsequent presentations for the following how our respective businesses plan to grow. How we will take a platform approach to scaling each business and improving earnings and how we create value for investors. In addition you will hear how we harness data and use it for better decision making as well as how we are increasingly embedding ESG into all that we do.

So in closing thank you for your time today and I look forward to keeping you updated on our progress over the next few years.

[Break] (00:56:57-01:02:05)

---

**Peter J. Clare**

*Director, Chief Investment Officer of Corporate Private Equity & Co-Head of US Buyout, The Carlyle Group, Inc.*

Good morning. I'm Pete Clare, Chief Investment Officer for Corporate Private Equity. And I also serve as the Co-Head of our largest fund strategy US Buyout along with Sandra Horbach, who you'll hear from after me this morning. Today, I want to walk you through our Global Private Equity business and how it fits in our strategy to accelerate growth. I always say to our investment teams, a business can only grow from a position of strength and our Global Private Equity business is incredibly strong. GLOBAL PRIVATE EQUITY is our largest business segment and our most successful to-date. It has grown to $132 billion of assets under management, representing more than half of Carlyle's total AUM.

Over the last 30 years, we have built out the capabilities that form the very strong foundation of our business today. Starting with just $100 million in AUM, we've grown over the last 30 years to $132 billion of assets under management. And we've been able to grow to that size for one reason, investment excellence. Since our founding in 1987, we have delivered very attractive and consistent investment results through a myriad of different economic climates and increased levels of competition. As we delivered those attractive returns, we earned the trust of our fund investors. And they committed larger and larger amounts to our strategies.

Our Global Private Equity segment is one of the world's largest and most diversified private equity platforms. As mentioned earlier by Kew, our reorganized Global Private Equity segment combines all of Carlyle's equity investing strategies within one segment enabling us to leverage our global platform our local insights and our deep industry expertise across sectors. We believe our size and capabilities give us distinct competitive advantages. In Corporate Private Equity, we have a leading and scaled platform that enables us to pursue the largest and most globally complex investments in a very effective manner.


Copyright © 2001-2021 FactSet CallStreet, LLC

In US Real Estate, we are an established leader with a distinct approach to portfolio construction which is has driven attractive historical performance. And in Natural Resources, we've constructed a platform which positions us to capitalize on the global energy transition underway today. I want to touch on some of our smaller younger strategies, core US Real Estate, core PE and infrastructure. Each of these strategies manages at least $4 billion to $5 billion of assets today. But all of these businesses have the potential to become $10 billion-plus AUM businesses over time given the market opportunity in front of them.

So let's go to my favorite topic, our flagship funds in buyout and in real estate. Our ability to drive growth depends on delivering attractive investment returns and doing that consistently fund after fund. Our US Buyout, Asia Buyout, Europe Buyout and opportunistic real estate businesses have each been deploying capital for over 20 years to 30 years, investing over a $100 billion since inception. And the performance has been outstanding, as you see from the gross IRRs of these funds on this page. I am very proud of this track record. And across our flagship Corporate Private Equity funds, in my opinion, we have delivered the most consistent returns within our industry and that is our value proposition to our fund investors, invest capital at scale, earn attractive rates of return and do it consistently fund after fund.

That investment performance and consistency has drawn our investors to make larger and larger commitments to our flagship strategies over the last 30 years. As you see on this slide due to great investment performance, total commitments for the current vintage – the investing vintage on this slide of our flagship funds were 50% larger than the prior vintage growing from $27 billion up to $41 billion, based on our view of the investment landscape, we believe we can scale our flagship strategies by at least 20% in the next vintage. Continuing to scale our flagship funds has a very meaningful impact on FRE given the operating leverage in our business as we grow AUM, our head count grows at a much slower rate driving higher AUM for investment professional and meeting the higher FRE margins.

Now I'll go through each of the businesses in Global Private Equity starting with our Corporate Private Equity Business.

We believe our competitive advantage in Corporate Private Equity is driven by three key capabilities that we've very intentionally constructed: our global platform, our deep industry expertise and our ability to drive improvements, value creation in our investments.

First our global team, we've over 250 corporate private equity investment professionals operating across six continents to source and execute investments, provide local insight and to leverage our global knowledge. Most importantly, we can deploy these global resources very, very effectively. Our senior partners around the world have worked with each other for over 20 years, they trust each other, they like each other when we put together a global deal team to pursue a very complex global business it is seamless and how it operates and we believe provides us with a big advantage on those deals. You'll hear a few examples from Sandra later.

Our second competitive advantage is our deep industry expertise. This is the fundamental pillar upon, which our private equity business has been built since the beginning. Deep industry expertise enables us to make better decisions about, which businesses to invest in and more importantly what needs to be done to improve and grow these businesses once we own them. The consistency of our coverage of these industries creates deeper knowledge, deeper relationships and a broad network, which enable us to create an edge in sourcing to quickly focus down on the best opportunities and to develop insights for improvement. But deep industry expertise isn't built overnight It takes years, even decades to build a reputation and relationships in these industries. As you see on this chart, we've deployed at least $10 billion of equity in each of our six core industry verticals. Across the


Copyright © 2001-2021 FactSet CallStreet, LLC

globe tech, industrial and consumer are our largest industry verticals with healthcare rapidly closing the gap over the last few years.

Our third advantage from the global platform is the ability to build a deep team of operating resources to help identify and implement value creation or improvement plans. As valuations have increased due to low interest rates and competition has intensified, we must create more earnings growth and cash flow generation in order to drive returns. So we've developed significant capabilities across our global platform to support our portfolio companies to improve operational performance and grow revenue. Key to those efforts are dedicated experts in digital transformation, IT, procurement and talent evaluation and organization. At Carlyle, we call these capabilities our Global Investment Resources team. Of all the returns that we generate in our flagship private equity funds, the vast majority has come from earnings growth and cash flow generation. My partner Sandra will talk more about our approach to value creation.

The greatest advantage that our scale gives us is that we have built this team with great global reach, deep industry expertise and operational improvement capability and now we can apply all of that capability to a wide variety of investments. Our investment teams focus on finding the most attractive businesses in their industry vertical or geography. And we then identify the appropriate pool of capital for investment in that opportunity. We can commit to a $30 million growth deal in China or a $3 billion equity investment in a $10 billion buyout deal in Europe and everything in between. We can invest across buyouts growth in core. What matters most is not the size of the deal, but whether that is a great business and how can we help them to grow earnings.

One of the keys to generating attractive rates of return over many years is selectivity. See a lot of opportunities and then commit to just a few of the best risk adjusted return opportunities and we see a lot of opportunities, deal pipelines are robust today. In our business, everyone talks about rates of return. But I believe the real key to our business what differentiates the top players from the middle of the pack is your ability to assess risk. How much risk are you really taking to earn that rate of return and the key to our performance over time is that we strive to build diversified portfolios with lower levels of risk. Lower risk means fewer losses, which over time results in more consistent returns to our fund investors.

So how do we approach portfolio construction, first for each individual investment, we make sure that we fully understand the risks we are taking. Deep industry expertise is the key to that assessment, then diversification across investments. We generally adhere to no single investment being greater than 10% of a fund and on average our commitments tend to be around 5% of a fund, then diversification by industry. We invest across four to six industry verticals in each fund in actively managed industry concentration.

At the bottom of this slide, you see the top three industry exposures fund and actively managed industry concentration. At the bottom of this slide, you see the top three industry exposures for each of these funds. You'll see that we develop a local investment strategy in each region. So the top industry exposures differ in each region as they should because the opportunity set is different. But the common focus across the globe on six core industry verticals enables us to leverage deep industry knowledge to find the most compelling opportunities.

As we've built our global platform, we've increased our ability to deploy significant amounts of capital. This is extremely important as our largest fund investors continue to concentrate their commitments with fewer private equity firms, who then deploy capital at scale. And as you see in the bar chart, our ability to deploy capital has increased from roughly $5 billion per year in 2012 through 2014, up to approximately $9 billion per year in 2018 to 2020, a bigger team pursuing the larger opportunities across a broader set of investment types. We have proven that we can deploy capital at scale.


Copyright © 2001-2021 FactSet CallStreet, LLC

To wrap up my comments on Corporate Private Equity, everything I've been discussing has helped drive our consistent and repeatable investment performance. In the data on this slide is what I am most proud of. Over the past several decades and across many market cycles, we have delivered over a 2 times return for our fund investors on a very large amount of invested capital and our current vintage of funds are on track to do the same. By sticking to the industries we understand, building portfolios with less risk and implementing real change and improvement, we deliver consistent attractive returns fund after fund.

Now I'd like to focus on our leading US Real Estate business and their distinct approach to portfolio construction. Similar to our private equity business, our opportunistic US Real Estate business has built a 20 plus year record of investment excellence through a very disciplined approach. Our team employs an individual asset investment strategy focused on mitigating risk through diversification, ideal size, sector and geography. The foundational pillar of the investment strategy is to invest in demographic-driven sectors, which will benefit from secular growth such as senior living, medical properties, residential housing, student housing, and self-storage. And they seek to minimize exposure to GDP driven sectors such as traditional office, hotel and retail, the most cyclical assets.

Only 5% of our entire opportunistic US Real Estate portfolio is in the traditional office, hotel or retail sectors. Let me repeat that. Only 5% of our entire opportunistic US Real Estate portfolio is in the traditional office, hotel and retail sectors.

The team also mitigates risk through diversification in its portfolio. Our average investment size across our three most recent funds is $21 million per investment compared to our most recent fund size of over $5 billion. This approach reduces exposure to any one position and is supplemented by investing across 16 separate sectors in 55 different metropolitan areas across the United States. This approach to portfolio construction has built lower risk portfolios that have historically generated attractive returns. We've employed the same granular approach since 1998 and our track record validates that this strategy generates strong performance, attractive returns fund after fund and done in what can be a cyclical asset class.

Our strong investment performance has driven continued growth in our US opportunistic Real Estate business, seen in the bar chart on the left side of the slide, growing consistently with each vintage. And in 2016, we leveraged our existing investment team to launch our Core Plus US Real Estate strategy. In the past five years, we've raised over $4 billion for our Core Plus strategy with only modest additional head count required on the investment team. Our Core Plus strategy leverages the deep market and sector expertise of our existing team to identify stable lower risk assets. As both our opportunistic and Core Plus US Real Estate funds continue to increase in size, the management fees and FRE generated by this business will grow.

The third component of the Global Private Equity segment is our Natural Resources business. We are clearly in the midst of a multi-decade energy transition, which will require investment both to support the growth of renewable energy and to maintain the supply of carbon-based energy in order to avoid shortfalls. And there is clearly a significant need for investment across the infrastructure sectors globally, as population growth puts a strain on investments in place. At Carlyle, over the past decade, we've built an Infrastructure and Natural Resources platform that positions us to capitalize on all of these global trends. Our teams today manage more than $20 billion to invest in these opportunities.

Across the industry infrastructure assets under management have increased significantly, almost quadrupling in the past decade to $639 billion. Studies have projected that there needs to be almost $4 trillion annually of global investment in infrastructure over the next 15 years to meet the needs of a rapidly growing population. This creates a significant opportunity for private capital to play a meaningful role. Our infrastructure team has deep expertise in renewables, transportation, digital infrastructure, energy and water and is actively deploying capital into each of


Copyright © 2001-2021 FactSet CallStreet, LLC

these sectors. The energy transition will create significant investment opportunities. As this bar chart shows, renewables are expected to account for almost one-third of all global energy consumption in 30 years, but that will require a huge amount of capital to meet that demand. And that creates a great opportunity for both our infrastructure and renewables teams.

At the same time, oil and gas will still account for half of global energy consumption in 2050. Given the inherent decline rates of oil and gas wells and the need for storage and transport capacity, we believe a large need for capital and an opportunity to generate attractive returns, will continue in oil and gas for decades into the future.

So, where do we go from here. Revisiting what I said at the beginning of this session, Global Private Equity is our largest and most successful business and we will grow off that strength. A low interest rate environment will cause investors to shift more assets into alternatives and private equity. And we will benefit from that shift due to our strong and consistent investment returns. In Corporate Private Equity, we'll grow three ways by scaling our flagship funds, by accelerating our growth in adjacencies like growth in core and by expanding our FRE margin through greater fee revenue and disciplined cost management.

In Real Estate our growth will be driven by continuing to scale up our opportunistic and core strategy in the US. In Natural Resources the growth will come from infrastructure and renewables.

Thank you for your time today. And let me turn it over to my partner, Sandra Horbach, who will cover the real secret sauce in our business, how we create value in the companies we invest in. Thank you very much.

---

**Sandra J. Horbach**

*Managing Director & Co-Head of US Buyout and Growth, The Carlyle Group, Inc.*

Thank you, Pete and hello, everyone. I'm Sandra Horbach and I lead our largest private equity fund strategy, US Buyout, along with Pete Claire. And I've been investing in private equity for over 30 years. As Pete said, Global (sic) [Corporate] Private Equity has delivered value for our companies and our investors for decades. We have built a differentiated model that takes our great skill, our deep industry expertise and our local insights to drive sustainable and repeatable value creation.

We believe it is truly a differentiator in how we generate returns for our LPs. We execute on a broad range of deals at Carlyle, from the largest most complex transactions where we deploy $1 billion or more of equity to smaller emerging growth opportunities of under $100 million of capital, and capital flexibility to provide long term solutions. We drive value in a systematic way across our entire portfolio. We've put rigor around how we do this across every deal we do. We have, what we believe is the deepest bench of global investment professionals with expertise across a range of industries.

Our team has done hundreds of deals in every major country and sector, and in our view, is the pre-eminent private equity investment team in the world. We also have about 50 operating advisors around the world, all former high level C-Suite executives that provide our teams with the best insights and right operational expertise to identify great opportunities and drive performance for our portfolio companies. And you heard from Kew earlier today, we are a global leader in debt and equity underwritings every year and that expertise once again benefits our portfolio companies.

Our Global Investment Resources team, helps identify and execute on operational best practices that make our companies better and drive earnings growth across all our investments. As Pete said, this platform is a key part of how we deliver value to each of our portfolio of companies throughout all stages of the investment lifecycle.


Copyright © 2001-2021 FactSet CallStreet, LLC

Now I want to take you through a few specific examples of what we do for our portfolio companies. We've invested in many great companies and help make them better. I'm going to highlight some of our best transactions, but keep in mind these individual deals should be looked at in the context of our overall fund portfolio and are part of the detailed portfolio construction and diversification strategy Pete walked you through earlier.

We have invested in some of the largest and most complex PE deals in the world. This deep experience gives us a number of competitive advantages that make us a leader in these type of transactions, fundamentally complex global transactions like carve-outs, require an experienced global team. Our teams work collaboratively across funds and regions to bring a bench of operational resources and expertise that often allows us to underwrite more savings and operational improvement opportunities than our peers. Most importantly, we are focused on partnering with the best management teams who we believe are the biggest drivers of our success.

Let's look at a carve-out of a global manufacturer that was one of our most successful deals in the past decade. We led the carve-out of the coatings business from DuPont and renamed it Axalta. For perspective, in the early 2000s, DuPont's strategic focus had shifted increasingly to agriculture and industrial biosciences. As such, the coatings business was no longer a focus area. We saw the opportunity to reinvigorate and grow the business as an independent entity away from DuPont. When we acquired the business in 2013, the deal ranked as the largest ever carve-out in the sector and still remains among the biggest of such deals today.

Our investment thesis was clear. Axalta had a large operational improvement opportunity, a leading global market share in all four business end markets, a strong technology platform and more. We also identified a world-class chemicals executive to lead the new company as CEO and he assembled an industry-leading management team. We helped Axalta capitalize on opportunities in rapidly emerging markets, such as China and Brazil and leveraged our deep expertise in the industrial and transportation sectors.

We helped Axalta achieve significant savings through various procurement strategies, implemented operational improvement initiatives and reinvested upwards of $600 million of capital in the business over three years. We carried out a successful public offering in 2014 and our investors ultimately realized an attractive gross gain of $4.5 billion. We continue to invest in other large complex buyouts, including success stories such as Atotech and Ortho-Clinical Diagnostics, both which recently completed successful IPOs.

We also invest in hyper growth companies. They want to become even bigger players by expanding internationally, capturing more market share, building out product lines, acquiring other companies and more. We are proud to be a partner of choice for the founders and management teams to bring additional resources and expertise to their companies.

In our next example, we partnered with a rapidly growing Italian luxury brand. Golden Goose is a luxury footwear and fashion company based in Italy. When we acquired Golden Goose in 2017, the company already had a consistent track record of high growth and had a strong brand in the high-end sneaker market. We set out to drive international retail expansion and strengthen the brands e-commerce channel. Our team saw an opportunity to replicate what we had done previously with other high-end Italian fashion brands, Montclair, to establish Golden Goose as a global luxury brand. We tapped our global resources to enter new markets, build out its e-commerce offerings, enhance its supply chain and develop a consistent retail store format, enabling the company to roll out 20 plus new stores a year.


Copyright © 2001-2021 FactSet CallStreet, LLC

Bottom line, we helped Golden Goose dramatically accelerate growth. Our partnership resulted in 91 new store openings, up from the 8 that they had at the time of acquisition. Overall, this deal achieved a 3.4 times gross return. Other successes in this area include ZoomInfo, One Medical, Beats and Supreme.

As Pete mentioned, the world today is both global and local. With our platform, we successfully leverage both. Carlyle has been on the ground in the most important markets for decades. Our global footprint helps us better understand the communities where we invest, make better investment decisions and identify new opportunities. Here is a good example of that.

We led a consortium to acquire Focus Media, a Shanghai based digital media company. This take-private transaction became the largest ever buyout of a Chinese company and pioneered the privatization wave of overseas listed Chinese companies. Our value add also included a pre-IPO stake sale and relisting in China by expediting the listing process through a reverse merger. This is a great example of how we leverage our capital markets expertise to drive value in our portfolio. Our team also helped Focus Media execute on a range of core business improvements. By the end of 2020, the Carlyle Fund made 4.6 times its money on a gross basis. Several other global plus local examples, include deals we did with SBI Card in India, MicroPort in China and WingArc1st in Japan.

In some cases, we look to invest with a longer time horizon, moving beyond private equities, typical three to five year investment model. These longer duration investments allow us to target new opportunities that we may not have been able to previously pursue.

This next example showcases the value of this approach. Medforth is leading for-profit educator of US and international students, primarily in the medical field. We are partnering with an outstanding management team to address the current supply/demand imbalance for physicians in the US and globally. We are supporting their long-term organic growth plans, looking at accretive M&A opportunities and using our global investment resources team capabilities to support their growth. We acquired Medforth in 2017. It has a 15-year track record of uninterrupted revenue and EBITDA growth. We expect that track record to continue. Other core examples include NEP and TAMKO.

So, as I hope you can see, over three-plus decades of investing success, we have generated enormous value for our LPs through active management that has led to extensive value creation across our portfolio. Maybe the easiest way to see this clearly is looking at our realized and partially realized deals across our buyout funds. We have averaged a 2.6 times return on investment over nearly $40 billion in invested capital. Most importantly, more than 80% of the gains we have generated have been driven by earnings growth and cash flow.

The bottom line is, we help good companies get even better. Value creation is what Carlyle is all about. We drive enormous value for our LPs through differentiated active management. We consider ourselves to be the premier partner of choice for management teams and founders around the world, leveraging deep and flexible capital entrusted to us by our LPs.

Our large global portfolio allows us to see trends before most others, which informs our investment strategy and ultimately helps our portfolio companies benefit from each other. It's all about delivering value for our investors, both those in our funds and our shareholders. Everything you've heard today from me as well as Pete and Kew earlier, is about achieving long-term consistent investment performance and we're accelerating our biggest and best platforms. And Global Private Equity is at the heart of that acceleration.

Thank you.


Copyright © 2001-2021 FactSet CallStreet, LLC

**Mark David Jenkins**
*Managing Director & Head of Global Credit, The Carlyle Group, Inc.*

Good morning. I'm Mark Jenkins, Head of Carlyle's Global Credit Platform. I'm excited to speak with you today about the strong credit business we've built, the growth we've achieved to-date and how we will continue scaling our platform. Our approach to growing this business embodies the strategic priorities that Kew laid out earlier today. First, we created a diversified platform with an eye towards scaling it. Second, with our platform now in place, we are focused on areas where we believe we can continue capturing growth. And third, as we have done from day one, we will ensure global credit is aligned with and leveraging the strengths of Carlyle, by operating as an integrated global team that collaborates across the firm.

Today, our platform spans a broad credit risk spectrum built on three major pillars, liquid corporate, e-liquid corporate and real assets credit. This range of capabilities allows us to provide tailored capital solutions to borrowers and importantly, deliver attractive risk-adjusted returns to our investors, depending on their individual investment needs. As we have ramped up our capabilities and product offerings, we have achieved significant growth. We've more than doubled assets under management in five years and we will continue to scale the business even further to over $80 billion in the next four years, with our focus on doubling Fee Related Earnings over that same period.

So how will we achieve these outcomes? First, we'll seek to capitalize on strong sector tailwinds. For the past several years, private credit has been one of the fastest growing asset classes and we expect that trend to continue. Secondly, we'll capture that growth by leveraging the firm's global presence and strengths and by operating as an integrated global credit platform. And finally, as we grow, we will keep our focus on delivering attractive performance for investors, while pursuing a measured growth plan for our business.

Before I discuss how we'll scale global credit, let me first provide more detail on our platform today. Over the past few years, we've focused on building a broad, deep and diverse credit investment platform. This approach allows us to deliver a range of investment solutions to meet our Limited Partners' needs, while also enabling us to pivot to where the new opportunities are through a credit cycle. When we started building this platform, we did so, based on a solid credit foundation that goes back over 20 years, starting in CLO management. Today, our CLO business is fully scaled with over $28 billion in assets under management and is one of the leading CLO managers globally.

From that strong foundation, we expanded into illiquid credit, launching our credit opportunity strategy and materially increasing our direct lending capabilities, both areas benefiting from secular trends in the lending market and where we saw the most scalable and most immediate growth opportunities. We expanded in real assets credit, as investors looked to diversify their credit portfolios and for this, we added aviation and infrastructure credit capabilities. We then grew our liquid credit offerings to include CLO investments and revolving credit investments to round out our liquid strategy.

And lastly, we began offering cross-platform credit vehicles, providing investors access to all of our underlying strategies in a single vehicle, which is a tangible example of how this platform is helping us serve our investors better than ever. Through all of these actions, we created a platform that gives us tremendous operating leverage, as we continue to grow while improving the segment's operating margins for our shareholders. With our platform in place, our focus over the next four years will be on scaling it to take advantage of that operating leverage.

Our path to more than $80 billion in assets under management is based primarily on our plan to scale our existing strategies, with a focus on four key areas. First, in direct lending. As we've expanded that strategy, we have


Copyright © 2001-2021 FactSet CallStreet, LLC

benefited from the growth in non-bank lending to corporates and sponsors and continue to expand our role in larger transactions across different funds and vehicles. We will, as Kew mentioned previously, benefit from the consolidation of allocations to single managers and are poised to materially grow in this area.

Next, opportunistic credit, provide solutions for borrowers in need of capital for complex situations that are not well addressed by the traditional capital markets. We've already seen a lot of demand for this form of capital and based on historic deployment in this space, believe it is an area with a lot of growth potential.

Next infrastructure credit is a sector with an estimated global spend of $3.7 trillion annually through 2035. So, we expect increasing demand for private debt funding. At the same time, we're seeing increased appetite from our LPs in this low-rate environment as they rotate allocations out of longer dated traditional fixed income strategies into infrastructure credit.

Finally, cross-platform vehicles. They provide two discrete advantages. First, the ability for us to develop tailored credit investment strategies for investors who want access to our entire global credit platform in a single vehicle and at scale. Secondly, they helped maximize our operating leverage as the investment capital is deployed alongside our current strategies without increased human capital.

Beyond scaling our existing strategies, we'll look to extend it to new adjacent areas where we again would exploit the one Carlyle Advantage. Real estate credit is an area we currently invest in out of our illiquid strategies, but we are preparing to launch as a dedicated strategy and we feel that this is the right time for us to pursue real estate credit given the recent global reset that is occurring in this sector and the increased interest we're seeing from investors.

We'll also continue to lever our geographic footprint that we have as a firm, specifically in Europe and Asia, where we've historically maintained a strong presence with dedicated resources on the ground for many years in both regions. And we expect these activities will get us to at least $80 billion in AUM. Incrementally, strategic M&A would put us well over that target. It is important to know that any M&A activity we pursue would need to meet strict criteria.

And as you heard earlier from Kew, any deal would have to be accretive, scalable, fit us culturally and institutionally and it would have to be something we would not be able to build organically over a reasonable timeframe. This is the plan that will scale our platform. As we execute on this plan, we do so in an environment where current market dynamics are primed for significant growth. So, let's walk through what those strong tailwinds are that support our industry.

As you can see, the private credit markets look dramatically different than they did over a decade ago. Banks used to be the primary providers of credit and liquidity in the leverage credit markets. Over time, financial regulators have forced banks to deleverage their balance sheets and this has dramatically reduced capital allocated to leverage credit assets by those very same financial institutions. As a result, private credit investors, such as Carlyle, has stepped into fill the lending void left by those very same banks.

We believe the growth of private credit as an asset class is only just beginning. Private credit is essentially where private equity was just over 15 years ago in terms of assets under management. We believe that the same fundamental drivers we experienced with the growth of private equity will continue to drive private credit growth over the next several years. First, a lower return public market environment that leads to a rotation from public into private investments. And secondly, companies and management teams are choosing to remain private for


Copyright © 2001-2021 FactSet CallStreet, LLC

longer periods of time. Couple these factors with the bank retrenchment from the leverage lending space, we expect the increase in private credit investments over the next several years to continue.

On the investor side, as interest rates and yields have come down to near historic lows over the past 30 years and we expect they will remain relatively low compared to historic levels for a prolonged period of time, pension funds, insurance companies, endowments and other large investors, continue to seek higher yielding credit alternatives to help them achieve their portfolio target returns. In their search for yield and return enhancement, they have allocated more to private credit. And this is precisely why we built our platform to include the complete range of leveraged credit products. We can meet investors' needs for the more liquid lower risk strategies, all the way up to more illiquid higher yielding strategies given our range of offerings across the credit spectrum. We can tailor solutions to each investor through suite of our offerings or directly into our commingled funds.

As we capitalize on these market tailwinds, what will differentiate us and why we are confident in our ability to take our commensurate market share, are the developed advantages that come from being part of the Carlyle ecosystem. Today's market is more competitive than ever and requires an ability to move fast. Informational advantages and relationships are key. It's all about having an edge and making better, more informed credit decisions, which we get from being part of a global team with the industry and company knowledge to both originate and structure deal as well.

For every company logo you see here and this is just a small sample, we have leveraged Carlyle's resources to create an investment opportunity for investors, whether that's drawing on the capabilities of dedicated diligence teams, gleaning insights from over 255 Global Private Equity portfolio companies worldwide or leveraging the expertise of our in-house operating executives, who represent a number of different industries, it all gives us the Carlyle edge to originate and analyze prospects and help add value after an investment. These advantages enable us to provide optimal solutions for borrowers and better risk-adjusted returns for investors.

In addition to the strengths we get from being part of Carlyle overall, we benefit from working together as one global credit-focused business. And as you know, this is a platform we have spent a lot of time building. The end result is a strong credit business with capabilities to scale from an origination, investment and capital raising perspective. For instance, through our platform resources, we have access to information from hundreds of credits at any given time. We share information derived from those positions to make better relative value decisions and to be more selective in where we deploy capital. As a result, we close on less than 5% of our overall originations. This deliberate and highly selective investment process has led to average default rates for our US CLO business that is over two thirds below the market average.

On the capital raising front, we have a dedicated product development and investment relations team that allow us to service our LPs better, by tailoring solutions specific to credit investor's needs. High quality investor service is critical, not only to attracting new investors, but also in maintaining the existing relationships we have. And what we've built is clearly resonating with our investors. We've raised over $10 billion last year across the platform as we continue to build momentum with both existing and new investors to Carlyle Global Credit.

As we draw on the resources of Carlyle and our credit platform, we remain focused on delivering strong performance as we grow. Ultimately, our growth and success is dependent on delivering attractive performance for our Limited Partners. We're not asset gatherers, we're not doing deals for the sake of doing deals. We're focused on delivering strong performance across a range of assets. What investors are looking for is a level of consistent and persistent returns across a broad credit risk spectrum. Private credit has demonstrated through cycles that it can deliver these outcomes and as a platform have demonstrated our ability to deliver. It all comes down to performance.


Copyright © 2001-2021 FactSet CallStreet, LLC

Over the course of this presentation, what we've shown is that we've created a purpose-built platform that meets the specific needs of our Limited Partners and borrowers and is ready to scale. We are in a strong position to benefit from the incredible market tailwinds. And as we continue to leverage the power of being part of Carlyle and deliver the performance our investors have come to expect, we will take our commensurate market share.

We've already achieved significant growth over the past five years and as we execute on our strategy, we will grow our platform to over $80 billion in assets under management by 2024 and we expect Fee Related Earnings to outpace that growth over the same period, resulting from the operating leverage we've created with our platform. We're proud of what we've achieved so far. And given the size of that market opportunity and our ability to capture that growth, we're even more excited about what lies ahead.

Thank you.

---

### Ruulke Bagijn

*Head-Investment Solutions, The Carlyle Group, Inc.*

Hello, everyone. My name is Ruulke Bagijn and I'm the Head of Investment Solutions. And I'm excited to be here today to present our strategy for Investment Solutions, our strategy for accelerated growth. Investment Solutions is the business within Carlyle that works for clients that want a partner to build their private equity exposure. And as Kew mentioned earlier, we build tailor made portfolios for our clients through primary, secondaries and direct co-investments. We're one of the largest players in the world with $58 billion of assets under management and we operate as AlpInvest. Some of you may know companies like HarbourVest, Hamilton Lane or StepStone, and those companies are peers in our space.

Our business was established in 2000 and since inception, we've been a global business with dedicated investment teams in each product area and there are actually not so many who can say the same. We believe that only very few market participants can match our experience and our scale. For 20 years, AlpInvest core business has been to work with large institutional investors to implement private equity strategies through customized programs. We have built and we've scaled to private equity programs for our founding clients APG and PGGM. And today, we do so for many of the largest sovereign wealth funds, pension funds and insurance companies.

Our senior team includes leaders who have held senior positions at large institutional investors and we are familiar with the objectives and challenges facing our clients in this current market environment, an environment in which good portfolio construction is of the essence. We've found a good portfolio construction is the key to exceptional performance. And this has been demonstrated through the strong returns that we have delivered for our clients over the years. And today, we'll share our strategy, a strategy for growth.

I feel that AlpInvest is already going on all cylinders, but there is more to come. And this is all about following four key points. First, we're active in growing markets. More and more players want access to private markets and are increasing their exposures and therefore demand for solutions is increasing. The second is that we benefit from scale. We've been able to translate our information and network advantages to superior investment performance. Third, our track record has allowed us to raise increasingly larger funds and programs. And fourth, this has in turn led to improved economics.

Let me start with a favorable macro backdrop. Private equity markets have grown significantly in recent years. And as Jason Thomas will walk you through later on, this impressive growth is forecast to continue. While this is well-known, what is probably less well-known is that the secondary and co-investment markets are growing even


Copyright © 2001-2021 FactSet CallStreet, LLC

faster. Secondaries are increasingly used as a tool by GPs and LPs to manage their portfolios, especially GP-led deals have gained momentum. Think of the many fund continuation funds and other fund recapitalizations that we have seen in the market. That is an area where AlpInvest is a market leader and we see something similar in co-investments. GPs use co-investments to manage their deployment and they like to work together with LPs like us, who have strong and proven underwriting capabilities. Undoubtedly, we have significant tailwinds from growing markets.

The second point I want to make is that AlpInvest is one of the largest and most well-known investors globally. We have a strong reputation of trust from our GPs, as we're continuously acting as a professional partner. We cover more than 700 private equity funds of institutional quality and we have a core network of over 300 GPs with whom we transact across the platform. We're often one of the largest LPs in their funds and we are represented on the advisory boards in more than 80% of the funds that we commit to. The integrated nature of our business and our ability to be strategic to this GP relationship, allows us to source large volumes of high quality assets.

To give you an example, we source every year around $10 billion in co-investment opportunities at no fee and at no carry, of which 80% are co-sponsor opportunities. And therefore, only open to those investors like us who can fully underwrite a transaction alongside a sponsor. Like the direct private equity houses, we have a closing rate of only 5%, selecting only the very best opportunities for our programs.

And the other point I make is about our selection capabilities. This is all about talent, skill, experience and dedicated resources, but also the fact that we have an enormous information advantage. We have data of more than 20,000 underlying portfolio companies and we can leverage Carlyle's Global Network, which means that we have access to the knowledge of one of the largest and most successful private equity investors in the world. So these two things together, our ability generate investment opportunity and our capability to select well, have translated into a long-term and successful performance track record which brings me to the third point.

This is about our track record, which speaks I think for itself. Had you invested with us through a customized account and followed our model portfolio since inception, you would have earned a gross IRR of 17% on your multi-strategy account and 9% outperformance against the MSCI World, PME and a 5% outperformance against the Cambridge Fund-of-Fund benchmark. It's this performance that has allowed us to rescale programs. For instance, the growth that we've realized in our secondary business is significant. We've recently closed on our new secondary program VII at the hard cap of $9 billion, almost a 50% step-up compared to the previous generation.

Our track record has really been fantastic. The biggest driver of our performance in co-investments is our selection skill. If you compare the model multiple of all the transactions that we've declined to the model multiple of all the transactions that we invested alongside our GPs, the deals we selected outperformed the declined deals with 268%. We have been refining the selection process over 20 years and this repeatable process is the underlying driver for our sustained long-term outperformance.

The biggest driver of outperformance of our secondary strategy is similar. We are relentlessly seeking high-quality assets. This sounds like a statement everyone would say, but secondary strategies between peers differ quite a bit. We are not a discount buyer. This is evidenced by the fact that 88% of the returns that we deliver are driven by value growth. You will also not see us buying tailored portfolios. It takes time to create value and therefore we typically buy portfolios that are between three years and six years old.

Lastly, we're prudent and use limited financial engineering. So, if you take this altogether, our business has demonstrated incredible growth. What you may note is that our total fee paying [ph] assets (01:54:14) on a


Copyright © 2001-2021 FactSet CallStreet, LLC

management number, does not show this immediately. The crux here is to understand that we have been very successful in replacing lower fee earning legacy AUM from our founding clients by higher paying new clients. Our growth trajectory is therefore much better summarized by the dark green bars.

Today, we have a widely diversified client base of over 400 high quality investors that includes some of the largest sovereign wealth fund, pension funds, and insurance companies in the world. And we continue to grow our business. And this is another example of the benefit for AlpInvest being part of the Carlyle Group. Around 40% of our client base is also committed to Carlyle's existing Global Private Equity and Credit businesses.

Our management fee economics are improving. And that's for two reasons. The first I just explained, our new clients are paying market standard and therefore higher fees than our legacy clients. Then another point to be understood is that our secondary and co-investment strategies, which are higher fee strategies are a growing portion of the platform. You see improved management fee economics, which is reflected in the higher effective management fee rate, which is now at 60 basis point and expect it to further increase to 65 basis points. It's worth noting that just a few years ago, it was less than 50 basis points. So significant improvement has been delivered already and there's more to come as we continue to raise new funds.

It's also important to note that when Carlyle acquired AlpInvest, it did not acquire existing carry. Carlyle's carry ownership is in the funds that launched post acquisition. The net accrual balance has grown to nearly $145 million and realized performance income will steadily increase over the coming years.

Going forward, the Investment Solutions business is expected to generate more Distributable Earnings, as both FRE and carry are expected to continue to increase in the coming year. In conclusion, if there is one message I would like you to take from this presentation, it is that we're excited our platform is well-positioned to grow and we've seen the attractive secular tailwinds underpinning our markets, our distinctive information and skill advantages. Our business is scalable as evidenced through our ability to raise bigger programs on the back of exceptional performance and our improving economics, which show a material step-up in both FRE and Distributable Earnings in the next few years. Like I said, we're really firing on all cylinders.

That wraps it up. Thank you for your time.

[Break] (01:56:57-02:02:04)

---

## Nathan Urquhart

*Managing Director & Global Head of Investor Relations, The Carlyle Group, Inc.*

Good morning. I'm Nathan Urquhart, Global Head of Investor Relations. You've heard from Kew and Curt on our plans to accelerate growth and from Pete, Sandra, Mark and Ruulke on our strong investment platforms and Global Private Equity, Credit and Solutions.

I'm excited to talk to you today about our confidence in raising $130 billion by 2024. We believe Carlyle is well positioned to continue our strong fundraising track record. We are a market leader in a growing and consolidating asset class. We have deep strategic relationships with the largest Limited Partners in the world. And finally, we have fundraising momentum going into the next cycle of our scalable flagship products.

Let's start by talking about our asset class. Since the global financial crisis, private markets have experienced rapid growth. Private equity, private debt and real assets fundraising has achieved record highs. And while we've seen fundraising increase, the number of funds raised has actually decreased, suggesting the industry is consolidating. And that consolidation is exactly what we're seeing in the market.


Copyright © 2001-2021 FactSet CallStreet, LLC

Our Limited Partners are concentrating their investments with the largest general partners, like Carlyle. These are trusted managers who have demonstrated long-term consistent performance and the ability to invest in scale. These partnerships have been built over decades. Fundraising data confirms this consolidation is happening. In 2014, the largest 20 funds represented around 30% of capital raise. That number increased to 45% in 2019, and we expect this trend to continue as the largest managers take more and more market share.

Finally, we expect our industry to continue to grow. Public pension plans, which represent our largest investor segment, periodically reviewed their strategic asset allocation. This strategic asset allocation sets where they will invest their capital over the next 5 to 10 years. So it's a leading indicator of where the growth will be.

Now, in 2010, when going through their strategic asset allocation plan, public pensions planned to invest 13% of their pensions in our asset classes. In 2020, that number increased to 23%. And, again, this is a leading indicator of where the capital will be invested. Importantly, our asset classes experienced significant growth and planned investments. Private equity and real estate were up 30%. Infrastructure was up 60%. And private debt is really interesting. It was not a separate allocation in the 2010 study, but by 2020, it was 2%. And during that time, the private debt market increased by 168% to almost $850 billion.

Next, I'd like to discuss our deep strategic relationships with the largest Limited Partners in the world. Carlyle has a strong track record of capital raising. In 2020, our Assets Under Management hit $246 billion, and we've increased the number of investors we work with every year to over 2,600 investors. We have a track record of raising capital around the world from many of the highest quality and largest institutions and high net worth platforms. Since inception, we've raised over $300 billion from over 2,600 LPs in over 90 countries. And we now work with 65 of the top 100 Limited Partners in the world.

Our strong relationships span investor types with public pension plans, sovereign wealth funds and high net worth investors representing our largest investors and a key area of focus of growth for us. In the past eight years, we have seen impressive growth across our largest investors by type. We increased commitments from public pension plans by 5 times over this period and we now work with public pension plans in 40 states.

We raised over $35 billion from sovereign wealth funds over this period, representing a 3 times growth rate and we developed strong partnerships with the largest global sovereign wealth funds. Finally, we have focused on providing individual investors with access to our products and increased commitments from high net worth investors by over 2.5 times.

Now, earlier we talked about our strong global relationships and the consolidation in the industry. We have been successful at building strong solutions-oriented partnerships with our Limited Partners and these partnerships are across multiple investment strategies at Carlyle.

In 2012, about 25% of our commitments to our funds were from investors who had invested in four or more investment strategies. By 2020, we've increased that number to 60%. This trend is even more pronounced when looking at our [audio gap] (02:06:47-02:06:53) investors, our fund investors who have invested in four or more strategies.

We do more than just sell funds to our investors. We develop long-term solutions-oriented partnerships that span multiple strategies at the firm. We have a dedicated global investor relations team of over 100 people with deep global relationships and a breath of product and asset class expertise.


Copyright © 2001-2021 FactSet CallStreet, LLC

Our team includes 50 relationship managers who are located in local markets across North and South America, Europe, the Middle East and Asia. These relationship managers are led by eight senior relationship managers who work with our largest clients and partners. And these senior relationship managers have been with the firm for 12 years on average.

Our [ph] 40 (02:07:38) product specialists provide deep expertise across our products and support the entire funds in LP cycle. This team delivers the firm to our clients and develop strong partnerships with the largest Limited Partners in the world.

Now, in 2020, the world changed and we pivoted and embraced this new virtual way of engaging with our investors. In fact, we believe we talk to our investors more than ever in 2020. First, we provided transparency on their investments as well as Carlyle's global insights and perspective during this volatile and uncertain time. We also had our first virtual investor conference with over 1,600 of our Limited Partners attending. And we were very successful at building even stronger partnerships with our Limited Partners during 2020, raising over $27 billion.

Looking forward, we're excited. We believe this new way of working with our Limited Partners is just getting started. Kew talked earlier today about institutionalizing the firm and operating more efficiently. We believe this virtual way of engaging with our Limited Partners will allow us and our Limited Partners to work together more efficiently and ultimately raise funds more efficiently.

Finally, we're excited about our fundraising momentum going into the next cycle of scalable flagship products. We have a track record of fundraising success. As Curt mentioned earlier today, in the last cycle we targeted $100 billion, and we exceeded that number. Going into this cycle, we have taken a strategic approach to our product suite, which is designed to offer solutions across Global Private Equity, Global Credit and Investment Solutions.

Our products are diversified across geography, strategy and risk return profile. In Global Private Equity, our flagship private equity and real estate funds will be coming back to the market. These are large and scalable products with strong investment performance and long-standing relationships with our Limited Partners.

In Global Credit, we have developed a differentiated product offering. We have taken a platform approach, delivering solutions across liquid credit, illiquid credit and real assets credit. And in Investment Solutions, our flagship funds just completed a fundraising cycle. We'll focus on customized solutions for large institutions across primaries, secondaries and co-invests.

Taking a step back, we're very excited about this cycle and accelerating our growth at Carlyle. Our industry continues to grow and is consolidating as the largest managers take more and more market share. We have strong and growing partnerships with the largest Limited Partners in the world and our flagship scalable products are coming back to market. With this backdrop, we are confident that we will achieve our $130 billion fundraising target.

**Jason Thomas**
*Managing Director & Head of Global Research, The Carlyle Group, Inc.*

Hello. My name is Jason Thomas, and I'm Head of Global Research at Carlyle. I'm here today to discuss our use of private data and the future of private markets. As a result of Carlyle's massive global footprint, we have access to thousands of data streams, unavailable to anyone else, that provide real-time insights into the state of the global economy and trends in the investment environment. We subject these data to learning algorithms to separate the portion that is company specific from that which is macroeconomic in origin. We then use the outputs


Copyright © 2001-2021 FactSet CallStreet, LLC

from those models to inform investment decisions, aid portfolio construction and also deepen our relationships with our largest Limited Partners.

Our analysis focuses primarily, but not exclusively on our Global Private Equity portfolio where our influence or control allows us to access whatever data we want, orders, shipments, inventories, pricing trends from hundreds of businesses operating in industries all over the world. We're able to collect these data on relatively high frequency basis. That means we're able to get data every week, every month. In some cases, we look at data every day. And this provides a great snapshot of what's really happening in the real economy. As you can imagine, this was extremely valuable in 2020.

Now lockdowns today for all of us are old hat. We've been through them. We understand their implications. But entering 2020, it was virtually impossible to imagine a sudden cessation of economic activity, particularly one that would last for weeks on end. Yeah, that's exactly what we saw in China. When starting at the end of January, logistics volumes in the portfolio fell to zero and stayed there for about three weeks. This was shocking. We'd never seen anything like this. But the shock value of the data actually was really important for preparing our teams in North America and Europe for the risk that they were facing, what could ultimately come and also preparing their portfolios for that eventuality. These weekly data have also been very valuable to observe the recovery in China. Sometimes official data in China [ph] were of course (02:12:55) not as reliable.

These data have also helped us see how households and businesses in the US and Europe have adapted to the pandemic. That's both in terms of productivity working from home across the portfolio, as well as trends in online sales and then associated logistics volumes. But we don't stop with raw data. We have models that decompose each time series we look at into the company-specific components and then the macroeconomic exposures; in some cases, a large number of macroeconomic exposures for a given company

This allows us to then back out implied economic growth rates by industry and geography as the data come in. But more importantly, this search for common trends that exists between portfolio companies series and between official statistics allows us to have a very powerful tool to detect inflection points and also to test investment and macro theses. For example, we have enough data to replicate virtually any macroeconomic time series of interest; Chinese retail sales, India's GDP, US industrial orders using an optimized combination of portfolio company data.

We also are able to characterize virtually any portfolio company series as a linear function of macroeconomic exposures. So that means if you are looking at a European-based business that is exposed to consumer electronics value chains in Asia, we're able to more precisely characterize the macroeconomic risk facing the business. The underlying growth rate in the demand drivers and then also the volatility and cyclical sensitivity, it's likely to experience over a relevant holding period.

If you're thinking about portfolio company data as a linear combination of macroeconomic exposures also aids portfolio construction because in addition to thinking about the diversifying effects of size, industry and geography, you're also able to look through and see the correlation in the underlying macroeconomic exposures. So this really provides some visibility to have a sense of what types of assets are likely to perform best together. That's helpful for funds. It's also especially important when helping large institutions assemble their portfolios of private assets.

Of course, some of the predictive insights and data that these models generate are relatively short-term nature. That means that they're not actionable for private investors with long-term holding periods dealing in illiquid markets. But these data are greatly valued by large institutions who are always seeking incremental information to help them make better investment decisions. And so we believe that by providing these data the associated


Copyright © 2001-2021 FactSet CallStreet, LLC

insights, we're actually able to deepen relationships with large institutions and ensure that Carlyle captures a large share of their increased commitments to private markets over the next 5 to 10 years.

And make no mistake; commitments to private markets are likely to increase substantially over the next 5 to 10 years. And that's because the private market premium, essentially the return in excess of that available from public markets, has gone from about 20% of total returns 20 years ago to as much as two-thirds of total returns over the next 5 to 10 years as very low interest rates and very high valuations depress return expectations in public markets. So, today, the private return premium has gone from something that was nice to have to something that is absolutely essential if these institutions are going to hit the return targets.

Now, I think this raises a very obvious question. If all of this money comes pouring into private markets, won't this incremental capital just bid up the price of assets and essentially raise this return premium? The answer is no. And the reason for that is because the growth and demand for private capital among founders, entrepreneurs, management teams has actually exceeded cumulative inflows into the asset classes. So, really when you think about the private market opportunity set, essentially the number of companies seeking private capital, that can expand in ways that accommodate very significant growth in private markets without any diminution in relative returns or that return premium.

When we think about private markets and their evolution over the last 20 years, it's important to remember that these markets were once really a barbell, which is to say that you had at one end a very active, very robust, early stage venture market. At the other end, you had a very robust, late stage buyout, principally delistings of public companies. So, in this kind of environment, when a business attained a market value of, say, $500 million, they really had no choice, but to go public if they wanted incremental capital to grow. And they probably wouldn't be a candidate for private capital again until they were relatively old public company that had some missteps or otherwise needed to go private to change strategy or reposition itself.

The market has evolved over the last 20 years so that private capital is now a comprehensive alternative to public listings. Private capital is available on very competitive prices and very efficient, very fast processes at virtually every stage of the company's lifecycle. So, really when we look at the fourfold growth in the asset class, it's almost entirely explained by private investments in private companies. And the fact that these investments are alternatives to public listings is also reflected in the fact that IPOs of operating companies have dropped by 75% over the same period, but this isn't just about options or alternatives or choices. It really reflects the economic fundamentals.

Today, business value – business investment increasingly depends on intangible assets; proprietary technology, business methods, algorithms, really ideas. These assets are very hard to value, but they're also very easy to steal. And so, these companies' digital businesses, they can go public. They can access public markets. But doing so means that they have to provide fulsome disclosures, maybe go on road shows to explain how their technology works, the market they're seeking to disrupt, their current R&D programs, really just all the information that's necessary to assign a value to these businesses.

But, of course, doing so in a public forum would almost certainly get back to competitors or would be competitors. So these businesses today rationally choose to access the same capital confidentially through non-disclosure agreements in private markets and push off that public listing until they've obtained the relevant scale, user base or brand identification where a public listing would then make sense.

And so, as a result of this pushing off listings, the typical business today goes public at 9 or 10 years after founding rather than 3 to 5 as was the case 20 years ago. And in fact, when we look at the businesses overall,


Copyright © 2001-2021 FactSet CallStreet, LLC

successful growing startups are more likely to be private after 14 years than they are to go public before 3. So the market has changed quite dramatically. But, of course, in these markets, value is a function of time. So the longer the company stays private, the more value that accrues to the private investors. For example, last year, tech companies that went public in United States were 17 times larger in terms of trailing revenues than was the case 20 years before.

So, these companies are much larger and have accumulated much more value, more of that accumulates to private market investors, about 83% of the total based on a recent sample of businesses. A typical company today could have four or five or even more private investors over its lifetime. They may undergo two to three buyouts during this period of private ownership before ultimately going public.

It's important to note we're talking about the supply of IPOs, not the demand because as we look at data over the last year, it's very obvious that when these companies are ready to go public, the demand for their shares is as strong as ever. So valuations of the businesses with over $1 billion private valuations that went public, their offer price was generally 2 times the value of their last private round or last private investment valuation. Then, after going public, these companies typically traded up by another 100% in their first week as listed securities. So these data really provide very powerful evidence that that liquidity premium, the price of public versus private assets, is as wide as ever. And that really very likely reflects this cumulative shortfall in IPOs we've observed over the last 15 years.

Now, I think it's important to note, as Mark Jenkins alluded earlier, the growth in Private Credit is where the overall growth in private markets is probably going to be most visible over the next 5 to 10 years. That's because Private Credit starts from a relatively lower base and actually has much more room to grow. Also, although the growth in Private Credit has been impressive, today, it's really only been sufficient to offset the very sizable decline in credit market intermediation provided by investment banks and broker dealers, which of course has contracted massively since the global financial crisis.

So, just to conclude, we have more data and we make better use of it, which helps [ph] and forms (02:23:50) investment decisions, improve portfolio allocation and also deepen relationships with our largest investors. We expect private markets to grow substantially over the next 5 to 10 years. But people needn't worry that that growth lead to a compression in the return premium, because the growth in demand for private capital among founders, management teams, entrepreneurs has more than kept pace with those inflows. Thank you so much for your time.

---

## Megan Starr

*Global Head of Impact, The Carlyle Group, Inc.*

Hi. I'm Meg Starr, the Global Head of Impact at Carlyle. As we've been discussing today, Carlyle is focused on accelerating growth for an accelerating world, and nowhere is this more true than in our approach to Impact. At Carlyle, our impact is rooted in building better businesses, because we believe that better businesses are worth more and deliver better long-term value for our stakeholders. As you heard earlier from Kew, impact is not a product for us, but instead a process. In a rapidly accelerating world, impact is a lens for finding efficiencies and capitalizing on new growth as we see the market valuing in a wider set of business competencies.

To us better businesses have five key dimensions: diverse inclusive teams, engaged employees, sustainable growth, climate resilience and community ties. Companies that excel across these dimensions are increasingly outperforming peers. It's why I'm joined by Kara Helander, Carlyle's Chief Diversity, Equity and Inclusion Officer, as we work closely to help our teams and companies improve across these dimensions, which we think will deliver greater value for our portfolios, investors and shareholders.


Copyright © 2001-2021 FactSet CallStreet, LLC

We'll spend this time to walk you through how our approach to building better businesses comes to life in our work and what it means from a shareholder perspective. We'll delve into key metrics that show how ESG integration and DEI can accelerate top line growth, drive down costs which flow through to our bottom line, and strengthen our relationship with our LPs. We will highlight some of our current work as well as where we see Carlyle going from here.

### Kara Helander

*Managing Director & Chief Diversity, Equity and Inclusion Officer, The Carlyle Group, Inc.*

Earnings growth is one of the core levers we have for creating portfolio company value. And the numbers have shown that bringing diversity in decision making is a proven driver. Over the past three years, the average earnings growth of Carlyle portfolio companies with two or more diverse board members has been approximately 12% greater per year than companies that lack diversity. Given this clear advantage, we're continuing to help our portfolio companies make significant progress in diversifying their boards.

We have set a goal of having 30% diverse directors on the boards of our private equity controlled companies within two years of ownership. In 2020, 56% of new directors in our goal-eligible controlled companies globally were diverse. We're also driving change internally as we look to build more diverse teams within Carlyle. Last year, 63% of people we hired in the US were female or ethnic minorities. We've instituted these goals not only because they are the right thing to do but because they are proven to create bottom line value.

### Megan Starr

*Global Head of Impact, The Carlyle Group, Inc.*

In addition to the more traditional examples, such as driving cost savings through more efficient energy management and procurement or reducing lost-time incidents through better health and safety practices, we've been working on innovative structures to drive down financing costs for Carlyle and our portfolio companies. In fact, we estimate that these ESG-linked financings could save Carlyle and our portfolio companies more than $15 million in interest expense.

To bring this to life, let me walk you through a few examples of how we've worked with our portfolio companies to link their performance on material ESG issues to the price of their debt, reducing their interest expense as they drive environmental and social performance. Recently, we acquired a company called Flender from Siemens. Flender is a market leader in mechanical and electrical drive technology with a core focus on wind power. Our acquisition included €1 billion of debt linked to how much renewable power Flender helps build each year. We estimate that this ESG ratchet could save Flender up to €1 million a year in interest expense.

In 2020, we worked with another portfolio company, Logoplaste, a packaging company, to create the first institutional term loan directly linked to ESG factors, by tying the cost of its debt to year-over-year savings in carbon dioxide emissions. In 2019, the firm estimated that its model saved more than 12,000 tons of carbon dioxide compared to alternative technologies in the market. This is equivalent to the amount of carbon consumed by more than 500,000 trees every year. In these examples environmental and social progress incentivize more efficient capital structures for our portfolio companies, driving value for our investors and shareholders.

### Kara Helander

*Managing Director & Chief Diversity, Equity and Inclusion Officer, The Carlyle Group, Inc.*


Copyright © 2001-2021 FactSet CallStreet, LLC

LPs representing more than half of Carlyle's AUM have engaged with us for more information about our DEI and ESG strategy in the past year. This is underscored by a recent Preqin study, which reported that 57% of investors think that a focus on diversity is beneficial to reaching their investment outcomes. As a member of the 30% coalition, Carlyle is working with investors, representing more than $7 trillion in Assets Under Management to increase gender diversity in corporate boardrooms.

LPs are basing these commitments on real findings, like the portfolio board data we talked about and a large body of research that links diversity and performance. This issue is critical to our LPs and it's increasingly critical to the broader context in which our companies operate. Carlyle investors represent over 80% of the LPs who joined ILPA's Diversity in Action committee and pledged specific actions to advance diversity. We expect this number to only increase over time as we continue to experience a generational shift in the investor landscape.

### Megan Starr

*Global Head of Impact, The Carlyle Group, Inc.*

Similarly, a growing portion of the LP community is just as focused on climate change as we are. LPs representing more than $70 billion of Carlyle's Assets Under Management have made commitments to better manage climate risk and return in their investments. So what have we done about it? As you know, we launched our renewable and sustainable energy platform, a dedicated team addressing the energy transition globally and capitalizing on the tremendous growth we see in the sector. Recently, the platform made a $374 million commitment to Amp Energy, a global renewable energy infrastructure manager.

We also did our first ever bottoms up carbon footprint for our majority-owned companies in our three primary private equity strategies: U.S. Buyout, Europe Buyout and Asia Buyout. This was to gather important data that is already helping to drive cost savings and revenue growth across portfolio companies.

This is an addition to a host of other climate change work we have pioneered, for example, hosting a climate scenario planning workshop and publishing one of the first task force on climate-related financial disclosures or TCFD, reports of any global private investment firm. LPs want to work with investment firms at the vanguard of these issues, as much as top talent wants to work at firms that are focused on proactively addressing issues like climate change and DEI. We believe that leading from a position of strength across these systemically important issues strengthens our relationship with our LPs and enhances our ability to attract and retain top talent.

### Kara Helander

*Managing Director & Chief Diversity, Equity and Inclusion Officer, The Carlyle Group, Inc.*

As we've said, our Impact is rooted in building better businesses. By looking for more comprehensive set of ways to drive impact within businesses, we can drive better investment results and more sustainable returns for our investors and shareholders. As a core part of this strategy, we believe teams with diverse perspectives, knowledge bases, interests and cultural identities are key to our investment edge.

We just announced a few days ago that Carlyle is structuring a first-of-its kind $4.1 billion revolving credit facility for our America's Corporate Private Equity funds, with the price of debt directly tied to our goal of 30% diverse directors across our portfolios. We are converging our focus on building better businesses, our commitment to diversity and our innovative use of private equity tools to drive real impact. This structure provides a clear financial advantage to our Limited Partners, while encouraging further progress on board diversity, an aspect with tremendous social and financial impact for our portfolio companies. We project this will also save us millions of dollars in financing costs.


Copyright © 2001-2021 FactSet CallStreet, LLC

**Megan Starr**
*Global Head of Impact, The Carlyle Group, Inc.*

Ultimately, we are using the tools of private investing to find opportunities at the intersection of financial performance and impact. And this is only the beginning. We recognize that these issues constantly evolve. But by staying nimble and embedding impact into all aspects of our business, we are confident that we will continue to drive long-term value in this rapidly changing world.

---

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

Thank you all again for your time and attention throughout the morning. Our theme for today is we are accelerating our growth and we hope the information about our strategic plan, our financial guidance and the perspectives from our senior team provides you with a more comprehensive picture to support our accelerated growth.

Before we begin to address your questions, we want to wrap up with a few concluding thoughts and some specific comments on our stock and why we believe Carlyle offers a compelling value for our shareholders. Let me reiterate some of the most important points you heard today, starting with our strategic plan. First, we will scale our best strategies. Second, we will grow earnings through adjacencies. And third, we will institutionalize and run the firm to drive better results.

Executing on this strategy should lead us to produce at least $1.6 billion in Distributable Earnings by 2024, more than double our result in 2020, split pretty evenly between FRE and performance earnings. In my remarks, I indicated our DE per share should reach the mid-$3 by 2024 with FRE and Net Realized Performance Revenues each at or above $8 million. Our focus on scaling and growing our platform will lead to higher earnings and margins. And adjacencies in capital markets and insurance will further diversify our mix of revenues.

Pete and Sandra highlighted the industry leading strength of our Global Private Equity platform. Our strong performance, our global footprint, our dedicated teams will all lead that business to grow significantly as well as lead improved performance over time. Mark highlighted the incredible opportunity that we have in front of us in Global Credit where we've doubled AUM in the past five years and we see a path to at least $80 billion in AUM by 2024 with upside from there. And we expect more than doubling of that FRE over that same time period in this business.

Ruulke showed just how strong the performance has been in Investment Solutions and how that strength is resonating with hundreds of new Limited Partners. These new LPs are investing into our products at higher fee rates and we believe positions Investment Solutions to nearly double FRE over the next few years and also accelerate earnings.

Nathan delved into our strong and deep partnership we have with our fund investors who are investing deeper and more broadly across our platform. And we expect to generate at least $130 billion in new fundraising between 2021 and 2024, more than 20% larger than our last multi-year fundraising cycle. Keep in mind this target does not include several things that could be significantly additive to this, like our upside in insurance solutions, new strategies we haven't announced or launched or further upside in our largest strategies.

Our Head of Global Research, Jason Thomas, talked about the power of our private data, which helps us make better investment decisions, as well as identifying the economic trends driving opportunities for private capital.


Copyright © 2001-2021 FactSet CallStreet, LLC

And last, Meg and Kara shared how we view impact at Carlyle. It's not a fund or a strategy only for certain investments, but rather ESG and diversity equity inclusion are embedded in our culture and all that we do, which we believe drives better decisions leading to better outcomes and results across our portfolio and Carlyle.

I hope you come away from all of this with a better understanding of how we can deliver great results for all of our stakeholders, especially our shareholders. And to that end, let me ask Dan to spend a few minutes on why we think Carlyle is only at the beginning of an upward share price trajectory. Dan?

---

## Daniel F. Harris

*Managing Director & Head-Public Investor Relations, The Carlyle Group, Inc.*

Thanks, Curt. Good morning, everybody. I want to highlight three points this morning that really framed the opportunity for CG investors that go really hand-in-hand with what we're doing within Carlyle more broadly. First, improving FRE performance should really help migrate our trading multiple higher. Second, increased visibility into the accelerating DE that we should provide will help give you an earnings roadmap and hopefully increase investor confidence in our stock. Taken together with our attractive corporate structure, we really do see our trading valuation multiple moving higher.

So, let me start quickly with our improving FRE profile. Originally, as we talked about, Carlyle was built to generate a lot of carry. We had a lower focus on FRE at that point. Today, of course, we remain very focused on fund performance, but we have had a complete change the way we think about growing and managing our Fee Related Earnings. We understand in the past there's been some concerns about the durability and the sustainability of our FRE, but our strategic plan that we've laid out today is both realistic and very achievable.

So, let me start on the valuation multiple. DE or Distributable Earnings is the most comparable earnings metric across all the stocks in our group, but also the stocks outside of our sector. Sum-of-the-parts, however, is probably the most prevalent valuation methodology that's used for just our peer group in general. But one similarity that goes across every valuation methodology in every conversation that we've had with investors is that Fee Related Earnings are valued much more highly than performance fees. And that's really been one of the key drivers why we've had such an increased focus on FRE over the past few years.

We've heard time and time again from our investors and from shareholders that for our valuation to increase we need more Fee Related Earnings, we need more growth and sustainability in those Fee Related Earnings and higher margins across that complex. We've been delivering on this. We're really positioned to deliver even more as we look forward. So, first, we've delivered a much larger pool of Fee Related Earnings. As Curt said earlier, we used to average less than $200 million a year in FRE and that was only about a quarter of our Distributable Earnings. Since then we've more than doubled FRE to about $500 million last year and that helps stabilize our Distributable Earnings even as performance revenues have a little bit more cyclicality to them.

Our strategic plan calls for that FRE to reach a much higher level, $800 million or more by 2024. And that's going to really drive a very good balance in Distributable Earnings. This balance is very much in line with the biggest and best firms in our group.

Second, that FRE has been growing at a really attractive rate and we think there's a lot more to come. In the past five years, we've quietly been growing our FRE at a 16% CAGR over that period of time. And our strategic plan that we talked about today supports a 13% or higher growth in FRE through 2024. That growth rate puts us very close to where we see the peer group trending over the next few years as well.


Copyright © 2001-2021 FactSet CallStreet, LLC

And third on margins. We've already improved these margins and there's going to be a lot more to come. This isn't by accident. This is the result of a lot of hard work. We've pruned small or unprofitable funds. We've exited non-core businesses. We've really scaled our flagship funds. This is – how the effect of driving margins up more than 1,000 basis points from 20% to 30%. And we see a significant ramp here to 40% by 2024, again closing the gap on the peer group.

So, as we deliver on our strategic plan, we would expect that over time our FRE multiple will also trend higher towards the peer group. Average after-tax multiples in this sector for FRE have ranged between 20 times to 25 times and in fact even higher than that for many peers. Frankly, we think that's well deserved. This is a durable, recurring and growing earnings stream with stability across cycles.

For Carlyle, however, that multiple average closer to 17 times. But as we've highlighted today and as you've heard throughout the course of these presentations, our FRE growth has been attractive and it's going to continue to be attractive. Margins have expanded and they're going to continue to expand and we increased the durability and the diversification of FRE and lowered the volatility. We feel really good about where our FRE and our results are heading more broadly.

Our strategic plan is also bringing a clear roadmap to strong earnings growth. That's from both higher FRE and higher performance revenues, as we've talked about all morning. And when you add that with higher investment income off of our balance sheet, we actually expect Distributable Earnings to well more than double over the next few years, which accrues directly to the benefit of our shareholders.

Conviction and transparency in that plan, as we've developed, should lead, in our view, to multiple expansion over time. Every day in our own business across all of our investment platforms, we see this. When there is better earnings visibility, we are likely to pay a higher multiple for those companies.

Lastly, I just want to remind you once again Carlyle chose to convert to a corporation last year in really the simplest and most aligned way possible. It's a full C-Corporation, single share class, single set of economics for all investors and there's a high degree of transparency for all shareholder cash flows. We have the highest likelihood of being in the most active benchmarks and the most passive indices. We feel great about that decision and we've gotten really strong and positive feedback from both current and prospective shareholders.

The conversions had a really positive effect on our stock trading and ownership from a technical perspective. Average trading volume since we announced our conversion in August of 2019 is up 2.4 times since then. That's more than double the growth rate in volume from our largest peer. So the stock has become much more liquid, much easier to own, and that's actually helped – 6 of our top 10 largest shareholders today are new to Carlyle in the past year. So, what we've been saying has really been resonating with the market and the depth and the breadth of our conversations across the investor universe has continued to deepen.

So let me just put all this together for you real quickly. CG today looks very, very attractive. On 2022 consensus that the analysts have projected, we trade at 13 times earnings versus our peer set closer to 18 times. That's a five turn gap (sic) [close to five turn multiple gap] and that's about as wide as it's been since the time of our IPO. And put that another way, our strategic plan has us delivering sort of mid-$3 per share numbers by 2024. We trade at 10 times that number today. So there's plenty of runway to benefit from earnings growth and multiple expansion from shareholders.

With our earnings mix improving, margins getting better and keep in mind, we're sitting right in front of a major realization cycle and a major fundraising cycle, we see great value in CG today. You also get all that, of course,


Copyright © 2001-2021 FactSet CallStreet, LLC

with the benefit of a fixed dividend that should grow over time with after-tax FRE. So we feel exceedingly good about where Carlyle is heading from a strategic plan perspective and really also for our investors where CG is positioned today to move much higher over time.

With that, let me turn things over to Kew.

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

Dan, thanks. Curt, great summary. So no need to really rehash everything. It was a great morning. What I just wanted to say enormous confidence in this team. We've worked so hard, we're establishing some real momentum and I think we've laid forth with real intentionality how we're going to accelerate our earnings to drive value moving forward. And the confidence and the sense of excitement that exists at Carlyle to drive this over the next handful of years is really palpable and great to see. And so, let me just end on that just to express the confidence that we have in terms of execution.

And with that, Dan, I think we should turn it over to and get some questions going.

# QUESTION AND ANSWER SECTION

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

Thanks, Kew. Really appreciate it. So we're going to start our question-and-answer session now. We have several questions online as well as that have come in throughout the course of the morning. Let's go first to Ken Worthington from JPMorgan. Ken, don't forget to unmute your line. Ken, you're live. Go ahead and ask your question.

**Kenneth B. Worthington** Q
*Analyst, JPMorgan Securities LLC*

Hi. Great. Good morning. And thank you for hosting the presentations this morning. Since we're audio-only and I'm pretty sure you can't see me, I wanted to assure you that I too dressed for the occasion. For my question, can you talk about $130 billion target? Maybe first can you help us better understand the cadence of this fundraising cycle relative to your last cycle given market conditions, deployment dynamics and performance?

Second, how do you see permanent capital funds growing as part of this fundraising cycle? And lastly, how resilient do you see the fee rates outside of solutions in the upcoming fundraising cycle compared to the prior cycle, given this greater concentration of investing clients that you're seeing?

**Kewsong Lee** A
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

Great. Hey, Ken. I wish I could see you. I know you can see me, but I hope you're doing well. So why don't – Curt and I will take this in two parts. First, let's take a step back. The last fundraising cycle we announced was $100 billion campaign and we actually hit one-tenth that was over four years. So here we are today. We're announcing $130 billion-plus and I think you should think about the $130 billion equating to the $100 billion. And so, it's a baseline, which is why we keep saying $130 billion-plus. So what's in the $130 billion? It's our existing businesses. You've heard about all the plans to scale them.


Copyright © 2001-2021 FactSet CallStreet, LLC

Our Private Equity, Credit, Solutions platforms, we feel really good about it. What's not in the $130 billion are things like if we pull off an acquisition, if Fortitude grows and we raise more money for Fortitude, new strategies that we'll obviously be working on over the next three or four years. So we feel really good about the $130 billion-plus as a baseline I think against history, with regards your question on cadence, I think you have a pretty good sense for how we're equating it to the target that we announced, which we outperformed last time.

And maybe Curt, I hand it off to you and then take it from there.

---

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

A

Thanks, Kew. So Ken, as you know – I mean a lot of our capital is long-dated. So roughly 98% of the capital long-dated, generally 10 years or more, really sticky, and that's in the traditional Carlyle business. The $130 billion-plus, as we move forward, obviously, a baseline, obviously underpins that $800 million of FRE that we're targeting to achieve by 2024. All of this is also assumes continued building on our existing permanent capital vehicles. So right now we have a Core Plus fund within our Real Estate business. We have a couple of BDCs, we have a smaller product called CTAC within our Global Credit business, and we also have Fortitude, as Kew also already talked about. All of those will continue to grow, but we generally have a small footprint today overall speaking in permanent capital. It will grow somewhat over the next four years, but it'll really take something outside of that to really kind of significantly change it. Point though $800 million of FRE tied to that exact plan. Anything else is upside.

On the question on fee rates, had a very good slide already in the presentation on this. We've generally been very stable on our fee rates over our history, somewhere in that mid-$0.90 per $1. So, about 95 basis points per $1 has been the fee rate. And as we look at that $130 billion going forward, even with the slight change in the build of the business, that 95 basis points is still what we're projecting in 2024. So, I think that really kind of helps underpin and drive that earnings targets that we have. And hopefully that summarizes your question.

---

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

A

Great. Thanks. Let's go next to Bill Katz from Citi. Bill, don't forget to unmute your line. Bill, happy to take your question. Thanks for listening this morning.

---

**William Raymond Katz**
*Analyst, Citigroup Global Markets, Inc.*

Q

Okay. Thank you very much everybody. Good morning and thanks for a wonderful presentation, super helpful. I just wanted, maybe a two part question, maybe for Curt and Kew together. I was wondering if you could just sort of go through the dividend policy and maybe cap return more broadly as you think about, just sort of the rising sort of earnings power and durability, the earnings power and I think about like payout versus the capital return. And then M&A seemed to be a pretty strong theme throughout the presentation. So, I was just wondering if you can maybe click down layer and sort of level and sort of talk to where you see maybe the best opportunity or product gaps to continue to grow the business? Thank you.

---

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

A

So, Curt, why don't you start...

---


Copyright © 2001-2021 FactSet CallStreet, LLC

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

A

Yeah. Curt, you go first.

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

A

Sure. So, starting on capital allocation, so look there's a number of things as we think about driving shareholder value. First and foremost, is dividend. So, not only do we want to maintain a fixed dividend, but really we want to be able to grow that dividend and use capital to grow that. And really kind of, you can think about that as FRE after tax grows, I would expect to see our dividend grow as well. But we want to make sure that as we increase that they remain stable. Obviously, as we raise more capital, the firm also has to invest into those funds, so from a balance sheet perspective, we'll be driving capital into those funds, critical aspect of the business.

The Capital Markets business, we've largely set aside capital for that but as that business also grows, we'll need to set aside more capital to underwrite and support that continued growth. And then, as you've mentioned M&A, both from capital on the balance sheet or new capital, will be required to kind of take on M&A. Kew, will talk more in terms of some of the opportunities that we see there.

And then, dilution management. Obviously, we want to manage dilution over time and generally want to be able to do that, to manage it down to somewhere in the 1% dilution range. And that will be both by managing the number of grants, but also through buybacks. Hopefully, that's – something on that, Kew.

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

A

Yeah. So, clearly, if what we think is going to happen with earnings happens, there's going to be a lot of capital generation at the firm. And Curt just outlined really well, how we think about deploying that capital with respect to our internal businesses, but also how we intend to deploy it with respect to shareholders.

In terms of external growth and the whole concept of M&A, clearly, this is an area of increasing focus. I think, it's fair to say, I don't want to get into real specifics, but let me try to help you with a few thoughts on how we're thinking about all this. More likely than not, we're not going to be trying to acquire things in private equity. That's an asset class that we think we've really fully developed out. We think we're strong, if not the global leader in it.

I think, you could think about much more in credit where we did something with aviation just a year-and-a-half or so ago. I think you can think about us thinking aggressively in the insurance solution space. Clearly, we have our platform set up with Fortitude. I think Fortitude is going to get more aggressive now that it's standalone and set up, not only reinsurance transactions but also M&A itself. And obviously, anything that Fortitude does to grow, comes to the benefit of Carlyle.

And then finally, some – Ken asked this question and Curt answered it. Permanent capital is something that has not gone unnoticed by us and we are going to be thinking very hard about ways where we can use our balance sheet to pick up investment strategies or vehicles that have permanent capital like characteristics. Now anything and everything we do, I just want to make sure you realize, it's got to be strategic, it's got to be scalable and it's got to be a cultural fit. We have a special culture here, we're not about to distort or lose that, so it's got to be a business that we think we can add value to, but also gives back to us and can work from a cultural fit perspective. Hopefully that gives you a little bit more color.


Copyright © 2001-2021 FactSet CallStreet, LLC

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

A

Great. Thanks Kew. We're going to stay on the audio line, and we're going to Alex Blostein from Goldman Sachs. Alex, don't forget to unmute your line. Go ahead, Alex. You're live.

**Alexander Blostein**
*Analyst, Goldman Sachs & Co. LLC*

Q

Great. Thanks. Good morning, everybody. Great to see everyone and again thanks for the presentation. I wanted to go back to the FRE margin targets that you guys have set out. Definitely, very helpful to see. But we've seen several peers in the space over time, move I guess some of the comp dynamic away from kind of FRE towards incentive fees, so kind of using some of the incentive fee comp rates to be a little bit higher or quite a bit higher I guess, than the FRE comp rates. As your business continues to scale and the product base becomes more diversified, do you see an opportunity for Carlyle to shift more comp dollars to carry to further maximize FRE margins beyond the 40%?

---

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

A

I think, Curt maybe you can handle this one.

---

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

A

Let me start on that. Thanks for your question Alex. Look what we've tried to really do is be true to our culture, true to our firm, true to what we've done. What you've seen in the 40% is straightforward growth from where we are. So the FRE – and we've done a real nice job I think over the past five years of growing not just FRE, but growing margin. And as we've laid out we expect to continue to do that going from $490 million of FRE in 2020 to $800 million in 2024 and achieving essentially a 40% FRE margin. And that's just straight down the – right in the middle of the fairway execution on what we do, as opposed to tweaking or changing or whatnot. Now we will do things to make sure that we continue to align all of our people. So like our strategic equity awards, we have put very good alignment to get people focused on driving FRE. But I would not say that we're looking to make shifts in other areas to really kind of change kind of our overall approach. And I'll finally, just say look I feel real confident in kind of how we can do this and that and how we're lined up.

---

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

A

Great. Thanks Curt. I'm going to shift gear now and take a question that we've gotten from the webcast this morning guys. So question came in earlier from Jerry O'Hare from Jefferies. So as Carlyle continues to scale in Global Private Equity targeting bigger funds, bigger deals maybe at higher valuations depending on the market, how can the team protect against the risk of lower returns for future vintages? Kew, I think you could handle that?

---

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

A

Sure. And Jerry, thanks for that question. Ever since I've been in this business for 30 years we've always complained about higher prices and how we're going to find our returns. Yet in some shape or form or fashion the best firms figure it out. And I think the reason is at Carlyle, we drive value creation by just building better businesses and improving these companies and its hard work, but it's driving growth. It's taking our enormous platform resources that Sandra talked to you about, capital markets expertise, human capital expertise, trying to figure out better procurement strategies. Working hand in partnership with our management teams to do the


Copyright © 2001-2021 FactSet CallStreet, LLC

heavy lifting that it takes to drive revenues and improve these businesses. And that's why 75%, 80% of Carlyle's value creation and we track this very carefully is driven by fundamental EBITDA improvement, it's not multiple expansion, it's not leverage.

So, if you have that mentality and you have the platform that we do, which is every region of the world and every deep sector expertise and an incredible network with executives, CEOs and talent. You marry that with kind of what we do and how we do it, I'm pretty confident we're going to keep posting attractive returns. Now, also let me end with this, it's a relative gain to a certain extent and we are relatively outperforming. And I do think that is more likely than not going to be sustainable. So, I hear the sentiment in terms of like how are we going to keep this going. You've got high valuations, lot of capital coming in, but remember this is, remember how we create value. And don't forget as I said in my opening remarks there is tremendous change occurring, tremendous disruption, huge growth in all parts of the world and that's creating a ton of opportunity as well.

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

A

Great, Kew. Let's go back to the audio line. We have another question from Mike Cyprys at Morgan Stanley. Mike, don't forget to unmute your line. Mike, go ahead and ask your national question?

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

Q

Great. Thanks. Good morning, everyone, and thanks for the presentation today. This is a little bit of a longer term question just maybe following up on some of your FRE commentary as you're looking for 13% CAGR for the next four years and FRE benefiting from the fundraising cycle that you're entering now. So I guess the question is if you exit that fundraising cycle in 2024, should we expect that the FRE growth decelerates from that 13% CAGR to say to mid-single digits or lower as we saw in the most recent experience in recent years of exiting of the last fundraising cycle, will it start to decelerate or could you sustain that 13% or shall I say what could sustain that 13% on a longer term basis and how likely is that in your view?

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

A

Curt, why don't you take that.

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

A

Mike thanks for the question. And look my crystal ball is pretty good near-term long term it gets a little more difficult to kind of call out exactly. But look the thing that's really started to happen is, Kew has really set out the nice clear directives in terms of what we're all to do. I think you've heard from all of our business leaders and senior team how we're focused on really driving earnings and really value for our shareholders. And so as we are on a nice set of trajectory good momentum in terms of where we're going, I think that that just continues after 2024.

That's not a peak in our plan. We'll need to be followed up with another probably four year cycle and kind of the same kind of process thereafter. And look sitting here today I would say that's up again. So I look at this is really a continuation. We're looking to continue to drive a business that is really long lasting sustainable and really just institutionalized and all that we do.


Copyright © 2001-2021 FactSet CallStreet, LLC

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

A

Great. I'm going to take another question from the web. And I encourage everyone that has a question online that wants to ask to please raise your hand on the call. But this question comes in from Mike Carrier, Bank of America. So, how do you expect different rate backdrops to impact the growth outlook for credit? And Kew maybe you can handle this one.

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

A

Okay. So a different rate outlooks impact on credit; well, look I think there are two or three secular trends that are happening, which is enabling private credit to grow regardless of the rate environment. First there's just the movement of the credit function continually from traditional sources like banks into the private credit investment community. So we're continuing to see that.

Second, there's just been a continual realization that there isn't illiquidity premium that allows for relative outperformance when you're in the private credit asset class versus the public asset class, and we're continuing to see that shift occurring and particularly in an environment where rates have trended down, obviously this has been incredibly important. As rates start to move around, as rates maybe go up, as you see more volatility, I think those two underlying trends though are secular, moving out of traditional sources and the fact that there's a growing awareness of the relative outperformance with private credit.

And then finally, I think there's another trend that's happening, which is as companies want to stay private longer and as management teams understand what the benefits are of private credit, in terms of bespoke solutions, in terms of the certainty on timeframes that gives them confidence for them to be able to transact, with respect to an appreciation of their needs of a private company and tailoring documents to be supportive of a company's growth. I think all of that is positive.

So, I'd also point out if there is volatility, there are credit strategies that benefit from that volatility and growing appreciation of LPs who want to gain access to those types of strategies like a credit opportunities investment strategy. So, I think there are lots of secular trends in place that are going to help the private credit asset class continue to grow, kind of regardless of what happens day-to-day with respect to rates.

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

A

Great. Thanks, Kew. We have another online question now from Mike Cyprys from Morgan Stanley again. So, Mike, feel free to unmute your line and ask your question.

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

Q

Great. Hey, thanks for taking the follow-up question. Just wanted to dig in a little bit more on the private credit space, I was hoping you could maybe elaborate on your comments on the private credit growth, just in terms of which parts of the private credit marketplace do you see the strongest growth potential for the industry and then for Carlyle? Is this mostly leverage and sponsor-related finance? And how do you see the mix of your private credit business evolving from a strategy standpoint over the next four years, which today if you look at it, it's, call it a bit more than half of leverage and sponsor finance? Thank you.


Copyright © 2001-2021 FactSet CallStreet, LLC

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

A

Yeah. Thanks for that question. So let me try to go into a little bit more detail. I think, in the short-to-medium term, you're going to see a real pickup in CLO activity. We're already seeing it. You're seeing formation, CLO formation in Europe and the United States, is pretty strong. And so certainly, just a world of difference in that whole segment today versus where we were a year ago. And I fully expect that to continue. And I think that portends good things to come, in terms of the leveraged loan activity, M&A activity, et cetera. So we do see growth there.

I do think one area where Carlyle is under-scaled in terms of potential is direct lending and that's an area, where I see continued longer-term growth. We got to do it in the right way. But expect us to try to lean in and figure out ways to continually grow that strategy, since we have our platform and some permanent capital already set up there.

The opportunistic strategies for us, I think, are really, really interesting, because it's a combination of what I would call dislocation capital strategies, where when the markets reacted the way they did in March, April last year, we saw a lot of activity coming in into that strategy is because there was disruption. But on the other hand, it's also a great team that knows how to work with what we call transitional capital, working with companies that want tailored or bespoke solutions. This is away from sponsors. So these are actual private companies, in some cases even public companies, that want a private credit partner to help come up with a solution for them as they're managing through a certain period of time in their business plan. So, we see real opportunity for growth there.

Over the longer term, you have to look at also regions. It's fair to say the credit markets are most developed in the Western economies, but make no doubt about it, you're going to see credit opportunities emerge in other parts of the world and that's much longer term. But we are thinking through that and are trying to understand strategically what that means for us in terms of opportunity as we try to expand and make sure our credit platform continues to provide great investment opportunities for LPs but also takes advantage of the strategic footprint that we have globally.

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

A

Great, Kew, thanks. We've actually got a couple of questions this morning on a pretty prominent topic recently on SPACs. So the question, one of them that has come in is, are you worried about the massive boom in SPACs, not just here in the US but maybe also in Europe, I mean, are you worried about a speculative bubble that could affect the markets in some way and there's been a few questions around that. Kew, maybe you can handle it.

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

A

Sure. I mean, look a lot of money is being raised in SPACs right now, a lot of folks have gone out and raised SPAC money, and some deals are getting consummated. So you can't ignore it. We're doing a lot of work thinking about SPACs and I think there are two or three ways to think about it. First, from an exit perspective, clearly it's another way to take a company public, a lot of our portfolio companies have explored this, some have already transacted with SPACs and it's a viable way to begin the path to liquidity depending on the SPAC partner, depending on the specifics and that's obviously an interesting route for us and we'll look at that case by case by case.

There's a broader question though in terms of, on the investing side and I just point out that this is just the way I've been reflecting on it, raising the money for these SPACs that's kind of the easy part of the equation. The hard


Copyright © 2001-2021 FactSet CallStreet, LLC

part is putting it to work. We've got 1,800 people around the world, we're working very hard every day side by side with platform specialists, trying to figure out where to find that next deal. And then like I said on the earlier question, how to create value. That's hard. And so I think a lot of attention has been focused on raising the money, which clearly we're at a moment in time where this type of money can be raised.

But I think, people have to start focusing in on what does it mean to have that money and how do you actually deploy it, because investing wisely is not easy. And to do it in a sustainable way over a very long period of time, is even harder. So, two or three or four quarters does not a trend make, I think, we should all take a step back and see how this SPAC phenomena settles out. And I think the real proof will be that I think some SPACs will do quite well, but there may be a lot of SPACs that are going to start to appreciate how hard it is to invest wisely and there may be a lot of disappointment. But we're going to have to see over the course of time how this all plays out, because investing sustainably well is not easy.

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

A

Great. I think, we have another question on line from Patrick Davitt from Autonomous. Not sure, if you're still there Patrick, but if you are, go ahead and unmute you line and you can ask your question.

**Patrick Davitt**
*Analyst, Autonomous Research LLP*

Q

Hey, Dan and thanks, guys. First quick follow-up, I think from the first question, my line was spotty. Did I hear quickly that the $800 million Fee Related Earnings target does not include potential inorganic insurance deals?

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

A

That's correct.

**Patrick Davitt**
*Analyst, Autonomous Research LLP*

Q

Great. Thanks. And then my main question. I found the Solutions presentation very helpful, as a part of the business we don't talk about as much. But there are increasingly some higher profile, larger independent firms in that business. Now, it seems to me that some GPs might hesitate to allocate to you as a direct competitor. Can you speak to the risk that more formidable independent players in that business could be an impediment to your access to deal flow at some point?

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

A

Hey, Dan. Can you restate the question.

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

A

Sure. So, Patrick's question was, there're been a lot of growth in this business, wondering whether some investors would be more hesitant to invest with us given the association with Carlyle versus some of the more solo standalone companies in the sector.


Copyright © 2001-2021 FactSet CallStreet, LLC

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*
A

Within Solutions...

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

Within Solutions.

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*
A

Within Solutions. Okay. Well, first of all, Patrick, I hope you're doing well. Thanks for the question. Within the Solutions, what we're seeing is that our AlpInvest platform is increasingly a complement as opposed to a substitute. And what's happening really is, the asset class is maturing and sophisticated and larger, and LPs are just understanding that they need to do a better job of managing the whole portfolio as it regards to alternatives. And that's why AlpInvest can do such a good job for them, because it's about minimizing risk or increasing diversification, or getting more deployment more quickly than what might be able to be done through a single GP or trying to manage a bunch of GPs with respect to fine-tuning and leaning in or leaning in a certain direction with respect to the overall portfolio.

So, I said this on the earnings call, but over the past three years, I think, something like 40% of all AlpInvest LPs have overlapped with ours. And actually, if you look at it over a longer period of time, it's closer to 80%. So, it's not really a cannibalizing end or substitutive issue for us. I think, it's much more of a complement. So, what we're seeing when I meet with LPs, they want to not only look at upcoming strategies in buyout or in growth, but they're also saying, well, how can we now layer in AlpInvest so that we can get a little bit more deployment efficiently with co-invest, or how can we get more deployment in a diversified way because of a secondary trade that's in the market which AlpInvest can help them with. So, again it's much more in my mind complementary as opposed to substitutive.

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

Kew, let me just weigh in here just a second. So, I think, Patrick, maybe part of your question was also around the potential conflict between AlpInvest and Carlyle. And we are very much attuned to that potential conflict as GPs look to allow AlpInvest to invest. Let me just make a few points. First, AlpInvest has been owned by Carlyle for nearly a decade now. So, this is a real concern, real issue that we thought about when we first made the acquisition and obviously, it's been managed and you can kind of see that in the growth and the growth, and then in all the aspects of the investment solutions as Kew just talked about.

Second, there's clear Chinese Walls that we have internally as we do it along a lot of different and of our business segments. So, we in the Carlyle side, absent AlpInvest, don't see fundamental core data from the deals that AlpInvest invest into. So, there are clear lines that we protect to manage that particular issue and just by the peer growth in Investment Solutions, I would say that it's been successful thus far.

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

Great. Let's go back to the audio questions.


Copyright © 2001-2021 FactSet CallStreet, LLC

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

A

Sure.

---

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

A

Alex from Goldman, your line is going to be open. Don't forget to unmute yourself. Go ahead with your question, Alex.

---

**Alexander Blostein**
*Analyst, Goldman Sachs & Co. LLC*

Q

Awesome. Great. Thanks for the follow up. I wanted to ask you guys around the Capital Markets business a little bit more broadly. It sounds like it's an area of growth for sure. You've talked about it for a little while in the past. It seemed like from your presentation, this is largely still going to be Carlyle-related deals, maybe both on the syndication side as you buy things and sell things. Any thoughts about expanding it to third parties over time, again that seems to be an area where others have had some success and if there's enough scale build out in this business, kind of why not do it?

---

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

A

Sure. Yeah. I'll take that one. So, a great question, Alex. Look, we are focused right now on Carlyle portfolio companies and Carlyle opportunities. You can't get to third base until you get to the first base. So let's just leave it that, let's focus first on the thing that is the most adjacent and where we're adding the most value. Our teams are fully embedded side by side with our deal teams they add a ton of value to these portfolio companies. And so, I think this is something which gets us in the game and allows us to start capturing this adjacent fee stream. And we'll see where it goes from there. But right now, we're focused on Carlyle portfolio companies and the opportunities that are franchises created.

---

A

The earlier question I mean that could be one of the drivers of growth in 2024 and thereafter, but a long time from that.

---

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

A

Great. So, we have another question that's come in on the webcast. So, I'm going to read this and I think, Curt, you could start and then maybe, Kew, you can jump on. So on FRE margins, the question is why don't you invest more in private credit capabilities given sort of the early stage of your private credit business, or would you rather [indiscernible] (03:16:48) your existing credit capabilities, meaning why not do more new things versus scaling the existing things. Kew – I mean, Curt, why don't you get that started.

---

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

A

Sure. So look, where we are in global credit, we've made a lot of investments. You can probably remember, Kew, making the comment, historically, but be patient with us as we build the platform. We're now at a point where


Copyright © 2001-2021 FactSet CallStreet, LLC

Mark and the global credit team have built a lot there in terms of platform. And so, now you want to really be able to grow and take advantage of what has been built, so that you also can drive improved margins and really earnings. As we started new initiatives, which we'll obviously want to continue to do as long as they meet kind of all of the criteria that Kew spelled out in terms of being able to be big and scalable, et cetera, those things we want to add in over time, so that they can also keep that long-term trajectory going. But it's a – it really is about kind of how do we grow both in total, but also make sure we're focused on growing FRE and margin as we do that. Kew?

---

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

A

Yeah. Not really much more to add. I really do want to make sure that the platform stays balanced and that we're focused and prioritizing big strategies, where we can be distinctive and we think we've got a great platform set up now. You already know that we're trying to set something up in infrastructure credit and have real efforts going on there. I wouldn't be surprised if real estate credit is something that we tackle, which is a clear large opportunity set for credit.

And as I keep mentioning, over the very, very longer term, there's regional ways to extend. But I think, you're developing the sense that we have really nice pillars set up in a balanced way, where we really want to drive growth there, because the scaling and operating leverage will really benefit all of us. And we're going to pick and choose a few really big and scalable strategies to lean in on, where again, there's an adjacency, there's some type of benefit, there's some type of strategic reason why we could be good at it.

---

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

A

Great. We'll take another question from the web. I do see one or two more voice questions as well. Feel free to continue to raise your hands. Curt, this one's for you. So on capital management, can you frame your capital management strategy? I know we did that during the presentation. Maybe we can expand a little bit over the next few years. We're obviously expected to raise a lot of cash from our Distributable Earnings growth over the next few years. So M&A aside, what do you expect for dividends and co-investment and building out your capital markets business and touch on anything else?

---

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

A

Sure. So let's start with capital markets and then I'll answer kind of the allocation question, which I think I handled a little bit before. So, on the capital markets business what's really key here is what we've now put in place. A, first we focused on it and by focusing on it we have put – we created the team – separate team. Second, we've put the structures in place so the right broker dealer legal structure, et cetera. And third, we've allocated capital and that business as it grows is going to need more capital. Now good news here is these deals and where we're advising on and working through to create value is part of the Carlyle deal flow. I will say that this is a very attractive high margin business for us to take advantage of.

On the capital allocation piece look this is a key piece that will require capital. But as I mentioned before as we think about all of the capital allocation strategies it's to drive shareholder value. And so we may pivot in terms of priority from here to there, but – look, first and foremost is keeping that fixed dividend. And then being able to grow that as we grow after-tax FRE, acquisitions are clear and I've talked about dilution. So, hopefully that wraps it up.

---



Copyright © 2001-2021 FactSet CallStreet, LLC

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

Yeah. I think that was perfect Curt. We're going to go back to audio. We have a question from Mike Carrier from Bank of America. Mike why don't you unmute yourself and go ahead and ask your question?

**Michael Carrier**
*Analyst, Bank of America Merrill Lynch*
Q

Hi, good morning and thanks for the details this morning and taking the question. I have a bigger picture question just on some sensitivities, which may be tough and Kew you already gave some color on potential impact from higher rates on credit, but just across the overall platform, if we are seeing more inflation, potentially some valuation reset in public markets post the big run, it is still strong economic growth outlook. How do you think that impacts the targets you laid out this morning if at all? Thanks.

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*
A

Okay. Well, I think how we define inflation, what it is, when it shows up, et cetera, is obviously a huge topic that we're thinking hard about. Let me remove some tails, right. So forget hyperinflation and let's also remove maybe a temporal increase in input prices in certain sectors, et cetera just because the economy is recalibrating right now. So, if I hear your question, right, you're like what happens if there's some general sense of inflation, maybe the markets resettle a bit and how does that affect our outlook moving forward.

First of all I just make the observation a lot of our portfolio companies have fixed rate debt that's been put in place and so obviously with inflation the real value of that debt is being diminished, which is all else equal good for equity. But remember what we do which is we're looking for businesses that have – that are industries with high barriers to entry, that have moats around them, that have great management teams, that have lots in their control to drive earnings. It's why we're so focused on wanting to build better at these portfolio companies.

And so, if you look at it through that lens, a little bit of inflation is not the worst thing in the world with respect to the underlying ability of these businesses to keep driving and to protect margins and to actually capture more economic value. And so, if you're talking about like a general impact on businesses, if we pick the right businesses, I think a little bit of inflation is not the end of the world and actually could be helpful in terms of value. With respect to new deals, we mark-to-market and if we see a great deal, we understand what the environment is. We have an outlook. And if there's a big threat of inflation or there's something there that we're worried about, it will be reflected in how we price that deal, structure that deal, execute that deal, what the business plan is for that deal. So, I'm highly confident in our teams and our abilities to adjust to that.

With respect to Limited Partners community, as I'm just thinking out loud with you. Remember, we're in a relative outperformance game. And I think that relative outperformance whether you have inflation, no inflation or a little bit of inflation our business model and what we do to drive value creation is a constant. We're going to keep doing that and that relative outperformance I think always is something that we think is sustainable and doable. So I think the value proposition as it relates to our Limited Partner community is still intact. So hopefully that gives you a sense.

Now one last thing to the – you mentioned, if I remember correctly, market's correcting. So look, who knows right, our crystal ball isn't that great. Markets could definitely correct. There could be a big correction. The way we think about that is in terms of outlook, could it delay distributions? Sure. Could it have a short term impact on values of our portfolio? Sure. But if we pick the right companies, if you've got the right management partners and we've


Copyright © 2001-2021 FactSet CallStreet, LLC

constructed our portfolios well, which I think last year demonstrated. It's just a matter of time as things recalibrate – re-collaborate if that's a word, and it's a matter of time for us to get that value back to our Limited Partners and ultimately our shareholders. So it's more of a timing issue, I think as opposed to some permanent sense of value destruction. So hopefully that gives you a little bit more color. But Curt I don't know if you have anything you want to add to that.

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

A

Yeah, the only thing I would add Kew is, as I think about 2024, $1.6 billion of pre-tax Distributable Earnings, $800 million (sic) [$800 million in FRE], $800 million (sic) [$800 million in performance revenues]. And the – so the two components on the FRE side, if we're able to do what Kew said, i.e., continue to outperform the market that makes the $130 billion, that's a baseline underpinning number should be achievable. Because again just through all the things that Pete and Sandra talked about in terms of building to add value really makes these compelling products.

And then as I said before, once this is raised, very sticky capital. And so once it's raised in that management fee piece is there and it really can support the FRE combined with all the things that we've already talked about in that strategy. And on the net realized performance revenues the key aspect is absent some sort of catastrophic event in capital markets in the overall economy, but if that all kind of holds more or less kind of in the middle of the fairway, our portfolio is in really, really good shape. It's well constructed.

And so the ability to be able to realize that should be pretty good. Now exact time one year, one quarter whatever, you'll have some blips around that. But I'm feeling really good about kind of how that $800 million holds up. So the $800 million and $800 million, $1.6 billion is pretty solid.

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

A

Okay. We've got a couple more questions coming in so we'll take a few more.

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

A

Sure.

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

A

This question came in online on the webcast guys. So, what areas in your business are subscale today that you actually think can continue to grow over the next few years that you really expect to put a lot of time and effort behind it?

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

A

Why don't I take that one?

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

A

Kew wants that one, okay.


Copyright © 2001-2021 FactSet CallStreet, LLC

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*
A

So what businesses are subscale. Well, let me flip it around. There are businesses that we have that are at scale, but I think can be much more scalable for growth and obviously driving earnings. Our direct lending business I mentioned that it's already at scale, but it can be a lot bigger. Certainly our longer dated GPE product, like core real estate or core private equity, these are businesses we've already established and now we can do more with them. And I think they are sub what I would like them to be. Not subscale, they are sub what I would like them to be and very scalable moving forward with respect to upside.

I think just in our private equity platform as big as we are and as successful as we've been I think we've just tapped the beginnings of growth private equity, which we showed last year that we can do quite well in all regions of the world. And then finally, clearly, Fortitude is a scaled platform. So it's not subscale. It's scaled already, but it can do a lot more, which we're very focused on pushing in the months and years ahead. So hopefully that gives you some sense for the areas that we're thinking about driving more scale. I would rephrase the question that came in. I don't think these are subscale. These are scaled businesses, but we can scale them up even more.

---

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

Great. I think, we're just going to take one or two more questions.

---

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*
A

Okay.

---

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

We've a question that's come in from Glenn Schorr online from Evercore. Glenn don't forget to unmute your line. Thanks for dialing in. What's your question?

---

**Glenn Schorr**
*Analyst, Evercore Group LLC*
Q

Thanks Dan. It's on private credit, if I could. You mentioned private credit is in a place where private equity was 15 years ago over that time you showed the 10% CAGR for private equity. I'm curious what you think the CAGR might be in private credit and what asset allocations to private credit might go over say the next five years? And then very importantly do you feel you have enough asset generation to feed all of that growth in private credit AUM, do you need to build out your direct origination platforms? Thanks very much.

---

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*
A

First of all, hey Glenn nice to hear your voice. Look I don't know in three to five years whether the CAGR is 12%, 8%, 7% or whatever. I do know it is significantly smaller than private equity. And I do know what I'm hearing from LPs and what I'm hearing from smart folks around the industry, which is there's just going to be a secular trend towards wanting more private credit and capturing more premium from illiquidity as more and more awareness is growing with respect to what private credit as a solution is. So my crystal ball is not good enough to tell you whether it's 7%, 8%, 9%, 10%, 12% over the next two three years. I just know that it's happening and we're all


Copyright © 2001-2021 FactSet CallStreet, LLC

benefiting from it every day. The second part of the question was – help me Dan, what was the second part of the question?

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

A

Fund raising, distribution.

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

A

Yeah. And it was on origination, Glenn. And we have a lot of origination that's been already been built. Our direct lending platform has already got that. Obviously how folks originate depends on strategy. We have a fully built out team already in opportunities. And so more or less these expenses and the professionals and the team members we need have been built. And this is why keep and referred to it. It's why I said thank you for the patience because over the past two, three, four years we've been very busy building this out quietly in a good way. Now that doesn't mean we're not going to incrementally add in order to bolster and boost. And I think there are certain ways where we can do that. But in general most has been – most of this has been built and we feel pretty good about the platforms originations capabilities across all credit strategies.

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

A

Great. We did have a question that came in on real estate, Kew.

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

A

Sure.

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

A

...the areas that we have been investing in, but really could we talk about things we've avoided. What are the areas do you think that we – that we've been really big in, in terms of our latest funds, which we're spending more of our time?

**Kewsong Lee**
*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

A

Yeah, Pete, did a great job of laying out how just strong the portfolio construction is and really big credit to our Real Estate team to have managed a portfolio construction which has enabled the exposure to be so small with respect to those industry sectors that have been really hard hit because of this crisis. But they are very thesis-driven. They understand the demographics exceptionally well. It's a very – we approach the strategy very locally.

And certain themes that we look at are taking multi-family, single-family, active adult, student, housing are good themes for us. Things like industrials and logistics, data centers looking at medical offices and ways where real estate benefits from the trends in life sciences and self-storage, these are all thesis-driven thematic things that our team has been really focused on in a very disciplined way. And they've constructed their portfolio in a very disciplined way.

And I think there the numbers show it as to kind of what happens when you do that. And so I've got great comfort in the fact that they've stuck to their knitting. They know what they're doing. They put together these portfolios


Copyright © 2001-2021 FactSet CallStreet, LLC

asset by asset. And the track record is terrific. So I would expect that you're going to continue to see our US Real Estate team build out and drive their investing based on the type of approach I just outlined.

### Daniel F. Harris

*Managing Director & Head-Public Investor Relations, The Carlyle Group, Inc.*

Great Kew. We're just past noon and that's all the time that we had allocated for today. Thank you for your time. Kew – I have to pass it over to you for any final thoughts.

### Kewsong Lee

*Chief Executive Officer, Chairman of the Executive Group & Director, The Carlyle Group, Inc.*

Okay. Well look first of all thanks everybody for joining us. I know it was a kind of a long morning, but we really wanted to just lay it all out and give you a sense for exactly how we are thinking about our strategic priorities and how we're going to accelerate growth and earnings on behalf of all of our stakeholders. I'm really proud of the team in terms of how we've all come together. Last year was an incredibly difficult and busy year, but the momentum that's been established and the sense of excitement that we have right now to execute against this multiyear plan, it's really terrific to see.

We've got a ton of confidence. We have a ton of support from the Board all the way down. We've created the alignment that we need and we have a real sense of purpose. And like I said earlier the intentionality of how we set this all up in a very simple way get our priorities straight, figure out our strengths, pick our spots and really drive to execute. I wouldn't underestimate the intentionality that you're seeing with respect to this whole morning today.

So thank you for your time, your support. We're truly appreciative. I'm highly confident in our team and really excited about the years to come. Thank you everybody and please stay safe, stay healthy. Take care.

Disclaimer

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

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

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2021 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.