Carlyle Group L.P.
Form 10-K
February 13, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
(Mark One)
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO
Commission File Number: 001-35538

The Carlyle Group L.P.
(Exact name of registrant as specified in its charter)

Delaware	45-2832612
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1001 Pennsylvania Avenue, NW Washington, D.C.	20004-2505
(Address of principal executive offices)	(Zip Code)

(202) 729-5626
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Units representing limited partner interests	The Nasdaq Global Select Market
5.875% Series A Preferred Units	The Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein and will not be contained, to the best of the Registrant's knowledge, in definitive proxy

or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý
Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act

Large accelerated filer	ý	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨
		Emerging growth company	¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No ý
The aggregate market value of the common units of the Registrant held by non-affiliates as of June 30, 2018 was $2,151,317,402.
The number of the Registrant's common units representing limited partner interests outstanding as of February 8, 2019 was 108,953,241.
DOCUMENTS INCORPORATED BY REFERENCE
None

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Forward-Looking Statements

This report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements include, but are not limited to, statements related to our expectations regarding the performance of our business, our financial results, our liquidity and capital resources, contingencies, our distribution policy, and other non-historical statements. You can identify these forward-looking statements by the use of words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “wil “should,” “seeks,” “approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of these w other comparable words. Such forward-looking statements are subject to various risks, uncertainties and assumptions. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements including, but not limited to, those described under the section entitled “Risk Factors” in this report, as such factors may be updated from time to time in our periodic filings with the United States Securities and Exchange Commission (the “SEC”), which are accessible on the SEC’s website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings with the SEC. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

Unless the context suggests otherwise, references in this report to “Carlyle,” the “Company,” “we,” “us” and “our” refer to The Carlyle Group L.P. and its consolidated subsidiaries. When we refer to the “partners of The Carlyle Group L.P.,” we are referring specifically to the common unitholders and our general partner and any others who may from time to time be partners of that specific Delaware limited partnership. When we refer to our “senior Carlyle professionals,” we are referring to the partner-level personnel of our firm. References in this report to the ownership of the senior Carlyle professionals include the ownership of personal planning vehicles of these individuals. When we refer to the “Carlyle Holdings partnerships” or “Carlyle Holdings”, we are referring to Carlyle Holdings I L.P., Carlyle Holdings II L.P., and Carlyle Holdings III L.P.

“Carlyle funds,” “our funds” and “our investment funds” refer to the investment funds and vehicles advised by Carlyle.

“Carry funds” generally refers to closed-end investment vehicles, in which commitments are drawn down over a specified investment period, and in which the general partner receives a special residual allocation of income from limited partners, which we refer to as carried interest, in the event that specified investment returns are achieved by the fund. Disclosures referring to carry funds will also include the impact of certain commitments which do not earn carried interest, but are either part of, or associated with our carry funds. The rate of carried interest, as well as the share of carried interest allocated to Carlyle, may vary across the carry fund platform. Carry funds generally include the following investment vehicles across our four business segments:

- Corporate Private Equity: Buyout, middle market and growth capital funds advised by Carlyle
- Real Assets: Real estate, power, infrastructure and energy funds advised by Carlyle, as well as certain energy funds advised by our strategic partner NGP Energy Capital Management ("NGP") in which Carlyle is entitled to receive a share of carried interest ("NGP Carry Funds")
- Global Credit: Distressed credit, energy credit, opportunistic credit, corporate mezzanine funds, aircraft financing and servicing, and other closed-end credit funds advised by Carlyle
- Investment Solutions: Funds and vehicles advised by AlpInvest Partners B.V. (“AlpInvest”) and Metropolitan Real Estate Equity Management, LLC (“Metropolitan"), which include primary fund, secondary and co-investment strategies

Carry funds specifically exclude certain funds advised by NGP in which Carlyle is not entitled to receive a share of carried interest (or “NGP Predecessor Funds”), collateralized loan obligation vehicles (“CLOs”), business development companies, and our former hedge fund platform.

For an explanation of the fund acronyms used throughout this Annual Report, refer to “Item 1. Business-Our Family of Funds.”

“Fee-earning assets under management” or “Fee-earning AUM” refers to the assets we manage or advise from which we derive recurring fund management fees. Our Fee-earning AUM is generally based on one of the following, once fees have been activated:

(a) the amount of limited partner capital commitments, generally for carry funds where the original investment period has not expired, for AlpInvest carry funds during the commitment fee period and for Metropolitan carry funds during the weighted-average investment period of the underlying funds;

(b) the remaining amount of limited partner invested capital at cost, generally for carry funds and certain co-investment vehicles where the original investment period has expired, Metropolitan carry funds after the expiration of the weighted-average investment period of the underlying funds, and one of our business development companies;

(c) the amount of aggregate fee-earning collateral balance at par of our CLOs and other securitization vehicles, as defined in the fund indentures (typically exclusive of equities and defaulted positions) as of the quarterly cut-off date;

(d) the external investor portion of the net asset value of our hedge fund and fund of hedge funds vehicles (pre redemptions and subscriptions), as well as certain carry funds;

(e) the gross assets (including assets acquired with leverage), excluding cash and cash equivalents, of one of our business development companies and certain carry funds; or

(f) the lower of cost or fair value of invested capital, generally for AlpInvest carry funds where the commitment fee period has expired and certain carry funds where the investment period has expired.

“Assets under management” or “AUM” refers to the assets we manage or advise. Our AUM equals the sum of the following:

(a) the aggregate fair value of our carry funds and related co-investment vehicles, NGP Predecessor Funds and separately managed accounts, plus the capital that Carlyle is entitled to call from investors in those funds and vehicles (including Carlyle commitments to those funds and vehicles and those of senior Carlyle professionals and employees) pursuant to the terms of their capital commitments to those funds and vehicles;

(b) the amount of aggregate collateral balance and principal cash at par or aggregate principal amount of the notes of our CLOs and other structured products (inclusive of all positions);

(c) the net asset value (pre-redemptions and subscriptions) of our long/short credit, emerging markets, multi-product macroeconomic, fund of hedge funds vehicles, mutual fund and other hedge funds; and

(d) the gross assets (including assets acquired with leverage) of our business development companies, plus the capital that Carlyle is entitled to call from investors in those vehicles pursuant to the terms of their capital commitments to those vehicles.

We include in our calculation of AUM and Fee-earning AUM certain energy and renewable resources funds that we jointly advise with Riverstone Holdings L.L.C. (“Riverstone”) and the NGP Predecessor Funds and NGP Carry Funds (collectively, the "NGP Energy Funds") that are advised by NGP.

For most of our carry funds, total AUM includes the fair value of the capital invested, whereas Fee-earning AUM includes the amount of capital commitments or the remaining amount of invested capital, depending on whether the original investment period for the fund has expired. As such, Fee-earning AUM may be greater than total AUM when the aggregate fair value of the remaining investments is less than the cost of those investments.

Our calculations of AUM and Fee-earning AUM may differ from the calculations of other asset managers. As a result, these measures may not be comparable to similar measures presented by other asset managers. In addition, our calculation of AUM (but not Fee-earning AUM) includes uncalled commitments to, and the fair value of invested capital in, our investment funds from Carlyle and our personnel, regardless of whether such commitments or invested capital are subject to management or performance fees. Our calculations of AUM or Fee-earning AUM are not based on any definition of AUM or Fee-earning AUM that is set forth in the agreements governing the investment funds that we manage or advise.

"Vermillion" refers to our commodities advisor and business advised by Carlyle Commodity Management L.L.C., which was formerly known as Vermillion Asset Management until August 2015.

PART I.

ITEM 1. BUSINESS

Overview

We are one of the world's largest and most diversified multi-product global investment firms. We advise an array of specialized investment funds and other investment vehicles that predominantly invest across the spectrum of private capital asset classes, including private equity, credit, energy and power, real estate, and infrastructure. Our teams invest across a range of industries, geographies, asset classes and investment strategies and seek to deliver attractive returns for our investors. Since our firm was founded in Washington, D.C. in 1987, we have grown to become one of the leading global investment firms with more than $216 billion in AUM as of December 31, 2018. We have more than 1,650 employees, including 637 investment professionals in 31 offices across six continents, and we serve more than 1,950 active carry fund investors from 90 countries. Across our Corporate Private Equity ("CPE") and Real Assets segments, as of December 31, 2018, we had investments in 276 active portfolio companies that employ approximately 950,000 people. In general, we have more investment professionals, offices, investment funds and investments across our platform than many of our peers. We have structured our firm in this manner to provide our fund investors with a more diverse product set tailored to individual investing decisions, and with investment capabilities that utilize deeper teams with a broader global reach. This structure does increase our costs of doing business.

For the past thirty-one years, our firm has been guided by several fundamental tenets:

- Excellence in Investing. Our primary goal is to invest wisely and create value for our investors. We strive to generate superior investment returns by combining deep industry expertise, a global network of local investment teams who can leverage extensive firm-wide resources and a consistent and disciplined investment process.

- Alignment with our Fund Investors and Other Stakeholders. We seek to continually align our interests with our fund investors and other stakeholders. This commitment is a core component of our firm culture and informs every aspect of our business.

- Expansion of our Platform. We innovate continuously to expand our investment capabilities through the creation or acquisition of new asset-, sector- and regional-focused strategies in order to provide our fund investors a variety of investment options.

- Investment in the Firm. We have invested, and intend to continue to invest, significant resources in hiring and retaining a deep talent pool of investment professionals and in creating an efficient global infrastructure to ensure that we are providing our investors with world-class investment expertise and the customized service they require.

- Unified Culture. We seek to leverage the local market insights and operational capabilities that we have developed across our global platform through a unified culture we call "One Carlyle." Our culture emphasizes collaboration and sharing of knowledge and expertise across the firm to create value. We believe our collaborative approach enhances our ability to analyze investments, deploy capital and improve the performance of our portfolio companies. We also believe our One Carlyle culture provides us with a competitive advantage in this challenging environment.

During 2018, we worked to further our fundamental tenets by focusing on investing wisely and driving asset appreciation to create value for our investors, making significant progress toward our goal of raising $100 billion in new capital commitments during our four-year fundraising plan ending in December 2019 and building a premier global credit platform.

Operational and strategic highlights for our firm for 2018 include:

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During 2018, we raised more than $33 billion in new commitments across our platform, including our three flagship buyout funds, bringing the total gross commitments raised since 2016 to $90 billion.

- During 2018, we made investments through our carry funds of more than $22 billion, a record level, and we realized proceeds of approximately $24 billion.

- During 2018, the value of our carry fund portfolio increased by approximately 9%.

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- In 2018, we acquired a 19.9% interest in Fortitude Group Holdings, LLC ("Fortitude Holdings"). Fortitude Holdings owns 100% of the outstanding common shares of Fortitude Reinsurance Company Ltd., a Bermuda domiciled reinsurer (collectively, "Fortitude Re", f/k/a "DSA Re") established to reinsure a portfolio of AIG's legacy life, annuity and property and casualty liabilities. In connection with the investment, we entered into a strategic asset management relationship with Fortitude Re pursuant to which Fortitude Re, together with certain AIG-affiliated ceding companies it has reinsured, will commit to allocate assets in certain of our asset management strategies and vehicles across multiple segments.

- In 2018, we continued to build our global credit business. We acquired Apollo Aviation Group, a global commercial aviation investment and servicing firm and rebranded the business as Carlyle Aviation Partners. Carlyle Aviation Partners is part of our Global Credit segment.

- In September 2018, we issued $350 million in aggregate principal amount of 5.650% senior notes due in 2048, repurchased $250 million in aggregate principal amount of our outstanding 3.875% senior notes due in 2023 and prepaid the $109 million amount outstanding under the promissory note we previously issued to Barclays Natural Resource Investments.

- We further aligned our interests with our fund investors and other stakeholders as Carlyle, our senior Carlyle professionals, advisors and other professionals increased commitments to our investment funds by over $0.9 billion during the year for a total cumulative commitment of $12.8 billion as of December 31, 2018.

- Each of our segments continued to leverage the One Carlyle platform to take advantage of economies of scale and we continue to work across the firm to develop different products for our fund investors.

Operational and strategic highlights for our four business segments for 2018 include:

- CPE:

CPE successfully completed fundraising for its latest generation U.S. and Asia buyout funds, and made significant progress on our latest European buyout fund. During 2018, we raised $17 billion in new capital commitments for our CPE funds.

Despite a challenging environment for investing due to high asset prices and significant competition, CPE invested a record $11 billion in 2018.

CPE realized proceeds of $9 billion for our CPE carry fund investors in 2018.

- Real Assets:

Our international energy fund launched fundraising for its second fund and we continued fundraising for our open-ended core-plus real estate fund, our new global infrastructure opportunities fund, our eighth opportunistic U.S. real estate fund, as well as our twelfth fund with our strategic partner, NGP. In total, we closed on approximately $6 billion in new commitments to our Real Assets segment during 2018.

During 2018, we invested more than $5 billion in our Real Assets segment. Of this amount, we invested approximately $2 billion to acquire or develop real estate properties, primarily in the U.S. across multiple sectors, including multifamily, commercial, senior living and for-sale residential properties. We also invested in oil and gas transactions and power generating facilities in the United States. In total, our natural resources platform invested more than $3 billion in 2018.

We realized proceeds of more than $5 billion for our Real Assets carry fund investors in 2018 and exited (fully or partially) a number of assets.

Global Credit:

We continued our efforts to build a more diversified Global Credit business that leverages our existing platform and operations and extends our asset management capabilities.

We held a final closing on our second business development company ("BDC"), TCG BDC II, Inc., with total commitments of approximately $1.2 billion, raised over $500 million in separately managed accounts focused on direct lending and brought total commitments to our credit opportunities fund to over $1.1 billion. In our collateralized loan obligation ("CLO") business, we closed five new CLOs in the U.S., and two new CLOs in Europe in 2018 in addition to multiple resets and refinancings, with approximately $24 billion of AUM across all of our CLOs at December 31, 2018. We launched OFI Carlyle Private Credit, a joint venture with OppenheimerFunds, providing retail investors access to less liquid credit strategies across the Global Credit platform. In total, more than $6 billion in new capital commitments for our Global Credit products were raised during 2018, and overall AUM, including Carlyle Aviation Partners, increased to more than $44 billion.

Investment Solutions:

During 2018, we deployed approximately $5 billion in investments across our platform. Our portfolio appreciated 19% during the year. We signed 14 new managed accounts and raised more than $4 billion, including closing our second Metropolitan Real Estate secondaries program at $1.2 billion. This program invests in the real estate secondaries market globally, providing liquidity to investors in private equity funds and other partnership structures.

Our exit activity in our Investment Solutions segment was robust this year, realizing proceeds of more than $9 billion for our Investment Solutions investors.

Business Segments

We operate our business across four segments: (1) CPE, (2) Real Assets, (3) Global Credit and (4) Investment Solutions. Information about our segments should be read together with “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Corporate Private Equity

Our CPE segment, established in 1990 with our first U.S. buyout fund, advises our buyout and middle market and growth capital funds that pursue a wide variety of investments of different sizes and growth profiles. Our 33 active CPE funds are each carry funds. They are organized and operated by geography or industry and are advised by teams of local professionals who live and work in the markets where they invest. In our CPE segment we also have 65 active external co-investment entities. We believe this diversity of funds and entities allows us to deploy more targeted and specialized investment expertise and strategies and offers our fund investors the ability to tailor their investment choices.

Our CPE teams have two primary areas of focus:

- Buyout Funds. Our buyout teams advise a diverse group of 23 active funds that invest in transactions that focus either on a particular geography (e.g., United States, Europe, Asia, Japan, MENA, Sub-Saharan Africa or South America) or a particular industry, (e.g., financial services). In 2018, we successfully completed fundraising for our latest generation U.S. and Asia buyout funds, and made significant progress on our latest European buyout fund. We invested $10.6 billion in new and follow-on investments through our buyout funds. As of December 31, 2018, our buyout funds had, in the aggregate, approximately $75 billion in AUM.

- Middle Market and Growth Capital. Our 10 active middle market and growth capital funds are advised by regionally-focused teams in the United States, Europe and Asia, with each team generally focused on private equity investments in middle-market and lower middle-market companies consistent with specific regional investment considerations. The investment mandate for our middle market and growth capital funds is to seek out companies with the potential for growth, strategic redirection and operational improvements. These funds typically do not invest in early stage or venture-type investments. We invested $0.6 billion in new and follow-on investments through our middle market and growth capital funds. As of December 31, 2018, our middle market and growth funds had, in the aggregate, approximately $6 billion in AUM.

From inception through December 31, 2018, our CPE segment has invested approximately $98 billion in 626 investments. Of that total, we have invested 58% in 299 investments in North and South America, 25% in 157 investments in

Europe, the Middle East and Africa and 18% in 170 investments in the Asia-Pacific region. We have fully realized 443 of these investments, meaning that our funds have completely exited, and no longer own an interest in, those investments.

The following table presents certain data about our CPE segment as of December 31, 2018 (dollar amounts in billions; amounts invested include co-investments).

AUM	% of Total AUM	Fee-earning AUM	Active Investments	Active Funds	Available Capital	Investment Professionals	Amount Invested Since Inception	Investments Since Inception
$81	37%	$62	183	33	$34	275	$98	626

Real Assets

Our Real Assets segment, established in 1997 with our first U.S. real estate fund, advises our 26 active carry funds focused on real estate, infrastructure and energy and natural resources (including power) and also includes the three NGP Predecessor Funds and four NGP Carry Funds that are advised by NGP. This segment pursues investment opportunities across a diverse array of tangible assets, such as residential and retail properties, senior living facilities, industrial properties, self storage properties, office building and hotels, as well as oil and gas exploration and production, midstream, refining and marketing, power generation, pipelines, wind farms, refineries, airports, toll roads, transportation, water utility and agriculture, as well as the companies providing services or otherwise related to them.

Our Real Assets teams have two primary areas of focus:

- Real Estate. Our ten active real estate funds pursue real estate investment opportunities in Europe and the United States and generally focus on acquiring single-property assets rather than large-cap companies with real estate portfolios. Our team of 128 real estate investment professionals has made more than 950 investments in 434 cities/metropolitan statistical areas around the world as of December 31, 2018, including residential and retail properties, senior living facilities, industrial properties, self storage properties, office buildings and hotels. In 2018, we held a final close on our eighth opportunistic U.S. real estate fund and held additional closings on our re-launched Europe realty fund and Core Plus real estate fund. As of December 31, 2018, our real estate funds had, in the aggregate, approximately $19 billion in AUM.

- Energy and Natural Resources. Our energy and natural resources activities focus on buyouts, growth capital investments and strategic joint ventures in the midstream, upstream, energy and oilfield services sectors, the renewable and alternative sectors and the power and infrastructure industries around the world. Historically, we conducted our energy investing activities jointly with Riverstone, co-advising three funds with approximately $4 billion in AUM as of December 31, 2018 (we refer to these energy funds as our “Legacy Energy funds”). Currently, we conduct our North American energy investing through our partnership with NGP, an Irving, Texas-based energy investor. NGP advises seven funds with more than $14 billion in AUM as of December 31, 2018. Through our strategic partnership with NGP, we are entitled to 55% of the management fee-related revenue of the NGP entities that serve as advisors to the NGP Energy Funds, and an allocation of income related to the carried interest received by the fund general partners of the NGP Carry Funds. Our power team focuses on investment opportunities in the North American power generation sector. As of December 31, 2018, the power team managed more than $2 billion in AUM through two funds. Our international energy investment team focuses on investments across the energy value chain outside of North America. As of December 31, 2018, the international energy team managed more than $5 billion in AUM through two funds. In 2018, we held additional closings for our global infrastructure fund focused on infrastructure assets, business and investments in global developed markets. As of December 31, 2018, the global infrastructure team managed more than $1 billion in AUM through two funds. We have also invested previously in North American infrastructure companies and assets.

Our Real Assets carry funds, including Carlyle-advised co-investment vehicles, have, from inception through December 31, 2018, invested on a global basis $54 billion in 1,137 investments, including 108 active portfolio companies. Of that total, we have invested 78% in 959 investments in North and South America, 17% in 125 investments in Europe, the Middle East and Africa and 5% in 53 investments in the Asia-Pacific region. We have fully realized 711 of these investments, meaning that our funds have completely exited, and no longer own an interest in, those investments.

The following table presents certain data about our Real Assets segment as of December 31, 2018 (dollar amounts in billions; amounts invested include co-investments).

AUM	% of Total AUM	Fee-earning AUM	Active Investments (2)	Active Funds (3)	Available Capital	Investment Professionals (1)	Amount Invested Since Inception(2)	Investments Since Inception(2)
$46	21%	$33	426	26	$17	146	$54	1,137

(1) Excludes NGP and Riverstone employees.
(2) Excludes investment activity of the NGP Predecessor Funds.
(3) Includes the three NGP Predecessor Funds and four NGP Carry Funds advised by NGP.

Global Credit

Our Global Credit segment, established in 1999 with our first high yield fund, advises a group of 59 active funds that pursue investment strategies including loans & structured credit, direct lending, opportunistic credit, energy credit, distressed credit, and aviation finance. Taken together, these various capital sources provide the opportunity for Carlyle to offer highly customizable and creative financing solutions to borrowers to meet their specific capital needs. In 2018, we hired several new senior investment professionals to expand Global Credit's investment breadth and geographical presence. In 2018, we acquired a 19.9% interest in Fortitude Re, a Bermuda domiciled reinsurer established to reinsure a portfolio of AIG's legacy life, annuity and property and casualty liabilities. We plan to continue to pursue new initiatives from our Global Credit platform that will continue to expand our capabilities in credit.

Primary areas of focus for our Global Credit platform include:

- Loans and Structured Credit. Our structured credit funds invest primarily in performing senior secured bank loans through structured vehicles and other investment vehicles. In 2018, in addition to multiple resets and refinancings, we closed five new U.S. CLOs and two CLOs in Europe with a total of $2.7 billion and $0.9 billion, respectively, of AUM at December 31, 2018. As of December 31, 2018, our loans and structured credit team advised 44 structured credit funds and two carry funds in the United States, Europe and Asia totaling, in the aggregate, approximately $25 billion in AUM.

- Direct Lending. Our direct lending business includes our BDCs that invest primarily in middle market first-lien loans (which include unitranche, "first out" and "last out" loans) and second-lien loans of middle-market companies, typically defined as companies with annual EBITDA ranging from $10 million to $100 million, that lack access to the broadly syndicated loan and bond markets. In 2018, we expanded our direct lending capabilities by adding personnel dedicated to asset based lending transactions. As of December 31, 2018, our direct lending investment team advised three funds consisting of two BDCs and one corporate mezzanine fund, totaling, in the aggregate, more than $4 billion in AUM.

- Opportunistic Credit. Our opportunistic credit team invests primarily in highly-structured and privately-negotiated capital solutions supporting corporate borrowers through secured loans, senior subordinated debt, mezzanine debt, convertible notes, and other debt like instruments, as well as preferred and common equity in such borrowers. The team will also look to invest in special situations (i.e., event-driven opportunities that exhibit hybrid credit and equity features) as well as market dislocations (i.e., primary and secondary market investments in liquid debt instruments that arise as a result of temporary market volatility). As of December 31, 2018, our opportunistic credit team advised one fund totaling, in the aggregate, approximately $1 billion in AUM.

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Energy Credit. Our Energy credit team invests primarily in privately-negotiated mezzanine debt investments in North American energy and power projects and companies. As of December 31, 2018, our energy credit team advised two funds with approximately $5 billion in AUM.

- Distressed Credit. Our distressed credit funds generally invest in liquid and illiquid securities and obligations, including secured debt, senior and subordinated unsecured debt, convertible debt obligations, preferred stock and public and private equity of financially distressed companies in defensive and asset-rich industries. In certain investments, our funds may seek to restructure pre-reorganization debt claims into controlling positions in the equity of the reorganized companies. As of December 31, 2018, our distressed credit team advised three funds totaling, in the aggregate, more than $3 billion in AUM.

- Aircraft Financing and Servicing. Carlyle Aviation Partners, Ltd. ("Carlyle Aviation Partners", formerly Apollo Aviation Group) is our multi-strategy investment platform that is engaged in commercial aviation aircraft financing and investment and providing investment management services related to the commercial aviation industry. As of December 31, 2018, Carlyle Aviation Partners had approximately $6 billion in AUM across three active carry funds, securitization vehicles and liquid strategies.

- Capital Solutions. Carlyle Capital Solutions ("CCS") is our loan syndication and capital markets business that launched in 2018. The primary focus of Carlyle Capital Solutions is to originate and syndicate loans and underwrite securities of both third parties and Carlyle portfolio companies.

The following table presents certain data about our Global Credit segment as of December 31, 2018 (dollar amounts in billions).

AUM	% of Total AUM	Fee-earning AUM	Active Funds	Investment Professionals
$44	21%	$35	59	113

Investment Solutions

Our Investment Solutions segment, established in 2011, provides comprehensive investment opportunities and resources for our investors and clients to build private equity and real estate portfolios through fund of funds, secondary purchases of existing portfolios and managed co-investment programs. Investment Solutions executes these activities through AlpInvest, one of the world’s largest investors in private equity, and Metropolitan, one of the largest managers of indirect investments in global real estate.

The primary areas of focus for our Investment Solutions teams include:

- Private Equity Fund Investments. Our fund of funds vehicles advised by AlpInvest make investment commitments directly to buyout, growth capital, venture and other alternative asset funds advised by other general partners (“portfolio funds”). As of December 31, 2018, AlpInvest advised 78 vehicles totaling, in the aggregate, approximately $24 billion in AUM.

- Private Equity Co-investments. AlpInvest invests alongside other private equity and mezzanine funds in which it or certain AlpInvest limited partners typically has a primary fund investment throughout Europe, North America and Asia. These investments are generally made when an investment opportunity is too large for a particular fund and the sponsor of the fund therefore seeks to raise additional “co-investment” capital from sources such as AlpInvest. As of December 31, 2018, our co-investment programs were conducted through 58 vehicles totaling, in the aggregate, more than $8 billion in AUM.

- Private Equity Secondary Investments. Funds managed by AlpInvest acquire limited partnership interests in the secondary market. Private equity investors who desire to sell or restructure their pre-existing investment commitments to a fund may negotiate to sell the fund interests to AlpInvest. In this manner, AlpInvest’s secondary investments team provides liquidity and restructuring alternatives for third-party private equity investors. As of December 31, 2018, our secondary investments program was conducted through 57 vehicles totaling, in the aggregate, more than $11 billion in AUM.

- Real Estate Funds of Funds and Co-Secondary Investments. The principal strategic focus in our real estate funds is on value add/opportunistic real estate investments through direct commitments to more than 100 highly-focused, specialist real estate managers across the globe. As of December 31, 2018, we advised 32 real estate vehicles with more than $2 billion in AUM. We also focus on real estate secondaries and co-investments.

The following table presents certain data about our Investment Solutions segment as of December 31, 2018 (dollar amounts in billions). See "— Structure and Operation of Our Investment Funds — Incentive Arrangements/Fee Structure" in this Item 1 for a discussion of the arrangements with the historical owners and management of AlpInvest regarding the allocation of carried interest in respect of the historical investments of and the historical and certain future commitments to our AlpInvest carry fund vehicles.

AUM(1)	% of Total AUM	Fee-earning AUM	Fund Vehicles	Available Capital	Investment Professionals	Amount Invested Since Inception
$46	21%	$29	225	$16	96	$67

(1) Under our arrangements with the historical owners and management team of AlpInvest, we generally do not retain any carried interest in respect of the historical investments and commitments to our AlpInvest carry fund vehicles that existed as of July 1, 2011 (including any options to increase any such commitments exercised after such date). We are entitled to 15% or, in some cases, 40% of the carried interest in respect of commitments from the historical owners of AlpInvest for the period between 2011 and 2020 and 40% of the carried interest in respect of all other commitments (including all future commitments from third parties).

Investment Approach

Corporate Private Equity

The investment approach of our CPE teams is generally characterized as follows:

- Consistent and Disciplined Investment Process. We believe our successful investment track record is the result, in part, of a consistent and disciplined application of our investment process. Investment opportunities for our CPE funds are initially sourced and evaluated by one or more of our deal teams. Deal teams consistently strive to be creative and look for deals in which we can leverage Carlyle's competitive advantages, sector experience and the global One Carlyle platform. The due diligence and transaction review process places a special emphasis on, among other considerations, the reputation of a target company's shareholders and management, the company's size and sensitivity of cash flow generation, the business sector and competitive risks, the portfolio fit, exit risks and other key factors specific to a particular investment. In evaluating each deal, we consider what expertise or experience (i.e., the "Carlyle Edge") we can bring to the transaction to enhance value for our investors. Each investment opportunity must secure approval from the investment committee of the applicable investment fund to move forward. To help ensure consistency, we utilize a standard investment committee process across our corporate private equity funds. The investment committee approval process involves a detailed review of the transaction and investment thesis, business, risk factors and diligence issues, as well as financial models.

- Geographic- and Industry-Focused. We have developed a global network of local investment teams with deep local insight into the areas in which they invest and have adopted an industry-focused approach to investing. Our extensive network of global investment professionals has the knowledge, experience and relationships on a local level that allow them to identify and take advantage of opportunities that may be unavailable to firms that do not have our global reach and resources. We believe that our global platform helps enhance all stages of the investment process, including by facilitating faster and more effective diligence, a deeper understanding of global industry trends and priority access to the capital markets. We have particular industry expertise in aerospace, defense and government services, consumer and retail, financial services, healthcare, industrial, telecom, media and technology and transportation. As a result, we believe that our in-depth knowledge of specific industries improves our ability to source and create transactions, conduct effective and more informed due diligence, develop strong relationships with management teams and use contacts and relationships within these industries to drive value creation.

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Variable Deal Sizes and Creative Structures. We believe that having the resources to complete investments of varying sizes provides us with the ability to enhance investment returns while providing for prudent industry, geographic and size diversification. Our teams are staffed not only to effectively pursue large transactions, but also other transactions of varying sizes. We often invest in smaller companies and this has allowed us to obtain greater diversity across our entire portfolio. Additionally, we may undertake large, strategic minority investments with certain control elements or private investment in public equity (PIPE) transactions in large companies with a clear exit strategy. In certain jurisdictions around the world, we may make investments with little or no debt financing and seek alternative structures to opportunistically pursue transactions. We generally seek to obtain board representation and typically appoint our investment professionals and advisors to represent us on the boards of the companies in which we invest. Where our funds, either alone or as part of a consortium, are not the controlling investor, we typically, subject to applicable regulatory requirements, acquire significant voting and other control rights with a view to securing influence over the conduct of the business.

- Driving Value Creation. Our CPE teams seek to make investments in portfolio companies in which our particular strengths and resources may be employed to their best advantage. Typically, as part of a CPE investment, our investment teams will prepare and execute a value creation plan that is developed during a thorough due diligence effort and draws on the deep resources available across our global platform, specifically relying on:

Reach: Our global team and global presence enables us to support international expansion efforts and global supply chain initiatives.

Expertise: Our deep bench of investment professionals and industry specialists provide extensive sector-specific knowledge and local market expertise. Our investment teams benefit from best-in-class support services and infrastructure provided through the global Carlyle organization. Carlyle's overall infrastructure and support services cover the full range of administrative functions, including fund management, accounting, legal and compliance, human resources, information technology, tax, and external affairs.

Insight: We engage more than 40 operating executives and advisors as independent consultants to work with our investment teams, provide board-level governance and support and advise our portfolio companies. These operating executives and advisors are former CEOs and other high-level executives of some of the world's most successful corporations and currently sit on the boards of directors of a diverse mix of companies. We use this collective group of operating executives to provide special expertise to support specific value creation initiatives.

Data: The goal of our research function is to extract as much information as possible from our portfolio about the current state of the economy and its likely evolution over the near-to-medium term. Our CPE investment portfolio includes over 175 active portfolio companies as of December 31, 2018, across a diverse range of industries and geographies that each generate multiple data points (e.g., orders, shipments, production volumes, occupancy rates, bookings). By evaluating this data on a systematic basis, we work to identify the data with the highest correlation with macroeconomic data and map observed movements in the portfolio to anticipated variation in the economy, including changes in growth rates across industries and geographies. We incorporate this proprietary data into our investment portfolio management strategy and exit decisions on an ongoing basis. We believe this robust data gives us an advantage over our peers who do not have as large of a global reach.

Information Technology Resources: Carlyle has established an Information Technology ("IT") capability that contributes to due diligence, portfolio company strategy and portfolio company operations. The capability includes dedicated information technology and business process resources, including assistance with portfolio company risk assessments and enhanced deal analytics.

Pursuing Best Exit Alternatives. In determining when to exit an investment, our private equity teams consider whether a portfolio company has achieved its objectives, the financial returns and the appropriate timing in industry cycles and company development to strive for the optimal value. The fund's investment committee approves all exit decisions.

Real Assets

Our Real Assets business includes investments in real estate assets, infrastructure and energy and natural resources (including power) companies and projects. The investment approach of the teams advising the international energy, power and infrastructure funds is similar to that of our CPE funds.

Generally, the investment approach of our real estate teams is characterized as follows:

- Pursue Single Asset Transactions. In general, our U.S. real estate funds have focused on single asset transactions. We follow this approach in the U.S. because we believe that pursuing single assets enables us to better understand the factors that contribute to the fundamental value of each property, mitigate concentration risk, establish appropriate asset-by-asset capital structures and maintain governance over major property-level decisions. In addition, the direct ownership of assets typically enables us to effectively employ an active asset management approach and reduce financing and operating risk, while increasing the visibility of factors that affect the overall returns of the investment. In the U.S., we plan to continue to focus on single asset transactions in both our opportunistic and core plus investment strategies. Outside the U.S., we continue to opportunistically invest in the European markets.

- Seek out Strong Joint Venture Partners or Managers. Where appropriate, we seek out joint venture partners or managers with significant operational expertise and/or deal sourcing capability. For each joint venture, we design structures and terms to align interests and provide situationally appropriate incentives, often including, for example, the subordination of the joint venture partner's equity and profits interest to that of a fund, giveback provisions and/or profits escrow accounts in favor of a fund and exclusivity. We also typically structure positions with control or veto rights over major decisions.

- Source Deals Directly. Our teams endeavor to establish "market presence" in our target geographies where we have a history of operating in local markets and benefit from extensive long-term relationships with developers, corporate real estate owners, institutional investors and private owners. These relationships have resulted in our ability to source a large number of investments on a direct negotiated basis.

- Focus on Sector-Specific Strategies. Our real estate funds focus on specific sectors and markets in areas where we believe the fundamentals are sound and dynamic capital markets allow for identification of assets whose value is not fully recognized. The real estate funds we advise have invested according to strategies established in several main sectors: residential, senior living, industrial, self storage, retail, warehouse and logistics, office and hotel.

- Actively Manage our Real Estate Investments. Our real estate investments often require active management to uncover and create value. Accordingly, we have put in place experienced local asset management teams to assist in communicating with operating partners and property managers on a regular basis. These teams add value through analysis and execution of capital expenditure programs, development projects, lease negotiations, operating cost reduction programs and asset dispositions. The asset management teams work closely with the other real estate professionals to effectively formulate and implement strategic management plans.

- Manage the Exit of Investments. We believe that "exit management" is as important as traditional asset management in order to take full advantage of the typically short windows of opportunity created by temporary imbalances in capital market forces that affect real estate. In determining when to exit an investment, our real estate teams consider whether an investment has fulfilled its strategic plan, the depth of the market and generally prevailing industry conditions. Throughout our investment holding period, our investment professionals remain actively engaged in and focused on managing the steps needed to proceed to a successful exit.

Our energy and natural resources activities primarily focus on four areas: international energy, North American energy, power and infrastructure.

- International Energy Investing. Our international energy team pursues investment opportunities in oil and gas exploration and production, midstream, oilfield services and refining and marketing in Europe, Africa, Latin America and Asia. Seeking to take advantage of the lack of capital in the international energy market, we pursue transactions where we have a distinctive competitive advantage and can create tangible value for the companies in which we invest, through industry specialization, deployment of human capital and access to our global network. In seeking to build a geographically-diverse international energy portfolio, we focus on cash-generating opportunities, with a particular focus on proven reserves and production, and strategically seek to enhance the efficiency of the portfolio through exploration, infrastructure or operating improvements. We may pursue investment opportunities of variable size, and utilize alternative structures and sources of capital, including incorporating blank check companies to invest alongside our funds to effectively pursue large transactions.

- North American Energy Investing. We conduct our current North American energy investing through our strategic partnership with NGP, an Irving, Texas-based energy investment firm that focuses on investments across a range of energy and natural resource assets, including oil and gas resources, oilfield services, pipelines and processing, as well as agricultural investments and properties. NGP seeks to align itself with “owner-managers” who are invested in the enterprise, have a top-tier technical team and who have a proprietary edge that differentiates their business plan. NGP strives to establish a portfolio of platform companies to grow through acquisitions and development and provides financial and strategic support and access to additional capital at the lowest cost. We do not control or manage the NGP Energy Funds that are advised by NGP. NGP is managed by its senior leadership.

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- Power Investing. Our power team focuses on investment opportunities in the North American power generation sector. Leveraging the expertise of the investment professionals at Cogentrix Power Management L.L.C., one of our portfolio companies, the team seeks investments where it can obtain direct or indirect operational control to facilitate the implementation of technical enhancements. We seek to capitalize on secular trends and to identify assets where engineering and technical expertise, in addition to a strong management team, can facilitate performance.

- Global Infrastructure Investing. Our global infrastructure team pursues investments across a variety of sectors and geographies. The fund team targets investment opportunities primarily domiciled in developed markets with strong commercial systems and rule of law. The team utilizes a value-added approach to transaction sourcing, diligence and asset management and seeks to generate attractive risk-adjusted returns for the fund. The team seeks to enhance the value of its investments through strategic and operational impact including risk management techniques utilized across Carlyle's global corporate private equity and natural resources investment businesses. The goal of this approach is to increase the profitability of the investments, increase cash flow yield and enhance the attractiveness of the asset for ultimate exit to a trade buyer, core infrastructure buyer or the public markets.

Global Credit

The investment approach of our Global Credit platform is generally characterized as follows:

- Source Investment Opportunities. Our Global Credit team sources investment opportunities from both the primary and secondary markets through our global network and strong relationships with the financial community. We typically target portfolio companies that have a demonstrated track record of profitability, market leadership in their respective niche, predictable cash flow, a definable competitive advantage and products or services that are value added to its customer base.

- Conduct Fundamental Due Diligence and Perform Capital Structure Analyses. After an opportunity is identified, our Global Credit investment professionals conduct fundamental due diligence to determine the relative value of the potential investment and capital structure analyses to determine credit worthiness. Our due diligence approach typically incorporates meetings with management, company facility visits, discussions with industry analysts and consultants and an in-depth examination of financial results and projections. In conducting due diligence, our Global Credit team employs an integrated, cross platform approach with industry-dedicated credit research analysts and non-investment grade expertise across the capital structure. Our Global Credit team also seeks to leverage resources from across the firm, utilizing information obtained from our more than 275 active portfolio companies and lending relationships with over 800 companies, 12 credit industry research analysts, and in-house government affairs and economic research teams.

- Evaluation of Macroeconomic Factors. Our Global Credit team evaluates technical factors such as supply and demand, the market’s expectations surrounding a company and the existence of short- and long-term value creation or destruction catalysts. Inherent in all stages of credit evaluation is a determination of the likelihood of potential catalysts emerging, such as corporate reorganizations, recapitalizations, asset sales, changes in a company’s liquidity and mergers and acquisitions.

- Risk Minimization. Our Global Credit team seeks to make investments in capital structures to enable companies to both expand and weather downturns and/or below-plan performance. The team works to structure investments with strong financial covenants, frequent reporting requirements and board representation, if possible. Through board representation or observation rights, our Global Credit team works to provide a consultative, interactive approach to equity sponsors and management partners as part of the overall portfolio management process.

Investment Solutions

Our Investment Solutions team aims to apply a wide array of capabilities to help clients meet their investment objectives. The investment approach of our Investment Solutions platform is generally characterized as follows:

- Well-informed, Disciplined Investment Process: We follow a disciplined, highly-selective investment process and seek to achieve diversification by deploying capital across economic cycles, segments and investment styles. Our integrated and collaborative culture across our strategies, reinforced by investment in information technology solutions, provides deep insight into fund manager portfolios and operations to support our rigorous selection process.

- Proactive Sourcing: AlpInvest Partners' and Metropolitan Real Estate's extensive network of private equity and real estate managers across the globe positions us to identify investment opportunities that may be unavailable to other investors. Our investment strategy is defined by a strong belief that the best opportunities are found in areas that are less subject to competitive pressures. As a result, our teams actively seek out proprietary investments that would otherwise be difficult for our investors to access.

- Global Scale and Presence: Our scale and on-the-ground presence across three continents - Asia, Europe and North America - give us a distinct and comprehensive perspective on the private equity and real estate markets. Our stable, dedicated, and experienced teams have deep knowledge of their respective markets across the globe. We believe this enhances our visibility across the global investment market and provides detailed local information that enhances our investment evaluation process.

Our Family of Funds

The following chart presents the name (acronym), total capital commitments (in the case of our carry funds, structured credit funds, and the NGP Predecessor Funds), assets under management (in the case of structured products), gross assets (in the case of our BDCs) and vintage year of the active funds in each of our segments, as of December 31, 2018. We present total capital commitments (as opposed to assets under management) for our closed-end investment funds because we believe this metric provides the most useful information regarding the relative size and scale of such funds. In the case of our products which are open-ended and accordingly do not have permanent committed capital, we generally believe the most useful metric regarding relative size and scale is assets under management.

Corporate Private Equity			Global Credit			Real Assets		
Buyout Carry Funds			Loans & Structured Credit			Real Estate Carry Funds		
Carlyle Partners (U.S.)			Cash CLO's			Carlyle Realty Partners (U.S.)		
CP VII	$18.5 bn	2018	U.S.	$17.0 bn	2012-2018	CRP VIII	$5.5 bn	2017
CP VI	$13.0 bn	2014	Europe	€6.0 bn	2013-2018	CRP VII	$4.2 bn	2014
CP V	$13.7 bn	2007	Structured Credit Carry Funds			CRP VI	$2.3 bn	2011
CP IV	$7.9 bn	2005	CSC	$0.8 bn	2017	CRP V	$3.0 bn	2006
Global Financial Services Partners			CASCOF	$0.4 bn	2015	CRP IV	$1.0 bn	2005
CGFSP III	$1.0 bn	2018	Direct Lending			CRP III	$0.6 bn	2001
CGFSP II	$1.0 bn	2013	Business Development Companies[1]			Core Plus Real Estate (U.S.)		
CGFSP I	$1.1 bn	2008	TCG BDC II, Inc.	$1.4 bn	2017	CPI[2]	$2.2 bn	2016
Carlyle Europe Partners			TCG BDC, Inc.	$2.1 bn	2013	International Real Estate		
CEP V	€5.9 bn	2018	Corporate Mezzanine Carry Fund			CER	€0.5 bn	2017
CEP IV	€3.7 bn	2014	CMP II	$0.6 bn	2008	CEREP III	€2.2 bn	2007
CEP III	€5.3 bn	2007	Opportunistic Credit Carry Fund			Natural Resources Funds		
CEP II	€1.8 bn	2003	CCOF	$1.1 bn	2017	NGP Energy Carry Funds		
Carlyle Asia Partners			Energy Credit Carry Funds			NGP XII	$4.0 bn	2017
CAP V	$6.6 bn	2018	CEMOF II	$2.8 bn	2015	NGP XI	$5.3 bn	2014
CBPF II	RMB 1.5 bn	2017	CEMOF I	$1.4 bn	2011	NGP X	$3.6 bn	2012
CAP IV	$3.9 bn	2014	Distressed Credit Carry Funds			NGP Agribusiness Carry Fund		
CAP III	$2.6 bn	2008	CSP IV	$2.5 bn	2016	NGP GAP	$0.4 bn	2014
CAP II	$1.8 bn	2006	CSP III	$0.7 bn	2011	NGP Predecessor Funds		
Carlyle Japan Partners			CSP II	$1.4 bn	2007	Various[3]	$5.7 bn	2007-2008
CJP III	¥119.5 bn	2013	Carlyle Aviation Partners			International Energy Carry Funds		

CJP II	¥165.6 bn	2006	SASOF IV	$1.0 bn	2018	CIEP II	$1.2 bn	2018
Carlyle Global Partners			SASOF III	$0.8 bn	2015	CIEP I	$2.5 bn	2013
CGP	$3.6 bn	2015	SASOF II	$0.6 bn	2012	Infrastructure Carry Funds		
Carlyle MENA Partners			Securitization Vehicles[2]	$2.4 bn	Various	CGIOF	$1.3 bn	2018
MENA I	$0.5 bn	2008	Liquid Products[2]	$0.9 bn	Various	CIP I	$1.1 bn	2006
Carlyle South American Buyout Fund			Managed Accounts[2]	$1.0 bn	Various	Power Carry Funds		
CSABF I	$0.8 bn	2009				CPP II	$1.5 bn	2014
Carlyle Sub-Saharan Africa Fund						CPOCP	$0.5 bn	2013
CSSAF I	$0.7 bn	2012	Investment Solutions			Legacy Energy Carry Funds		
Carlyle Peru Fund			AlpInvest			Carlyle/Riverstone Global Energy		
CPF I	$0.3 bn	2012	Fund of Private Equity Funds			Energy IV	$6.0 bn	2008
Middle Market & Growth Carry Funds			78 vehicles	€42.8 bn	2000-2018	Energy III	$3.8 bn	2005
Carlyle U.S. Venture/Growth Partners			Secondary Investments			Carlyle/Riverstone Renewable Energy		
CEOF II	$2.4 bn	2015	57 vehicles	€15.7 bn	2002-2018	Renew II	$3.4 bn	2008
CEOF I	$1.1 bn	2011	Co-Investments					
CUSGF III	$0.6 bn	2006	58 vehicles	€15.5 bn	2000-2018			
CVP II	$0.6 bn	2001	Metropolitan Real Estate					
Carlyle Europe Technology Partners			Real Estate Fund of Funds					
CETP III	€0.7 bn	2014	32 vehicles	$4.7 bn	2002-2018			
CETP II	€0.5 bn	2008						
Carlyle Asia Venture/Growth Partners								
CAGP V	$0.3 bn	2017						
CAGP IV	$1.0 bn	2008						
CAGP III	$0.7 bn	2005						
Carlyle Cardinal Ireland								
CCI	€0.3 bn	2014						

Note: All amounts shown represent total capital commitments as of December 31, 2018, unless otherwise noted. Certain of our recent vintage funds are currently in fundraising and total capital commitments are subject to change. In addition, certain carry funds included herein may be disclosed which are not included in fund performance if they have not made an initial capital call or commenced investment activity. We jointly advise the Legacy Energy funds with Riverstone Holdings L.L.C. The NGP funds are advised by NGP Energy Capital Management, LLC, a separately registered investment adviser, and we do not serve as an investment adviser to those funds.

(1) Amounts represent gross assets plus any available capital as of December 31, 2018.
(2) Amounts represent Total AUM as of December 31, 2018.
(3) Includes NGP M&R, NGP ETP II, and NGP IX, on which we are not entitled to a share of carried interest.

Organizational Structure

The simplified diagram below depicts our organizational structure. Ownership information in the diagram below is presented as of December 31, 2018. The diagram does not depict all of our subsidiaries, including intermediate holding companies through which certain of the subsidiaries depicted are held. As discussed in greater detail below, The Carlyle Group L.P. holds, through wholly owned subsidiaries, a number of Carlyle Holdings partnership units that is equal to the number of common units that The Carlyle Group L.P. has issued and benefits from the income of Carlyle Holdings to the extent of its equity interests in the Carlyle Holdings partnerships. While the holders of common units of The Carlyle Group L.P. are entitled to all of the economic rights in The Carlyle Group L.P., the limited partners of the Carlyle Holdings partnerships, like the wholly owned subsidiaries of The Carlyle Group L.P., hold Carlyle Holdings partnership units that entitle them to economic rights in Carlyle Holdings to the extent of their equity interests in the Carlyle Holdings partnerships. Public investors do not directly hold equity interests in the Carlyle Holdings partnerships.

(1) The Carlyle Group L.P. common unitholders have only limited voting rights and have no right to remove our general partner or, except in limited circumstances, elect the directors of our general partner. TCG Carlyle Global Partners L.L.C., an entity wholly owned by our senior Carlyle professionals, holds a special voting unit in The Carlyle Group L.P. that entitles it, on those few matters that may be submitted for a vote of The Carlyle Group L.P. common unitholders, to participate in the vote on the same basis as the common unitholders and provides it with a number of votes that is equal to the aggregate number of vested and unvested partnership units in Carlyle Holdings held by the limited partners of Carlyle Holdings on the relevant record date.

(2) Certain individuals engaged in our business own interests directly in selected subsidiaries, including, in certain instances, entities that receive management fees from funds that we advise. See "— Structure and Operation of Our Investment Funds — Incentive Arrangements/Fee Structure" in this Item 1 for additional information.

The Carlyle Group L.P. conducts all of its material business activities through Carlyle Holdings. Each of the Carlyle Holdings partnerships was formed to hold our interests in different businesses. Carlyle Holdings I L.P. owns all of our U.S. fee-generating businesses and many of our non-U.S. fee-generating businesses, as well as our carried interests (and other investment interests) that derive income that we believe is not qualifying income for purposes of the U.S. federal income tax publicly-traded partnership rules and certain of our carried interests (and other investment interests) that do not relate to investments in stock of corporations or in debt, such as equity investments in entities that are pass-through for U.S. federal income tax purposes. Carlyle Holdings II L.P. holds a variety of assets, including our carried interests in many of the investments by our carry funds in entities that are treated as domestic corporations for U.S. federal income tax purposes and in certain non-U.S. entities. Certain of our non-U.S. fee-generating businesses, as well as our non-U.S. carried interests (and other investment interests) that derive income that we believe is not qualifying income for purposes of the U.S. federal income tax publicly-traded partnership rules and certain of our non-U.S. carried interests (and other investment interests) that do not relate to investments in stock of corporations or in debt, such as equity investments in entities that are pass-through for U.S. federal income tax purposes are held by Carlyle Holdings III L.P. The Carlyle Group L.P. has wholly owned subsidiaries that serve as the general partners of the Carlyle Holdings partnerships: Carlyle Holdings I GP Inc. (a Delaware corporation that is a domestic corporation for U.S. federal income tax purposes), Carlyle Holdings II GP L.L.C. (a Delaware limited liability company that is a disregarded entity and not an association taxable as a corporation for U.S. federal income tax purposes) and Carlyle Holdings III GP L.P. (a Québec société en commandite that is a foreign corporation for U.S. federal income tax purposes) serve as the general partners of Carlyle Holdings I L.P., Carlyle Holdings II L.P. and Carlyle Holdings III L.P., respectively. Carlyle Holdings I GP Inc. and Carlyle Holdings III GP L.P. serve as the general partners of Carlyle Holdings I L.P. and Carlyle Holdings III L.P., respectively, through wholly owned subsidiaries that are disregarded for federal income tax purposes. We refer to Carlyle Holdings I GP Inc., Carlyle Holdings II GP L.L.C. and Carlyle Holdings III GP L.P. collectively as the “Carlyle Holdings General Partners.”

Holding Partnership Structure

The Carlyle Group L.P. is treated as a partnership and not as a corporation for U.S. federal income tax purposes, although our partnership agreement does not restrict our ability to take actions that may result in our being treated as an entity taxable as a corporation for U.S. federal (and applicable state) income tax purposes. An entity that is treated as a partnership for U.S. federal income tax purposes is not a taxable entity and incurs no U.S. federal income tax liability. Instead, each partner is required to take into account its allocable share of items of income, gain, loss and deduction of the partnership in computing its U.S. federal income tax liability, whether or not cash distributions are made. Each holder of our common units is a limited partner of The Carlyle Group L.P., and accordingly, is generally required to pay U.S. federal income taxes with respect to the income and gain of The Carlyle Group L.P. that is allocated to such holder, even if The Carlyle Group L.P. does not make cash distributions. We believe that the Carlyle Holdings partnerships should also be treated as partnerships and not as corporations for U.S. federal income tax purposes. Accordingly, the holders of partnership units in Carlyle Holdings, including The Carlyle Group L.P.’s wholly owned subsidiaries, incur U.S. federal, state and local income taxes on their proportionate share of any net taxable income of Carlyle Holdings.

Each of the Carlyle Holdings partnerships has an identical number of partnership units outstanding, and we use the terms “Carlyle Holdings partnership unit” or “partnership unit in/of Carlyle Holdings” to refer collectively to a partnership unit in each of the Carlyle Holdings partnerships. The Carlyle Group L.P. holds, through wholly owned subsidiaries, a number of Carlyle Holdings partnership units equal to the number of common units that The Carlyle Group L.P. has issued. The Carlyle Holdings partnership units that are held by The Carlyle Group L.P.’s wholly owned subsidiaries are economically identical to the Carlyle Holdings partnership units that are held by the limited partners of the Carlyle Holdings partnerships. Accordingly, the income of Carlyle Holdings benefits The Carlyle Group L.P. to the extent of its equity interest in Carlyle Holdings.

The Carlyle Group L.P. is managed and operated by our general partner, Carlyle Group Management L.L.C., to whom we refer as “our general partner,” which is in turn wholly owned by our senior Carlyle professionals. Our general partner does not have any business activities other than managing and operating us. We reimburse our general partner and its affiliates for all costs incurred in managing and operating us, and our partnership agreement provides that our general partner determines the expenses that are allocable to us. Although there are no ceilings on the expenses for which we will reimburse our general partner and its affiliates, the expenses to which they may be entitled to reimbursement from us, such as director fees, historically have not been, and are not expected to be, material.

LP Relations

Our diverse and sophisticated investor base includes more than 1,950 active investors in our carry funds, excluding Investment Solutions, located in 90 countries. Included among our many longstanding fund investors are pension funds, sovereign wealth funds, insurance companies and high net worth individuals in the United States, Asia, Europe, the Middle East and South America.

We strive to maintain a systematic fundraising approach to support growth and serve our investor needs. This approach to fundraising has been critical in raising over $33 billion in 2018. We continuously seek to strengthen and expand our relationships with them through frequent investor engagement and by cross-selling products across our diverse platform. We have a dedicated in-house LP relations group, which includes 26 geographically-focused professionals with extensive investor relations and fundraising experience. In addition, we have 13 product specialists with a focus on specific business segments and 11 professionals focused on high net worth distribution. Our LP relations group is supported by 50 support staff responsible for project management and fulfillment. Our LP relations professionals are in constant dialogue with our fund investors, which enables us to monitor investor preferences and tailor future fund offerings to meet investor demand. We strive to secure a first-mover advantage with key investors, often by establishing a local presence and providing a broad and diverse range of investment opportunities.

As of December 31, 2018, approximately 92% of commitments to our active carry funds (by dollar amount) were from investors who are committed to more than one active carry fund and approximately 66% of commitments to our active carry funds (by dollar amount) were from investors who are committed to more than five active carry funds. We believe the loyalty of our carry fund investor base, as evidenced by our substantial number of multi-fund relationships, enhances our ability to raise new funds and successor funds in existing strategies.

Investor Services

We have a team of over 500 investor services professionals worldwide. The investor services group performs a range of functions to support our investment teams, LP relations group and the corporate infrastructure of Carlyle. Our investor services professionals provide an important control function, ensuring that transactions are structured pursuant to the partnership agreements, assisting in global regulatory compliance requirements and investor reporting to enable investors to easily monitor the performance of their investments. We have devoted substantial resources to creating comprehensive and timely investor reports, which are increasingly important to our investor base. The investor services group also works closely with each fund's lifecycle, from fund formation and investments to portfolio monitoring and fund liquidation. We maintain an internal global legal and compliance team, which includes 31 professionals and a government relations group with a presence around the globe, which includes 15 professionals as of December 31, 2018. We intend to continue to build and invest in our legal, regulatory and compliance and tax functions to enable our investment teams to better serve our investors.

Structure and Operation of Our Investment Funds

We conduct the sponsorship and management of our carry funds and other investment vehicles primarily through limited partnerships, which are organized by us, to accept commitments and/or funds for investment from institutional investors and high net worth individuals. Each investment fund that is a limited partnership, or "partnership" fund, has a general partner that is responsible for the management and operation of the fund's affairs and makes all policy and investment decisions relating to the conduct of the investment fund's business. Generally, the limited partners of such funds take no part in the conduct or control of the business of such funds, have no right or authority to act for or bind such funds and have no influence over the voting or disposition of the securities or other assets held by such funds, although such limited partners may vote on certain partnership matters including the removal of the general partner or early liquidation of the partnership by majority vote, as discussed below. Most of our funds also have an investor advisory committee, comprising representatives of certain limited partners, which may consider and/or waive conflicts of interest or otherwise consult with the general partner on certain partnership matters. In the case of certain separately managed accounts advised by us, the investor, rather than us, may control the asset or the investment decisions related thereto or certain investment vehicles or entities that hold or have custody of such assets. More often, however, we retain investment discretion with respect to separately managed accounts we advise.

Each investment fund and in the case of our separately managed accounts, the client, engages an investment adviser. Carlyle Investment Management L.L.C. ("CIM") or one of its subsidiaries or affiliates serves as an investment adviser for most of our carry funds and is registered under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Carlyle Global Credit Investment Management L.L.C. ("CGCIM") is an affiliate of CIM and serves as investment adviser for most of our Global Credit carry funds and clients, as well as our BDCs and is registered under the Advisers Act. The business of Carlyle Aviation Partners includes investment funds organized to invest in certain aviation assets (including aircraft, engines and components), and the adviser and general partner of such funds are currently not registered under the Advisers Act or otherwise operated in reliance on another entity's registration under the Advisers Act. Our investment advisers are generally entitled to a management fee from each investment fund for which they serve as investment advisers. For a discussion of the management fees to which our investment advisers are entitled across our various types of investment funds, see "—Incentive Arrangements / Fee Structure" below. Investment funds themselves typically do not register as investment companies under the Investment Company Act of 1940, as amended (the "1940 Act" or the "Investment Company Act"), in reliance on Section 3(c)(7) or Section 7(d) thereof or, typically in the case of funds formed prior to 1997, Section 3(c)(1) thereof. Section 3(c)(7) of the 1940 Act exempts from the

1940 Act's registration requirements investment funds privately placed in the United States whose securities are owned exclusively by persons who, at the time of acquisition of such securities, are "qualified purchasers" as defined under the 1940 Act and purchase their interests in a private placement. Section 3(c)(1) of the 1940 Act exempts from the 1940 Act's registration requirements privately placed investment funds whose securities are beneficially owned by not more than 100 persons and purchase their interests in a private placement. In addition, under certain current interpretations of the Securities and Exchange Commission ("SEC"), Section 7(d) of the 1940 Act exempts from registration any non-U.S. investment fund all of whose outstanding securities are beneficially owned either by non-U.S. residents or by U.S. residents that are qualified purchasers and purchase their interests in a private placement. Certain of our investment funds, however, rely on other exemptions from the 1940 Act or register as investment companies under the 1940 Act or elect to be regulated as BDCs under the 1940 Act.

The governing agreements of the vast majority of our investment funds provide that, subject to certain conditions, a majority in interest (based on capital commitments) of third-party investors in those funds have the right to remove the general partner of the fund for cause and/or to accelerate the liquidation date of the investment fund without cause. In addition, the governing agreements of many of our investment funds generally require investors in those funds to affirmatively vote to continue the commitment period in the event that certain "key persons" in our investment funds do not provide the specified time commitment to the fund or our firm, cease to control the general partner (or similar managing entity) or the investment adviser or cease to hold a specified percentage of the economic interests in the general partner.

With limited exceptions, our carry funds, BDCs, and NGP Predecessor Funds are closed-end funds. In a closed-end fund structure, once an investor makes an investment, the investor is generally not able to withdraw or redeem its interest, except in very limited circumstances. Furthermore, each limited partnership contains restrictions on an investor's ability to transfer its interest in the fund. In the open-ended funds we advise, investors' interests are usually locked up for a period of time after which investors may generally redeem their interests on a quarterly basis, to the extent that sufficient cash is available.

With respect to our CPE, Real Assets and Global Credit carry funds, investors generally agree to fund their commitment over a period of time. For our carry funds, the commitment period generally runs until the earlier of (i) the sixth anniversary of either the effective date (the date we start charging management fees for the fund) or the initial closing date or the fifth anniversary of the final closing date of the fund; (ii) the date the general partner cancels such obligation due to changes in applicable laws, business conditions or when at least a significant portion (which may range between 75% and 90%) of the capital commitments to the fund have been invested, committed or reserved for investments; (iii) the date a supermajority in interest (based on capital commitments) of investors vote to terminate the commitment period; or (iv) the failure of certain key persons to devote a specified amount of time to such fund or Carlyle, to control the general partner or the investment adviser or to hold a specified percentage of the economic interests in the general partner, unless upon any of these events the investors vote to continue the commitment period. Following the termination of the commitment period, an investor generally will be released from any further obligation with respect to its undrawn capital commitment except to the extent necessary to pay partnership expenses and management fees, fund outstanding borrowings and guarantees, complete investments with respect to transactions committed to prior to the end of the commitment period and make follow-on investments in existing companies. Generally, an investor's obligation to fund follow-on investments extends for a period of three years following the end of the commitment period, although certain funds do not have a time limit and there may be limitations on how much the fund is permitted to fund for such follow-on investments. In those funds where such limitations exist, they generally range from 15-20% of the fund's aggregate capital commitment.

For the latest generation of our closed-end real estate funds, the length of the commitment period varies from fund to fund, typically running for a period of between two and five years from the final closing date, provided that the general partner may unilaterally extend such expiration date for one year and may extend it for another year with the consent of a majority of the limited partners or the investment advisory committee for that fund. Investors in the latest generation of our closed-end real estate funds are also obligated to continue to make capital contributions with respect to follow-on investments and to repay indebtedness for a period of time after the original expiration date of the commitment period, as well as to fund partnership expenses and management fees during the life of the fund.

The term of each of the CPE, Real Assets and Global Credit carry funds generally will end 10 years from the initial closing date, or in some cases, from the final closing date, but such termination date may be earlier in certain limited circumstances (e.g., 6 years, in the case of certain Carlyle Aviation Partners funds) or later if extended by the general partner (in many instances with the consent of a majority in interest (based on capital commitments) of the investors or the investment advisory committee) for successive one-year periods, typically up to a maximum of two years. Certain of such investment funds may have a longer initial termination date (such funds, "longer-dated funds"), such as 15 years from the final closing date or may be open-ended.

With respect to our Investment Solutions vehicles and separately managed accounts, the commitment period generally runs for a period of one to five years after the initial closing date of the vehicle. Following the termination of the commitment period, an investor in one of our Investment Solutions vehicles or separately managed accounts generally will only be required to fund additional amounts for commitments entered into during the commitment period, partnership expenses (including management fees and indemnification obligations), outstanding borrowings and guarantees, and follow-on investments in existing companies. The term of each of the funds generally will end 8 to 12 years from the initial closing date. In some cases, the termination date may be later if extended by the general partner (in many instances with the consent of a majority in interest (based on capital commitments) of the investors or the investment advisory committee) for successive up to two-year periods, potentially up to a maximum of four years or until such time as is reasonably necessary for the general partner to be able to liquidate the fund's assets.

Incentive Arrangements / Fee Structure

Fund Management Fees. The Partnership provides management services to funds in which it holds a general partner interest or has a management agreement. For closed-end carry funds in the CPE, Real Assets and Global Credit segments, management fees generally range from 1.0% to 2.0% of commitments during the fund's commitment period based on limited partners' capital commitments to the funds. Following the expiration or termination of the commitment period, management fees generally are based on the lower of cost or fair value of invested capital and the rate charged may also be reduced to between 0.6% and 2.0%. For certain separately managed accounts, open-end funds and longer-dated carry funds, with expected terms greater than ten years, management fees generally range from 0.2% to 1.0% based on contributions for unrealized investments or the current value of the investment. The investment adviser will receive management fees during a specified period of time, which is generally ten years from the initial closing date, or, in some instances, from the final closing date, but such termination date may be earlier in certain limited circumstances or later if extended for successive one year periods, typically up to a maximum of two years. Depending on the contracted terms of the investment advisory or investment management and related agreements, these fees are generally called semi-annually in advance. For certain open-end and longer-dated carry funds, management fees are called quarterly over the life of the funds.

Within the Global Credit segment, for CLOs and other structured products, management fees generally range from 0.4% to 0.5% based on the total par amount of assets or the aggregate principal amount of the notes in the CLO and are due quarterly or semi-annually based on the terms. Management fees for the CLOs and other structured products are governed by indentures and collateral management agreements. The investment advisers will receive management fees for the CLOs until redemption of the securities issued by the CLOs, which is generally five to ten years after issuance. Management fees for the BDCs are due quarterly in arrears at annual rates that range from 1.25% of invested capital to 1.5% of gross assets, excluding cash and cash equivalents.

The investment advisers of our Investment Solutions private equity and real estate carry fund vehicles generally receive an annual management fee that ranges from 0.25% to 1.0% of the vehicle's capital commitments during the commitment fee period of the relevant fund or the weighted-average commitment period of the underlying funds. Following the expiration of the commitment fee period or weighted-average investment period of such funds, the management fees generally range from 0.25% to 1.0% on (i) the lower of cost or fair value of the capital invested, (ii) the net asset value for unrealized investments or (iii) the contributions for unrealized investments; however certain separately managed accounts earn management fees at all times on contributions for unrealized investments or on the initial commitment amount. The management fees we receive from our Investment Solutions carry fund vehicles typically are payable quarterly in advance.

Our equity interest in NGP entitles us to an allocation of income equal to 55% of the management fee-related revenues of the NGP entities that serve as advisors to the NGP Energy Funds.

The general partners or investment advisers to certain of our CPE, Real Assets and Global Credit carry funds from time to time receive customary transaction fees upon consummation of many of our funds' acquisition transactions, receive monitoring fees from many of their portfolio companies following acquisition and may from time to time receive other fees in connection with their activities. The ongoing monitoring fees that they receive are generally calculated either as a fixed amount or as a percentage of a specified financial metric of a particular portfolio company. The transaction fees which they receive are generally calculated either as a fixed amount or as a percentage (that generally ranges up to 1%, but may exceed 1% in certain circumstances) of the total enterprise value or capitalization of the investment. The management fees charged to limited partner investors in our carry funds are generally reduced by 80% to 100% of such transaction fees and certain other fees that are received by the general partners and their affiliates.

In addition, Carlyle Aviation Partners may receive servicing fees in connection with asset-backed financing transactions for certain Carlyle Aviation Partners funds, generally in the range of 2% of rents, incentive fees up to 4% of rents in

the aggregate, and 3% of sales proceeds earned from such assets. To the extent the financing instruments are held by the funds, these fees are generally offset against management fees or partnership expenses of the funds.
Performance Allocations. The general partner of each of our carry funds also receives carried interest from the carry funds. Carried interest entitles the general partner to a special residual allocation of profit on third-party capital. In the case of our closed-end carry funds in the CPE, Real Assets and Global Credit segments, carried interest is generally calculated on a “realized gain” basis, and each general partner is generally entitled to a carried interest equal to 20% allocation (or 10% to 20% on certain open-end and longer-dated carry funds, certain credit funds and external co-investment vehicles, or approximately 10% in the case of most of the recent Investment Solutions carry funds, and approximately 2% to 10% in the case of most of our more mature Investment Solutions carry funds) of the net realized profit (generally taking into account unrealized losses) generated by third-party capital invested in such fund. Net realized profit or loss is not netted between or among funds. Our senior Carlyle professionals and other personnel who work in these operations also own interests in the general partners of our carry funds and we generally allocate 45% of any carried interest that we earn to these individuals in order to better align their interests with our own and with those of the investors in the funds. Of the 55% of the carried interest that we retain, we may utilize a portion for a plan for certain of our employees who do not receive direct allocations of carried interest to further align their interests with those of our own and the investors in our investment funds. For most carry funds, the carried interest is subject to an annual preferred return of 7% to 9% (or 4% to 7% for certain longer-dated carry funds) and return of certain fund costs (generally subject to catch-up provisions as set forth in the fund limited partnership agreement) from its CPE, Real Assets and Global Credit carry funds. If, as a result of diminished performance of later investments in the life of a closed-end fund, the fund does not achieve investment returns that (in most cases) exceed the preferred return threshold or (in almost all cases) the general partner receives in excess of 20% (or 10% to 20% on certain longer-dated carry funds as well as some external co-investment vehicles, as well as certain vehicles and accounts managed by Carlyle Aviation Partners or approximately 2% to 10% in the case of most of our Investment Solutions carry fund vehicles) of the net profits on third-party capital over the life of the fund, we will be obligated to repay the amount by which the carried interest that was previously distributed to us exceeds amounts to which we are ultimately entitled. This obligation, which is known as a “giveback” obligation, operates with respect to a given carry fund’s own net investment performance only and is typically capped at the after-tax amount of carried interest received by the general partner. Each recipient of carried interest distributions is individually responsible for his or her proportionate share of any "giveback" obligation; however, we may guarantee the full amount of such “giveback” obligation in respect of amounts received by Carlyle and certain other amounts. With respect to the portion of any carried interest allocated to the firm, we expect to fund any "giveback" obligation from available cash. Our ability to generate carried interest is an important element of our business and carried interest has historically accounted for a significant portion of our income.
The receipt of carried interest in respect of investments of our carry funds is dictated by the terms of the partnership agreements that govern such funds, which generally allow for carried interest distributions in respect of an investment upon a realization event after satisfaction of obligations relating to the return of capital from all realized investments, any realized losses, allocable fees and expenses and the applicable annual preferred return. Carried interest is ultimately realized and distributed when: (i) an underlying investment is profitably disposed of, (ii) certain costs borne by the limited partner investors have been reimbursed, (iii) the investment fund’s cumulative returns are in excess of the preferred return and (iv) we have decided to collect carry rather than return additional capital to limited partner investors. Distributions to eligible senior Carlyle professionals in respect of such carried interest are generally made shortly thereafter. Our decision to realize carry considers such factors as the level of embedded valuation gains, the portion of the fund invested, the portion of the fund returned to limited partner investors and the length of time the fund has been in carry, as well as other qualitative measures. Although Carlyle has seldom been obligated to pay a giveback obligation, such obligation, if any, in respect of previously realized carried interest, is generally determined and due upon the winding up or liquidation of a carry fund pursuant to the terms of the fund’s partnership agreement, although in certain cases the giveback is calculated at prior intervals.

Under our arrangements with the historical owners of Carlyle Aviation Partners, we are entitled to 100% of the management fee-related revenues and advisory fee-related revenues of Carlyle Aviation Partners that serve as advisors or service providers of the Carlyle Aviation Partners funds and portfolios of investments. In addition, we will receive 55% of the carried interest from funds managed or advised by Carlyle Aviation Partners, with the remaining 45% being allocated to the prior owners of Carlyle Aviation Partners and certain employees.

With respect to our arrangements with NGP, we have acquired future interests in the general partners of certain future funds advised by NGP that will entitle us to an allocation of income equal to 47.5% of the carried interest received by such fund general partners. In addition, we also exercised our option to purchase interests in the general partner of the NGP X fund, which entitles us to an allocation of income equal to 40% of the carried interest received by NGP X's general partner.

Under our arrangements with the historical owners and management team of AlpInvest, we generally do not retain any carried interest in respect of the historical investments and commitments to our fund of funds vehicles that existed as of July 1, 2011 (including any options to increase any such commitments exercised after such date). We are entitled to 15%, or in some cases 40%, of the carried interest in respect of commitments from the historical owners of AlpInvest for the period between 2011 and 2020 and 40% of the carried interest in respect of all other commitments (including all future commitments from third parties).

Under our arrangements with the historical owners and management team of Metropolitan, the management team and employees are allocated all carried interest in respect of the historical investments and commitments to the fund vehicles that have had a final closing on or prior to July 31, 2013, and 45% of the carried interest in respect of all other commitments.

As noted above, in connection with raising new funds or securing additional investments in existing funds, we negotiate terms for such funds and investments with existing and potential investors. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than for prior funds we have advised or funds advised by our competitors. See "Item 1A. Risk Factors — Risks Related to Our Business Operations — Our investors in future funds may negotiate to pay us lower management fees and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues."

Capital Invested in and Alongside Our Investment Funds

To further align our interests with those of investors in our investment funds, we have invested our own capital and that of our senior Carlyle professionals in and alongside the investment funds we sponsor and advise. Carlyle generally expects to commit to fund approximately 0.75% to 1% of the capital commitments to our future CPE, Real Assets and Global Credit carry funds. We also intend to make investments in our Investment Solutions carry funds, our open-end funds and our CLO vehicles. In addition, certain qualified Carlyle professionals and other qualified individuals (including certain individuals who may not be employees of the firm but who have pre-existing business relationships with Carlyle or industry expertise in the sector in which a particular investment fund may be investing) are permitted, subject to certain restrictions, to invest alongside the investment funds we sponsor and advise. Fees assessed or profit allocations on such investments by such persons may be eliminated or substantially reduced.

Minimum general partner capital commitments to our investment funds are determined separately with respect to each investment fund. We may, from time to time, exercise our right to purchase additional interests in our investment funds that become available in the ordinary course of their operations. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations— Liquidity and Capital Resources" for more information regarding our minimum general partner capital commitments to our funds. Our general partner capital commitments are funded with cash and not with carried interest or through a management fee waiver program.

Carlyle and its eligible employees and officers generally have the right to co-invest with most of the CPE and Real Asset and Global Credit carry funds on a deal-by-deal basis.

One Carlyle Culture

Our culture is built on promoting innovation, good citizenship and service to our investors. Carlyle uses its One Carlyle global network, deep industry knowledge, Operating Executive consultants and portfolio intelligence to create and execute a customized value creation plan for each of our CPE and Real Assets investments. To further this end, Carlyle has created a Global Investment Resources team that helps to translate our One Carlyle culture into services and capabilities supporting our investment process and portfolio companies. This team coordinates with our investment professionals and advisors, including our operating executive and other consultants, to create value during the investment lifecycle. We have also developed a leveraged purchasing effort to provide portfolio companies with effective sourcing programs with better pricing and service levels to help create operating value. This program seeks to drive down costs on common indirect spend categories and disseminate best practices on managing functional spend in the areas of HR/employee benefits, corporate real estate, information technology and treasury/risk. Our approach ensures that Carlyle's global network, deep industry knowledge and operational expertise are used to support and enhance our investments.

Corporate Citizenship

We are committed to the principle that building a better business means investing responsibly and engaging in communities where we work and invest. Responsible investing means we consider the environmental, social and governance

(ESG) implications of our investments, and have developed a framework for understanding, monitoring and managing those issues. In September 2008, Carlyle developed a set of responsible investment guidelines that consider the environmental, social and governance implications of certain investments we make. These guidelines were integral to shaping the corporate social responsibility guidelines later adopted by the members of the American Investment Council. We use the principles in these guidelines to inform our investment decision-making process for controlling, corporate investments.

Over the years, we have sought to continuously strengthen governance and transparency, ensuring that the interests of our investors, portfolio companies and investment professionals are aligned with our ESG goals. Good governance processes enable us to monitor current and emerging risks and provide investors with the transparency they require. We maintain strong internal corporate governance processes and fiduciary functions and are subject to regulatory supervision. Carlyle professionals receive regular and targeted training on many issues related to corporate governance and compliance, such as anti-corruption, conflicts of interest, economic sanctions and anti-money laundering. All employees annually certify to their understanding of and compliance with key global Carlyle policies and procedures.

ESG considerations play a growing role in our investment processes and the operations of our portfolio companies. As part of Carlyle's investment process for our Corporate Private Equity funds, we evaluate ESG risks and seek opportunities to create value through sustainability initiatives. During our ownership period, we support our management teams' efforts to develop strategic ESG programs and provide access to prescreened vendors, sustainability resources and individualized assistance from our Chief Sustainability Officer. Carlyle educates portfolio companies in which we have a controlling interest on the guidelines for responsible investment and encourage them to review the guidelines at the board level on an annual basis. We see sustainability efforts adding value primarily in four areas: customer satisfaction, brand equity, operational efficiency and cost savings and workforce.

At Carlyle we believe that diverse teams and experiences bring tremendous value to our firm. We are committed to growing and cultivating an environment that fosters diversity in gender, race, ethnicity, sexual orientation, disability, religion and age, as well as cultural backgrounds and ideas.

In 2013, Carlyle established our Diversity & Inclusion Council, which we believe is the first of its kind in our industry. We currently have seven Employee Resource Groups (ERG) to foster and cultivate a diverse and inclusive workforce. We also have a mentoring program that provides support for employees across the globe. Carlyle earned a 100% rating on the 2018 Corporate Equality Index (CEI), a national benchmarking survey and report on corporate policies and practices related to lesbian, gay, bisexual, transgender and queer (LGBTQ) workplace equality, administered by the Human Rights Campaign Foundation. In 2018, Carlyle hired a Chief Inclusion and Diversity Officer.

We encourage our employees to get involved where they live, work and invest through our volunteer and wealth sharing programs. We work to continually improve environmental stewardship within our firm, particularly in the areas of energy and materials use. In 2018, Carlyle achieved carbon neutral operations, based on our analysis as of September 30, 2018.

We are a member of the British Venture Capital Association and seek to ensure that our U.K.-based portfolio companies are compliant, on a voluntary basis, with the Private Equity Reporting Group Guidelines for Disclosure and Transparency when such companies become subject to these guidelines. Carlyle is a member of Invest Europe and an active participant in its work on ESG-related industry issues. Further, we are also a member of the Bundesverband Deutscher Kapitalbeteiligungsgesellschaften (BVK), the German private equity and venture capital trade association. We believe that we are compliant with the BVK Guidelines for Disclosure and Transparency and seek to ensure that our German portfolio companies comply with these guidelines when they are required to do so.

AlpInvest is a signatory of the Principles for Responsible Investment and has adopted the UN Global Compact as a corporate social responsibility (CSR) framework to evaluate fund managers and portfolio companies. AlpInvest has fully integrated CSR into its investment process and actively engages with fund managers and other stakeholders in the private equity markets to promote sustainability and improved corporate governance as an investment consideration.

Since Carlyle was established, we have recognized the value and benefits of maintaining a business model grounded in investment fundamentals, strong governance and transparency. We maintain strong internal corporate governance processes and fiduciary functions and are subject to regulatory supervision. Carlyle professionals receive regular and targeted training on many issues related to corporate governance and compliance, such as anti-corruption, conflicts of interest, economic sanctions and anti-money laundering. All employees annually certify to their understanding of and compliance with key global Carlyle policies and procedures.

Global Information Technology and Solutions

Global Information Technology and Solutions, which we refer to as GTS, is essential for Carlyle to conduct investment activities, manage internal administration activities and connect a global enterprise. As part of our GTS strategy and governance processes, we develop and routinely refine our technology architecture to leverage solutions that will best serve the needs of our investors. Our systems, data, network and infrastructure are continuously monitored and administered by formal controls and risk management processes that also help protect the data and privacy of our employees and investors. Our business continuity plans are designed to allow all critical business functions to continue in an orderly manner in the event of an emergency. GTS works closely with our various segments to test Carlyle's business continuity plans via table top exercises and disaster recovery exercises. GTS requires firm-wide information security awareness training on a quarterly basis to sensitize employees about the cyber risks to the firm with a goal of educating the firm on how to safeguard Carlyle's information assets. This annual testing is intended to help mitigate risk to the firm if an actual emergency were to occur. Carlyle's Information Security Steering Committee, chaired by the Chief Information Security Officer, monitors threats and prioritizes the initiatives of Carlyle's information security programs.

Competition

As a global investment firm, we compete with a broad array of regional and global investment firms, as well as global banking institutions and other types of financial institutions and markets, for both investors and investment opportunities. Generally, our competition varies across business lines, geographies, distribution channels and financial markets. We believe that our competition for investors is based primarily on investment performance, business relationships, the quality of services provided to investors, reputation and brand recognition, pricing and the relative attractiveness of the particular opportunity in which a particular fund intends to invest. To stay competitive, we believe it is also important to be able to offer fund investors a customized suite of investment products which enable them to tailor their investments across alternatives in private equity, real estate and credit. We believe that competition for investment opportunities varies across business lines, but is generally based on industry expertise and potential for value-add, pricing, terms and the structure of a proposed investment and certainty of execution.

We generally compete with sponsors of public and private investment funds across all of our segments. Within our CPE segment, we also compete with BDCs, sovereign wealth funds and operating companies acting as strategic acquirers. In our Global Credit segment, we compete with private credit strategies, BDCs, distressed debt funds, mezzanine funds and other CLO issuers. In our Real Assets segment, we compete with real estate development companies and other infrastructure investment business. In our Investment Solutions segment, we generally compete with other fund of funds managers and/or with advisers that are turning their business models towards discretionary investment advisory services. In the United States, the new government administration may propose changes to financial regulation that could increase competition from banks and non-bank institutions in certain of our business segments.

In addition to these traditional competitors within the global investment industry, we have increasingly faced competition from local and regional firms, financial institutions, sovereign wealth funds, family offices and agencies and instrumentalities of governments in the various countries in which we invest. This trend has been especially apparent in emerging markets, where local firms tend to have more established relationships with the companies in which we are attempting to invest. In addition, large institutional investors and sovereign wealth funds have begun to develop their own in-house investment capabilities and may compete against us for investment opportunities. Furthermore, in some cases, large institutional investors have reduced allocations to “fund of funds” vehicles and turned instead to private equity advisory firms that assist with direct investments. Greater reliance on advisory firms or in-house investment management may reduce fund of funds’ appeal to large institutional investors. As we continue to target high net worth investors, we also face competition from mutual funds and investment firms that have competing products.

Some of the entities that we compete with as a global investment firm are substantially larger and have greater financial, technical, marketing and other resources and more personnel than we do. Several of our competitors also have recently raised or are expected to raise, significant amounts of capital and many of them have investment objectives similar to ours, which may create additional competition for investment opportunities and investor capital. Some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us when sourcing investment opportunities. In addition, some of these competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider range of investments and to bid more aggressively than us for investments. Strategic buyers may also be able to achieve synergistic cost savings or revenue enhancements with respect to a targeted portfolio company, which we may not be able to achieve through our own portfolio, and this may provide them with a competitive advantage in bidding for such investments.

Employees

We believe that one of the strengths and principal reasons for our success is the quality and dedication of our people. As of December 31, 2018, we employed more than 1,650 individuals, including 637 investment professionals, located in 31 offices across six continents.

Operating Executives

Supplementing Carlyle’s investment expertise, we have retained a group of senior business executives to help Carlyle invest wisely and create value across a range of industries. These operating executives are former CEOs and other high-level executives of some of the world’s most successful corporations and currently sit on the boards of directors of a diverse mix of companies. Operating executives are independent consultants and are not Carlyle employees. Operating executives are engaged by Carlyle primarily to assist with deal sourcing, due diligence and market intelligence. Carlyle typically retains these operating executives and bears the cost of such retainer fees. Operating executives may also be engaged by, and compensated by, our portfolio companies as directors or to otherwise advise portfolio company management.

Regulatory and Compliance Matters

United States

Our businesses, as well as the financial services industry generally, are subject to extensive regulation in the United States and elsewhere. The SEC, Commodity Futures Trading Commission (the “CFTC”) and other regulators around the globe have in recent years significantly increased their regulatory activities with respect to global investment firms.

Certain of our subsidiaries are registered as investment advisers with the SEC. Registered investment advisers are subject to the requirements and regulations of the Advisers Act. Such requirements relate to, among other things, fiduciary duties to advisory clients, maintaining an effective compliance program, solicitation agreements, conflicts of interest, recordkeeping and reporting requirements, disclosure requirements, limitations on agency cross and principal transactions between an adviser and advisory clients and general anti-fraud prohibitions. In addition, our registered investment advisers are subject to routine periodic and other examinations by the staff of the SEC. In accordance with our efforts to enhance our compliance program and in response to recommendations received from the SEC in the course of routine examinations, certain additional policies and procedures have been put into place, but no material changes to our registered investment advisers’ operations have been made as a result of such examinations. Our registered investment advisers also have not been subject to any regulatory or disciplinary actions by the SEC. Finally, certain of our investment advisers are subject to limited SEC disclosure requirements as “exempt reporting advisers.”

TCG Securities, L.L.C. (“TCG Securities”), the affiliate entity through which we conduct U.S.-based marketing and fundraising activities and house our anti-money laundering compliance function, is registered as a limited purpose broker-dealer with the SEC, is a member of the Financial Industry Regulatory Authority (“FINRA”) and is also registered as a broker-dealer in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico and the Virgin Islands. Additionally, TCG Securities operates under an international broker-dealer exemption in the Canadian provinces of Alberta, British Columbia, Ontario and Quebec. TCG Securities acts as a placement agent, on a best efforts basis, for interests in private funds.

In 2018 we obtained FINRA approval for TCG Capital Markets L.L.C. ("TCG Capital Markets"), an affiliate broker-dealer entity that operates as part of the Carlyle Capital Solutions platform ("CCS") within Global Credit, and engages in the syndication and placement of securities of corporate issuers in private transactions, among other related activities, including U.S.-based marketing and fundraising for Global Credit. In addition, TCG Capital Markets is registered as a broker-dealer with the SEC and in 48 states and the District of Columbia. The CCS platform also includes TCG Senior Funding, L.L.C., which has been established to originate and syndicate loans.

Additionally, FINRA, a self-regulatory organization that is subject to SEC oversight, maintains regulatory authority over all securities firms doing business with the public in the United States (including our broker-dealers), adopts and enforces rules governing the activities of its member firms and conducts cycle examinations and targeted sweep

inquiries on issues of immediate concern, among other roles and responsibilities. Our broker-dealers are subject to routine periodic and other examinations by the staff of FINRA. No material changes to our broker-dealers' operations have been made as a result of such examinations.
Broker-dealers are subject to rules relating to transactions on a particular exchange and/or market, and rules relating to the internal operations of the firms and their dealings with customers including, but not limited to the form or organization of

the firm, qualifications of associated persons, officers and directors, net capital and customer protection rules, books and records and financial statements and reporting. In particular, as a result of its registered status, each of TCG Securities and TCG Capital Markets are subject to the SEC's uniform net capital rule, Rule 15c3-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which specifies both the minimum level of net capital a broker-dealer must maintain relative to the scope of its business activities and net capital liquidity parameters. The SEC and FINRA require compliance with key financial responsibility rules, including maintenance of adequate funds to meet expenses and contractual obligations, as well as early warning rules that compel notice to the regulators via accelerated financial reporting anytime a firm's capital falls below the minimum required level. The uniform net capital rule limits the amount of qualifying subordinated debt that is treated as equity to a specific percentage under the debt-to-equity ratio test, and further limits the withdrawal of equity capital, which is subject to specific notice provisions. Finally, compliance with net capital rules may also limit a firm's ability to expand its operations, particularly to those activities that require the use of capital. Violation of the net capital rule may result in censures, fines, the issuance of cease-and-desist orders, revocation of licenses or registrations, the suspension or expulsion from the securities industry of the broker-dealer or its officers or employees or other similar consequences by regulatory bodies. To date, neither TCG Securities nor TCG Capital Markets has had any capital adequacy issues and each entity is currently capitalized in excess of the minimum maintenance amount required by regulators.

Carlyle Global Credit Investment Management L.L.C. ("CGCIM"), one of our subsidiaries, serves as investment adviser to certain closed-end investment companies that have elected, or intend to elect, to be regulated as BDCs under the Investment Company Act (as well as to certain private fund and other clients). Accordingly, these BDCs are, or are expected to be, subject to all relevant provisions under the Investment Company Act as registered investment companies. In addition, CGCIM serves as a sub-adviser to OFI Carlyle Private Credit Fund, which is regulated as a registered investment company under the Investment Company Act and to which OC Private Capital, LLC, a Carlyle joint venture with OppenheimerFunds, Inc., serves as the investment adviser.

In 2011, the Dodd-Frank Wall Street Reform and Consumer Protection Act amended the Commodity Exchange Act to expand the CFTC's regulatory jurisdiction with respect to certain derivative instruments, including swaps. In 2012, the CFTC rescinded an exemption from CFTC registration traditionally relied upon by private fund managers, narrowed an exception related to registered investment companies and amended related rules and guidance. As a result of these changes, managers of certain pooled investment vehicles with exposure in commodity interests now may be required to register with the CFTC as commodity pool operators ("CPOs") and/or commodity trading advisors ("CTAs") and become members of the National Futures Association (the "NFA"). As such, certain of our or our subsidiaries' risk management or other commodities interest-related activities may be subject to CFTC oversight. Consequently, certain CFTC rules expose global investment firms, such as us, to increased registration and reporting requirements in connection with transactions in futures, swaps and other derivatives regulated by the CFTC. These regulations have required us to reassess certain business practices related to our pooled vehicles, consider registration of certain entities with the CFTC or file for additional exemptions from such registration requirements. In addition, as a result of their commodities interest-related activities, certain of our entities also may be subject to a wide range of other regulatory requirements, such as:

- potential compliance with certain commodities interest position limits or position accountability rules;
- administrative requirements, including recordkeeping, confirmation of transactions and reconciliation of trade data; and
- mandatory central clearing and collateral requirements.

United Kingdom and the European Union

CECP Advisors LLP ("CECP"), one of our subsidiaries in the United Kingdom, is authorized and regulated by the Financial Conduct Authority (the "FCA"). CECP operates in accordance with the Financial Services and Markets Act 2000 (the "FSMA"), which is the United Kingdom's implementing legislation for the European Markets in Financial Instruments Directive ("MiFID"). CECP has permission to engage in a number of corporate finance activities regulated under the FSMA, including advising on, and arranging deals in relation to certain types of, investments. CECP is only permitted to carry out these activities in relation to eligible counterparties and professional clients. CECP has registered a branch office in Ireland in connection with Carlyle's investment activities in that country. CELF Advisors LLP ("CELF"), another one of our subsidiaries in the United Kingdom, is also authorized and regulated by the FCA under the FSMA and has permission to engage in a number of activities regulated under the FSMA, including making arrangements with a view to transactions in investments, advising on, managing and arranging deals in relation to certain types of investments, dealing in investments as agent and arranging safeguarding and administration of assets. CELF is only permitted to carry out these activities in relation to eligible counterparties and professional clients. The FSMA and related rules govern most aspects of investment businesses, including sales, research and trading practices, provision of investment advice, corporate finance, use and safekeeping of client funds and

securities, record keeping, margin practices and procedures, approval standards for individuals, anti-money laundering, periodic reporting and settlement procedures.
The FSMA says that any firm or individual which carries out a regulated activity in the United Kingdom must be authorized or regulated by the FCA, unless they are exempt. The FCA is responsible for monitoring regulated entities' compliance with the FSMA. Violations of these requirements may result in censures, fines, imposition of additional requirements, injunctions, restitution orders, revocation or modification of permissions or registrations, the suspension or expulsion from certain "controlled functions" within the financial services industry of officers or employees performing such functions or other similar consequences.
Similar to the United States, jurisdictions outside the United States in which we operate, in particular Europe, have become subject to extensive further regulation. Governmental regulators and other authorities in Europe have proposed or implemented a number of initiatives and additional rules and regulations that could adversely affect our business. Certain of our subsidiaries are subject to compliance requirements in connection with the Alternative Investment Fund Managers Directive (the "AIFMD"), which generally became effective in countries across the European Economic Area (the "EEA") in 2014. The AIFMD imposes significant regulatory requirements on alternative investment fund managers operating or marketing funds to investors within the EEA, as well as prescribing certain conditions with regard to regulatory standards, cooperation and transparency that must be satisfied for non-EEA fund managers to market or manage alternative investment funds into EEA jurisdictions. Authorization under the AIFMD is currently available only to EEA fund managers. One of Carlyle's subsidiaries, AlpInvest, obtained such authorization in 2015. As such, AlpInvest is licensed as an alternative investment fund manager under the AIFMD by the Authority for Financial Markets in the Netherlands (the "AFM"). AlpInvest is also licensed by the AFM to provide investment management services under the MiFID. In early 2018 one of our subsidiaries, CIM Europe S.a.r.l. ("CIM Europe"), was authorized as an alternative investment fund manager under the AIFMD in Luxembourg to offer certain funds in Europe, however Carlyle's Global Credit and real estate fund of funds are currently offered in the EEA in accordance with the national private placement regimes of the various EEA jurisdictions. Compliance with applicable AIFMD requirements may restrict Carlyle's fund marketing strategy and will place additional compliance obligations in the form of remuneration policies, capital requirements, reporting requirements, leverage oversight and liquidity management.
Additionally, certain of our subsidiaries are subject to various aspects of the European Market Infrastructure Regulation ("EMIR"). Among other things, EMIR imposes a set of requirements on European Union derivatives activities, including risk mitigation, risk management, regulatory reporting and margin and clearing requirements. Given the global scale of the derivatives activity of various Carlyle entities, the various regulatory regimes to which Carlyle is subject could result in duplication of administration and increased transaction costs related to such derivatives activities.
As outlined above, certain of our European subsidiaries must comply with the pan-European regime established by MiFID, which regulates the provision and conduct of investment services and activities throughout the EEA. MiFID sets out detailed requirements governing the organization and conduct of business of investment firms, regulated markets and certain other entities such as credit institutions to the extent they perform investment services or activities. It also includes pre- and post-trade transparency requirements for transactions within scope. MiFID has been substantially amended by Directive 2014/65/EU and Regulation 600/2014/EU (collectively referred to as "MiFID II") that has been effective since January 3, 2018. MiFID II is designed to amend the functioning of financial markets in light of the financial crisis and to strengthen investor protection. MiFID II has extended the MiFID requirements in a number of areas including market structure requirements, new and extended requirements in relation to transparency and transaction reporting, revised rules on research and inducements and product governance requirements. MiFID II has therefore imposed further compliance requirements on CECP, CELF and AlpInvest.
As of May 2018, the EU's General Data Protection Regulation ("GDPR") strengthened and unified data protection rules for individuals within the EU. GDPR also addresses the export of personal data outside the EU. The primary objectives of GDPR are to give citizens control of their personal data and to simplify the regulatory environment for

international businesses by unifying data protection regulation within the EU. As with any other organization that holds personal data of EU data subjects, we have to comply with the GDPR because, among other things, we process European individuals' personal data via our global technology systems and in connection with our business activities. The failure to comply timely and properly with the GDPR rules and to maintain ongoing compliance with such rules may subject us to enforcement proceedings and significant fines and costs.

The impact of the United Kingdom's anticipated withdrawal from the EU ("Brexit") on our business operations in the United Kingdom and the EU is unknown, and will vary depending on the final terms of the impending withdrawal agreement or in a "no deal" scenario. Ongoing changes in the EU's regulatory framework applicable to our operations, including the impact of Brexit as well as any other changes in the composition of the EU's member states, are expected to add complexity to our global operations, particularly as it relates to regulatory licensing for certain activities (e.g. investment advisory services, fundraising, etc.) See "Item 1A, Risk Factors" below for further detail on Brexit.

Other Jurisdictions

Certain of our subsidiaries are subject to registration and compliance with laws and regulations of non-U.S. governments, their respective agencies and/or various self-regulatory organizations or exchanges relating to, among other things, investment advisory services and the marketing of investment products, and any failure to comply with these regulations could expose us to liability and/or damage our reputation. Certain of our private funds are also required to comply with the trading and disclosure rules and regulations of non-U.S. securities regulators.

The Organization for Economic Cooperation and Development (the “OECD”) has developed Common Reporting Standard (“CRS”) rules for the automatic exchange of FATCA-like financial account information amongst OECD member states. Like FATCA, CRS imposes certain due diligence, documentation and reporting requirements on various Carlyle entities. While CRS does not contain a potential withholding requirement, non-compliance could subject Carlyle to certain reputational harm.

Carlyle Hong Kong Equity Management Limited is licensed by the Hong Kong Securities and Futures Commission to carry on Type 1 (dealing in securities) regulated activity in respect of professional investors.

Carlyle Mauritius Investment Advisor Limited and Carlyle Mauritius CIS Investment Management Limited are licensed providers of investment management services in the Republic of Mauritius and are subject to applicable Mauritian securities laws and the oversight of the Financial Services Commission. In addition, Carlyle Mauritius Investment Advisor Limited holds a “Foreign Institutional Investor” license from the Securities and Exchange Board of India, which entitles this entity to engage in limited activities in India.

Carlyle Australia Equity Management Pty Limited is licensed by the Australian Securities and Investments Commission as an Australian financial services licensee and is authorized to carry on a financial services business to provide advice on and deal in financial products (managed investment schemes and securities) for wholesale clients.

Carlyle MENA Investment Advisors Limited, a company limited by shares in the Dubai Financial Centre, holds a Category 3C license issued by the Dubai Financial Services Authority and is authorized to arrange credit or deal in investments, advise on financial products or credit and manage collective investment funds.

Carlyle Singapore Investment Advisors Pte Limited holds a capital markets license and an exempt financial adviser status with the Monetary Authority of Singapore to carry on fund management and dealing in regulated capital market products activities in respect of institutional and accredited investors.

Carlyle South Africa Advisors (Proprietary) Limited, a limited company incorporated in the Republic of South Africa, is licensed as a Category 1 Authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act (No. 37 of 2002) and is thereby regulated by the Financial Services Board in South Africa.

Carlyle Global Credit (Asia) Limited is licensed by the Hong Kong Securities and Futures Commission to carry on Type 9 (asset management) regulated activity in respect of asset management activities to professional investors.

Carlyle Real Estate SGR S.p.A. holds an authorization from the Bank of Italy to carry on AIFMD-compliant fund management and real estate activities.

AlpInvest Partners Limited is licensed by the Hong Kong Securities and Futures Commission to carry on Type 1 (dealing in securities) regulated activity in respect of professional investors.

Diversified Global Asset Management Corporation holds an exempt market dealer license with Ontario Securities Commission to facilitate certain Carlyle fund marketing activities in Canada.

TCG Gestor is licensed by the Securities & Exchange Commission of Brazil as an investment adviser.

AlpInvest is registered as a cross-border discretionary investment management company with the Financial Supervisory Service of South Korea.

In November 2018, TC Group Cayman Investment Holdings, L.P. acquired a 19.9% stake in Fortitude Re, a Bermuda company registered as a Class 4 and Class E insurer. Fortitude Re is subject to regulation and supervision by the Bermuda Monetary Authority (the "BMA") and compliance with all applicable Bermuda law and Bermuda insurance statutes and regulations, including but not limited to the Insurance Act of 1978 (Bermuda) and the rules and regulations promulgated thereunder (the "Bermuda Insurance Act"). In addition, as a result of the acquisition, TC Group Cayman Investment Holdings, L.P. is subject to certain insurance laws and regulations in Bermuda as a "controller" of Fortitude Re under the Bermuda Insurance Act. These laws and regulations include certain notice requirements for any person that has become, or as a result of a disposition ceased to be, a shareholder controller of a registered insurer, and failure to comply with such requirements is an offense punishable by law.

In addition, we and/or our affiliates and subsidiaries may become subject to additional regulatory demands in the future to the extent we expand our investment advisory business in existing and new jurisdictions. There are also a number of pending or recently enacted legislative and regulatory initiatives in the United States and around the world that could significantly impact our business. See "Item 1A. Risk Factors-Risks Related to our Company- Extensive regulation in the United States and abroad affects our activities, increases the cost of doing business and creates the potential for significant liabilities and penalties," "-Financial regulatory changes in the United States could adversely affect our business and the possibility of increased regulatory focus could result in additional burdens and expenses on our business" and "-Regulatory initiatives in jurisdictions outside the United States could adversely affect our business."

Our businesses have operated for many years within a framework that requires our being able to monitor and comply with a broad range of legal and regulatory developments that affect our activities and we take our obligation to comply with all such laws, regulations and internal policies seriously. Our reputation depends on the integrity and business judgment of our employees and we strive to maintain a culture of compliance throughout the firm. We have developed, and adhere to, compliance policies and procedures such as codes of conduct, compliance systems, education and communication of compliance matters. These policies focus on matters such as insider trading, anti-corruption, document retention, conflicts of interest and other matters. Our legal and compliance team monitors our compliance with all of the legal and regulatory requirements to which we are subject and manages our compliance policies and procedures. Our legal and compliance team also monitors the information barriers that we maintain to restrict the flow of confidential information, including material, nonpublic information, across our business. Our enterprise risk management function analyzes our operations and investment strategies to identify key risks facing the firm and works closely with the legal and compliance team to address them. The firm also has an independent and objective internal audit department that employs a risk-based audit approach that focuses on Sarbanes-Oxley compliance, enterprise risk management functions and other areas of perceived risk and aims to give management and the Board of Directors of our general partner reasonable assurance that our risks are well managed and controls are appropriate and effective.

Website and Availability of SEC Filings

Our website address is www.carlyle.com. We make available free of charge on our website or provide a link on our website to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after those reports are electronically filed with, or furnished to, the SEC. To access these filings, go to the "SEC Documents" portion of our "Public Investors" page on our website. You may also access the reports and other documents we file with the SEC at a website maintained by the SEC at www.sec.gov.

We use our website (www.carlyle.com), our corporate Facebook page (https://www.facebook.com/onecarlyle/) and our corporate Twitter account (@OneCarlyle) as channels of distribution of material company information. For example, financial and other material information regarding our company is routinely posted on and accessible at www.carlyle.com. Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive email alerts and other information about Carlyle when you enroll your email address by visiting the "Email Alert Subscription" section at http://ir.carlyle.com/email-alerts. The contents of our website and social media channels are not, however, a part of

this Annual Report on Form 10-K and are not incorporated by reference herein.
The Carlyle Group L.P. was formed in Delaware on July 18, 2011. Our principal executive offices are located at 1001 Pennsylvania Avenue, NW, Washington, D.C. 20004-2505.

ITEM 1A. RISK FACTORS

Risks Related to Our Company

Adverse economic and market conditions could negatively impact our business in many ways, including by reducing the value or performance of the investments made by our investment funds and reducing the ability of our investment funds to raise capital, any of which could materially reduce our revenue, earnings and cash flow and adversely affect our financial prospects and condition.

Our business is materially affected by conditions in the global financial markets and economic conditions or events throughout the world that are outside of our control, including, but not limited to, changes in interest rates, availability of credit, inflation rates, economic uncertainty, slowdown in global growth, changes in laws (including laws relating to taxation and regulations on the financial industry), disease, trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including government shutdowns, wars, terrorist acts or security operations). These factors may affect the level and volatility of securities prices and the liquidity and the value of investments, and we may not be able to or may choose not to manage our exposure to these market conditions and/or other events. In the event of a market downturn, each of our businesses could be affected in different ways.

Over the twelve months ending in December 2018, the S&P 500 fell 6%, while the MSCI All Country World Index (MSCI) declined by 11%, pulled down by a 14.25% average decline in emerging markets. Over the fourth quarter of 2018, the markets experienced a heightened level of volatility in connection with a widespread sell-off, which was broad-based across equity sectors and regions. While the proximate cause of such dislocations is difficult to ascertain with absolute certainty, the correction seemed to be the natural product of growing concerns about global growth and geopolitical risks intersecting with monetary policy tightening by the United States Federal Reserve. Corporate bonds also declined in value, while safe-haven assets like government bonds rallied. Although markets rebounded somewhat in January, it is possible that the recent volatility experienced at the end of 2018 could reemerge. If global markets become unstable, it is possible sellers may readjust their valuations and attractive investment opportunities may become available. On the other hand, the valuations of certain assets we planned to sell in the near future could be negatively impacted.

Market volatility could adversely affect our fundraising efforts in several ways. Investors often allocate to alternative asset classes (including private equity) based on a target percentage of their overall portfolio. If the value of an investor's portfolio decreases as a whole, the amount available to allocate to alternative assets (including private equity) could decline. Further, investors often evaluate the amount of distributions they have received from existing funds when considering commitments to new funds. General market volatility and/or a reduction in distributions to investors could cause investors to delay making new commitments to investment funds. With several large buyout funds in the market, a decrease in the amount an investor commits to our funds could have an impact on the ultimate size of the fund and amount of management fees we generate.

The availability and cost of financing for significant acquisition and disposition transactions could be impacted by heightened volatility in equity and credit markets amid concerns about corporate earnings and global growth. In the United States, high yield credit spreads rose by over 130 basis points (bps) from October 2018 to the first week of February 2019. If credit markets weaken, it is possible that we and our investment funds may not be able to consummate significant acquisition and disposition transactions on acceptable terms or at all if we or our funds are unable to finance these types of transactions on attractive terms or if the counterparty to the transaction is unable to secure suitable financing. If there is a general slowdown in global merger and acquisition activity due to the lack of availability of suitable financing, this could cause a slowdown in our investment pace, which in turn could have an adverse impact on our ability to generate future performance revenues and to fully invest the available capital in our funds and reduce opportunities to exit and realize value from our fund investments. A slowdown in the deployment of our available capital could impact the management fees we earn on those carry funds and managed accounts that generate fees based on invested (and not committed) capital. A slowdown in the deployment of our available capital could also adversely affect our ability to raise and the timing of raising successor investment funds. In 2018, we invested a record $22 billion through our carry funds.

During periods of difficult market conditions or slowdowns (which may occur across one or more industries or geographies), our funds' portfolio companies may experience adverse operating performance, decreased revenues, financial losses, credit rating downgrades, difficulty in obtaining access to financing and increased funding costs. Negative financial results in our funds' portfolio companies may result in less appreciation across the portfolio and lower returns in our funds, which could materially and adversely affect our ability to raise new funds as well as our operating results and cash flow. During such periods of weakness, our funds' portfolio companies may also have difficulty expanding their businesses and operations or meeting their debt service obligations or other expenses as they become due, including expenses payable to us. Furthermore, such negative market conditions could potentially result in a portfolio company entering bankruptcy proceedings, or in the case of certain real estate funds, the abandonment or foreclosure of investments, thereby potentially resulting in a complete loss of the fund's investment in such portfolio company or real assets and a significant negative impact to the fund's performance and consequently our operating results and cash flow, as well as to our reputation. In addition, negative market conditions would also increase the risk of default with respect to investments held by our funds that have significant debt investments, such as our Global Credit funds.

Finally, during periods of difficult market conditions or slowdowns, our fund investment performance could suffer, resulting in, for example, the payment of less or no performance revenues to us or the creation of the obligation to repay performance revenues previously received by us. The payment of less or no performance revenues could cause our cash flow from operations to significantly decrease, which could materially and adversely affect our liquidity position and the amount of cash we have on hand to conduct our operations and to distribute to our unitholders. The generation of less performance revenues could also impact our leverage ratios and compliance with our term loan covenants. Having less cash on hand could in turn require us to rely on other sources of cash (such as the capital markets, which may not be available to us on acceptable terms or at all) to conduct our operations, which include, for example, funding significant general partner and co-investment commitments to our carry funds. Furthermore, during adverse economic and market conditions, we might not be able to renew or refinance all or part of our credit facility or find alternate financing on commercially reasonable terms. As a result, our uses of cash may exceed our sources of cash, thereby potentially affecting our liquidity position.

Changes in the debt financing markets could negatively impact the ability of certain of our funds and their portfolio companies to obtain attractive financing or re-financing and could increase the cost of such financing if it is obtained, which could lead to lower-yielding investments and could potentially decrease our net income.

A significant contraction in the market for debt financing, such as the contraction that occurred in 2008 and 2009, or other adverse change relating to the terms of debt financing, including higher interest rates and equity requirements and more restrictive covenants, could have a material adverse impact on our business and that of our investment funds and their portfolio companies. Regulatory changes that constrain banks' ability to provide debt financing also could have a material adverse impact on our business and that of our investment funds and their portfolio companies. If our funds are unable to obtain committed debt financing for potential acquisitions or are only able to obtain debt financing at unfavorable interest rates or on unfavorable terms, our funds may have difficulty completing acquisitions that may have otherwise been profitable or if completed, such acquisitions could generate lower than expected profits, both of which could lead to a decrease in our net income.

Our funds' portfolio companies also regularly utilize the corporate debt markets to obtain financing for their operations. While credit was available on attractive terms throughout much of 2018, there was substantial weakening in credit markets during the fourth quarter of 2018. Corporate debt issuance and merger and acquisition activity decreased significantly as credit spreads widened. It is possible that further tightening in the credit markets could render debt financing difficult to obtain, less attractive or more expensive, which may negatively impact the operating performance of our portfolio companies who use debt to fund certain of their operations. This may result in a negative impact on the investment returns of our funds. In addition, if market conditions make it difficult or impossible to refinance debt that is maturing in the near term, some of our portfolio companies' operations may be negatively impacted or our portfolio companies may be unable to repay their debt at maturity and may be forced to sell assets, undergo a recapitalization or seek bankruptcy protection.

Our use of leverage may expose us to substantial risks.

We use indebtedness as a means to finance our business operations, which exposes us to the risks associated with using leverage. We are dependent on financial institutions extending credit to us on reasonable terms to finance our business. There is no guarantee that such institutions will continue to extend credit to us or will renew the existing credit agreements we have with them, or that we will be able to refinance our outstanding notes or other obligations when they mature. In addition, the incurrence of additional debt in the future could result in downgrades of our existing corporate credit ratings, which could limit the availability of future financing and/or increase our cost of borrowing. As borrowings under our credit facility or any other indebtedness mature, we may be required to either refinance them by entering into a new facility or issuing additional debt, which could result in higher borrowing costs, or issuing additional equity, which would dilute existing unitholders. We could also repay them by using cash on hand, cash provided by our continuing operations or cash from the sale of our assets, which could reduce distributions to our unitholders. We could have difficulty entering into new facilities or issuing debt or equity securities in the future on attractive terms, or at all.

From time to time we may access the capital markets by issuing debt securities. For example, in September 2018, we issued $350 million aggregate principal amount of 5.650% senior notes due September 2048 and used a portion of the proceeds of the offering to repurchase $250 million in aggregate principal amount of our 3.875% senior notes due February 2023. Approximately $250 million aggregate principal amount of our 3.875% senior notes due February 2023 remains outstanding. In March 2013, we issued $400 million aggregate principal amount of 5.625% senior notes due March 2043 and in March 2014, we issued an additional $200 million aggregate principal amount of 5.625% senior notes due March 2048. We may also access the capital markets by issuing preferred units. In September 2017, we issued 16,000,000 5.875% Series A Preferred Units. We also have a credit agreement that provides a $775 million revolving facility with a final maturity date of February 11, 2024. The credit agreement contains financial and non-financial covenants with which we need to comply to maintain access to this source of liquidity. Non-compliance with any of the financial or non-financial covenants without cure or waiver would constitute an event of default, and an event of default resulting from a breach of certain financial or non-financial covenants could result, at the option of the lenders, in an acceleration of the principal and interest outstanding, and a termination of the credit agreement. In addition, to the extent we incur additional debt relative to our current level of earnings or experience a decrease in our level of earnings, our credit rating could be adversely impacted, which would increase our interest expense under our credit facility. In September 2018 in connection with our issuance of 5.650% senior notes due September 2048, Standard & Poor's and Fitch reaffirmed their "BBB+" stable rating.

Our revenue, earnings and cash flow are variable, which makes it difficult for us to achieve steady earnings growth on a quarterly basis.

Our revenue, earnings and cash flow are variable. For example, our cash flow fluctuates because we receive carried interest from our carry funds only when investments are realized and achieve a certain preferred return. We may also experience fluctuations in our quarterly and annual results, including our revenue and net income, due to a number of other factors, including changes in the carrying values and performance of our funds' investments that can result in significant volatility in the carried interest that we have accrued (or as to which we have reversed prior accruals) from period to period, as well as changes in the amount of distributions, gains, dividends or interest paid in respect of investments, changes in our operating expenses, the degree to which we encounter competition and general economic and market conditions. The valuations of investments made by our funds could also be impacted by changes, or anticipated changes, in government policy, including policies related to tax reform, financial services regulation, international trade, immigration, healthcare, labor, infrastructure and energy. For instance, during the 2008 and 2009 economic downturn, we recorded significant reductions in the carrying values of many of the investments of the investment funds we advise. The carrying value of fund investments, particularly the public portion of our carry fund portfolios, may be more variable during times of market volatility. As of December 31, 2018, 7% of our CPE, Real Assets and Global Credit carry fund portfolio was in public securities, which is a decrease from 14% of this portfolio that was held in public securities at December 31, 2017. In addition, transaction fees earned by our carry funds can vary from quarter-to-quarter and year-to-year depending on the nature of the investments in any given period. For example, in 2018, we earned approximately $32 million in transaction fees from our carry funds, which was an increase of approximately $5 million as compared to the total transaction fees we earned in 2017 of approximately $27 million, and was a slight increase from the total transaction fees of approximately $31 million we earned in 2016. The increase was due to greater investment activity, primarily in our U.S. buyout funds, in 2017 as compared to 2018. Going forward, we anticipate a general decline in net transaction fees earned as certain carry funds that we have recently raised or are actively fundraising have increased the percentage of transaction fees that are shared with fund investors from 80% to 100% of the fees we generate. See "—A decline in the pace or size of investments by our carry funds could result in our receiving less revenue from transaction fees".

During periods in which a significant portion of our AUM is attributable to carry funds that are in the fundraising period or are in the investment period that precedes harvesting, as has been the case from time to time, we may receive substantially lower distributions. Higher fundraising activity also generates incremental expenses and, as new capital commitments may not immediately generate fees until they activate management fees, we could incur fundraising related costs ahead of generating revenues. Moreover, even if an investment proves to be profitable, it may be several years before any profits can be realized in cash. A downturn in the equity markets also makes it more difficult to exit investments by selling equity securities at a reasonable value. If we were to have a realization event in a particular quarter, that event may have a significant impact on our quarterly results and cash flow for that particular quarter and may not be replicated in subsequent quarters. We cannot predict precisely when, or if, realizations of investments will occur, where a fund will be in its lifecycle when the realizations occur or whether a fund will realize carried interest. We recognize revenue on investments in our investment funds based on our allocable share of realized and unrealized gains (or losses) reported by such investment funds, and a decline in realized or unrealized gains, or an increase in realized or unrealized losses, would adversely affect our revenue, which could further increase the volatility of our quarterly results and cash flow. Because our carry funds have preferred investor return thresholds that need to be met prior to us receiving any carried interest, declines in, or failures to increase sufficiently the carrying value of, the investment portfolios of a carry fund may delay or eliminate any carried interest distributions paid to us with respect to that fund. This is because the value of the

assets in the fund would need to recover to their aggregate cost basis plus the preferred return over time before we would be entitled to receive any carried interest from that fund or vehicle.
The timing and receipt of realized carried interest also varies with the life cycle of our carry funds and there is often a difference between the time we start accruing carried interest for financial reporting purposes and the realization and distribution of such carried interest. However, performance revenues are ultimately realized when (i) an investment is profitably disposed of, (ii) certain costs borne by the limited partner investors have been reimbursed, (iii) the investment fund's cumulative net returns are in excess of the preferred return and (iv) we have decided to collect carried interest rather than return additional capital to limited partner investors. In deciding to realize carried interest we consider such factors as the level of embedded valuation gains, the portion of the fund invested, the portion of the fund returned to limited partner investors, the length of time the fund has been in carry, and other qualitative measures. In most funds, we will initially defer realizing carried interest even when contractually entitled to take it, allowing carried interest to accrue until it is determined that giveback risk is substantially reduced. As a result of this deferral, we are generally entitled to a disproportionate "catch-up" level of profit allocation at some point during the harvesting period. For example, during the period from late 2013 to early 2015, we benefited from "catch-up" realized carried interest on some of our largest funds, but in 2016 and 2017 we did not benefit from "catch-up" realized carried interest to the extent we had in prior years. In certain circumstances, we may also need to reduce the rate at which we realize carried interest, or temporarily stop realizing carried interest, in order to maintain a sufficient level of reserves and reduce the risk of potential future giveback obligations. In addition to the timing uncertainty of realized carried interest in a single fund, there may also be a generational trough or gap in the realized carried interest of a fund family, as a predecessor fund transitions to it's successor fund. In such cases, even when both the predecessor and successor fund have strong performance and earn carried interest, the predecessor fund may substantially exit its investment portfolio before the successor fund is in a sufficient position to begin realizing carried interest. See "— Our investors may negotiate to pay us lower management fees and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues."
Our fee revenue may also depend on the pace of investment activity in our funds. In many of our carry funds, the base management fee may be reduced when the fund has invested substantially all of its capital commitments or the aggregate fair market value of a fund's investments is below its cost. We may receive a lower management fee from such funds if there has been a decline in value or after the investing period and during the period the fund is harvesting its investments. As a result, the variable pace at which many of our carry funds invest capital and dispose of investments may cause our management fee revenue to vary from one quarter to the next. Additionally, in certain of our funds that derive management fees only on the basis of invested capital, the pace at which we make investments, the length of time we hold such investment and the timing of dispositions will directly impact our revenues.
The investment period of a fund may expire prior to the raising of a successor fund. Where appropriate, we may work with our fund investors to extend the investment period, which gives us the opportunity to invest any capital that remains in the fund. In general, the end of the original investment period (regardless of whether it is extended) will trigger a change in the capital base on which management fees are calculated from committed capital to invested capital. In some cases, a step-down in the applicable rate used to calculate management fees may also occur. For example, prior to raising a successor fund, the South America buyout fund's original investment period ended in the second half of 2015, resulting in a change from committed capital to invested capital for the management fee base, despite a one-year extension to the investment period.

We depend on our founders, our Co-Chief Executive Officers and other key personnel, and the loss of their services or investor confidence in such personnel could have a material adverse effect on our business, results of operations and financial condition.

We depend on the efforts, skill, reputations and business contacts of our senior Carlyle professionals, including our founders, Messrs. Conway, D'Aniello and Rubenstein, our Co-Chief Executive Officers, Messrs. Lee and Youngkin, and other key personnel, including members of our Executive Group, our management committee, the investment committees of our investment funds and senior members of our investment teams, the information and deal flow they and others generate during the normal course of their activities and the synergies among the diverse fields of expertise and knowledge held by our professionals. On January 1, 2018, Kewsong Lee and Glenn Youngkin became Co-Chief Executive Officers of our firm, Messrs. Conway and Rubenstein transitioned to be Co-Executive Chairmen and Mr. D'Aniello transitioned to be Chairman Emeritus. Mr. Conway also was joined by Peter Clare as Co-Chief Investment Officers as of January 1, 2018. Although our founders remain committed to our business, in these new roles, they no longer have responsibility for the day-to-day operations of the firm and may choose to pursue philanthropic or other personal endeavors, including personal investment activities, in addition to their roles at Carlyle. Our founders and other key personnel are not obligated to remain employed with us in their current capacities or at all. To enhance our capabilities, we have and will continue to hire and internally develop senior professionals to assume key leadership positions throughout the firm into the future. The efficacy of such future leadership may constitute an adverse risk to our business.

All of the Carlyle Holdings partnership units held by our founders and other key personnel, including Mr. Youngkin, are vested. Mr. Lee does not hold any Carlyle Holdings partnership units. In October 2017, we entered into employment agreements with Messrs. Lee and Youngkin. See "Part III. Item 11. Executive Compensation—Employment Agreements and Potential Payments upon Termination or Change in Control." Several key personnel have left the firm in the past and others may do so in the future, and we cannot predict the impact that the departure of any key personnel will have on our ability to achieve our objectives. The loss of the services of any of them could have a material adverse effect on our revenues, net income and cash flow and could harm our ability to maintain or grow AUM in existing funds or raise additional funds in the future. The governing agreements of many of our investment funds generally require investors in those funds to vote to continue the investment period in the event that certain "key persons" in our investment funds do not provide the specified time commitment to the fund or our firm ceases to control the general partner. We have historically relied in part on the interests of these professionals in the investment funds' carried interest and incentive fees to discourage them from leaving the firm. However, to the extent our investment funds perform poorly, thereby reducing the potential for carried interest and incentive fees, their interests in carried interest and incentive fees become less valuable to them and may become a less effective retention tool.

Our senior Carlyle professionals and other key personnel possess substantial experience and expertise and have strong business relationships with investors in our funds and other members of the business community. As a result, the loss of these personnel could jeopardize our relationships with investors in our funds and members of the business community and result in the reduction of AUM or fewer investment opportunities. For example, if any of our senior Carlyle professionals were to join or form a competing firm, that action could have a material adverse effect on our business, results of operations and financial condition.

Recruiting and retaining professionals may be more difficult in the future, which could adversely affect our business, results of operations and financial condition.

Our most important asset is our people, and our continued success is highly dependent upon the efforts of our senior Carlyle professionals and other professionals we employ. Our future success and growth depends to a substantial degree on our ability to retain and motivate our senior Carlyle professionals and other key personnel and to strategically recruit, retain and motivate new talented personnel, including new senior Carlyle professionals. The market for qualified investment professionals is extremely competitive and we may not be successful in our efforts to recruit, retain and motivate these professionals.

There are also certain factors that are not within our control that may affect our efforts to recruit, retain and motivate investment professionals, in particular as it relates to tax considerations regarding carried interest. For example, if the U.S. Congress or state, local or certain foreign governments enacted legislation to treat carried interest as ordinary income rather than as capital gain for tax purposes or impose a surcharge on carried interest, this could result in a material increase in the amount of taxes that our unitholders would be required to pay, which would in turn affect our ability to recruit, retain and motivate our current and future professionals. See "—Risks Related to U.S. Taxation—Our structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis" and "—Risks Related to our Company—In past years, the U.S. Congress has considered legislation that would have, in some cases after a ten-year transition period, precluded us from qualifying as a partnership for U.S. federal income tax purposes or required us to hold carried interest through taxable subsidiary corporations. If any similar legislation were to be enacted and apply to us, the after tax income and gain related to our business could be reduced.” U.S. tax reform legislation, informally known as the Tax Cuts and Jobs Act, which was signed into law on December 22, 2017 (the "TCJA"), includes a provision that changes the treatment of carried interest with respect to an applicable partnership interest from long-term capital gains to short-term capital gains (taxable at ordinary income rates) to the extent such gains relate to property with a holding period not greater than three years. Outside the U.S., in April 2016, the United Kingdom adopted legislation that changed the scope of and tax rate for carried interest, which impacted certain of our investment funds and certain of our London-based investment professionals. There could certainly be other countries that clarify or modify their treatment of carried interest. These types of developments might make it more difficult for us to incentivize, recruit and retain investment professionals, which may have an adverse effect on our ability to achieve our investment objectives. In addition, the after-tax income and gain related to our business, our distributions to common unitholders and the market price of our common units, all could be reduced.

We have granted and expect to grant equity awards from our Equity Incentive Plan, which has caused dilution. While we evaluate the grant of equity awards from our Equity Incentive Plan to employees on an annual basis, the size of the grants, if any, is made at our discretion. If we increase the use of equity awards from our Equity Incentive Plan in the future, expenses associated with equity-based compensation may increase materially. In 2018, we incurred equity compensation expenses of $144 million in connection with grants of deferred restricted common units. The value of our common units may drop in value or be volatile, which may make our equity less attractive to our employees since we may not be able to adequately incentivize them.

As of December 31, 2018, our employees held an aggregate of 20,522,131 unvested deferred restricted common units, which vest over various time periods, generally from one and a half to six years from the date of grant. In order to recruit and retain existing and future senior Carlyle professionals and other key personnel, we may need to increase the level of compensation that we pay to them. Accordingly, as we promote or hire new senior Carlyle professionals and other key personnel over time or attempt to retain the services of certain of our key personnel, we may increase the level of compensation we pay to these individuals, which could cause our total employee compensation and benefits expense as a percentage of our total revenue to increase and adversely affect our profitability. The issuance of equity interests in our business in the future to our senior Carlyle professionals and other personnel would also dilute our unitholders.

At the time of our initial public offering and in several subsequent acquisitions, we issued Carlyle Holdings partnership units that are exchangeable on a one-for-one basis for common units. The exchange and sale of these units will increase the number of our common units that are traded in the public market. All of the Carlyle Holdings partnership units held by our founders are fully vested. Of the outstanding Carlyle Holdings partnership units held by our other senior Carlyle professionals, substantially all are vested as of December 31, 2018, and the remaining unvested units will vest in November 2019. Subject to the terms of the Exchange Agreement, including the minimum retained ownership requirements and other restrictions, Carlyle Holdings unitholders were able to exchange their Carlyle Holdings partnership units for common units in the Partnership on a one-to-one basis each quarter starting in the second quarter of 2017. See “Part III. Item 13. Certain Relationships and Related Transactions, and Director Independence—Exchange Agreement.”

We strive to maintain our One Carlyle culture of collaboration and seek to continue to align our interests (and the interests of our employees) with those of our fund investors. If we do not continue to develop and implement the right processes and tools to maintain our culture, our ability to compete successfully and achieve our business objectives could be impaired, which could negatively impact our business, financial condition and results of operations.

Given our focus on achieving superior investment performance and maintaining and strengthening investor relations, we may reduce our AUM, restrain its growth, reduce our fees or otherwise alter the terms under which we do business when we deem it in the best interest of our fund investors—even in circumstances where such actions might be contrary to the near-term interests of unitholders.

From time to time if we decide it is in the best interests of all stakeholders, we may take actions that could reduce the profits we could otherwise realize in the short term. While we believe that our commitment to treating our fund investors fairly is in the long-term interest of us and our unitholders, our unitholders should understand we may take actions that could adversely impact our short-term profitability, and there is no guarantee that such actions will benefit us in the long term. The means by which we seek to achieve superior investment performance in each of our strategies could include limiting the AUM in our strategies to an amount that we believe can be invested appropriately in accordance with our investment philosophy and current or anticipated economic and market conditions. Additionally, we may voluntarily reduce management fee rates and terms for certain of our funds or strategies when we deem it appropriate, even when doing so may reduce our short-term revenue. For instance, in order to enhance our relationship with certain fund investors, we have reduced management fees or ceased charging management fees on certain funds in specific instances. In certain investment funds, we have agreed to charge management fees based on invested capital or net asset value as opposed to charging management fees based on committed capital. In certain cases, such as our most recent power fund, we have provided “fee holidays” to certain investors during which we do not charge management fees for a fixed period of time (such as the first six months). We may receive requests to reduce management fees on other funds in the future. “—See Risks Related to Our Business—Our investors may negotiate to pay us lower management fees and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues.”

Certain of our investment funds may utilize subscription lines of credit to fund investments prior to the receipt of capital contributions from the fund's investors. As capital calls made to a fund's investors are delayed when using a subscription line of credit, the investment period of such investor capital is shortened, which may increase the net internal rate of return of an investment fund. However, since interest expense and other costs of borrowings under subscription lines of credit are an expense of the investment fund, the investment fund's net multiple of invested capital will be reduced, as will the amount of carried interest generated by the fund. Any material reduction in the amount of carried interest generated by a fund will adversely affect our revenues.

We may also take other actions that could adversely impact our short-term results of operations when we deem such action appropriate. We have also waived management fees on certain leveraged finance vehicles at various times to improve returns. Furthermore, we typically delay the realization of carried interest to which we are otherwise entitled if we determine (based on a variety of factors, including the stage of the fund’s life cycle and the extent of fund profits accrued to date) that there would be an unacceptably high risk of potential future giveback obligations. Any such delay could result in a deferral of realized carried interest to a subsequent period. See “— Risks Related to Our Company — Our revenue, earnings and cash flow are variable, which makes it difficult for us to achieve steady earnings growth on a quarterly basis.”

We may not be successful in expanding into new investment strategies, markets and businesses, which could adversely affect our business, results of operations and financial condition.

Our growth strategy focuses on providing resources to foster the development of new product offerings and business strategies by our investment professionals. Given our diverse platform, these initiatives could create conflicts of interests with existing products, increase our costs and expose us to new market risks and legal and regulatory requirements. These products may have different economic structures than our traditional investment funds and may require a different marketing approach. These activities also may impose additional compliance burdens on us, subject us to enhanced regulatory scrutiny and expose us to greater reputation and litigation risk.

The success of our growth strategy will depend on, among other things:

- our ability to correctly identify and create products that appeal to our investors;
- the diversion of management’s time and attention from our existing businesses;
- management's ability to spend time developing and integrating the new business and the success of the integration effort;
- our ability to properly manage conflicts of interests;
- our ability to identify and manage risks in new lines of businesses;
- our ability to obtain requisite approvals and licenses from the relevant governmental authorities and to comply with applicable laws and regulations without incurring undue costs and delays; and
- our ability to successfully negotiate and enter into beneficial arrangements with our counterparties.

In some instances, we may determine that growth in a specific area is best achieved through the acquisition of an existing business or a smaller scale lift out of an investment team to enhance our platform. Our ability to consummate an acquisition will depend on our ability to identify and value potential acquisition opportunities accurately and successfully compete for these businesses against companies that may have greater financial resources. Even if we are able to identify and successfully negotiate and complete an acquisition, these transactions can be complex and we may encounter unexpected difficulties or incur unexpected costs.
In addition to the concerns noted above, the success of a firm acquisition will be affected by, among other things:

- difficulties and costs associated with the integration of operations and systems;

- difficulties integrating the acquired business’s internal controls and procedures into our existing control structure;
- difficulties and costs associated with the assimilation of employees; and
- the risk that a change in ownership will negatively impact the relationship between an acquiree and the investors in its investment vehicles.

Each acquisition transaction presents unique challenges. For example, in December 2018 we acquired 100% of Apollo Aviation Group, a global commercial aviation investment and servicing firm with total assets under management of $5.8 billion, and over 80 employees and offices in the United States, Ireland and Singapore. We renamed Apollo Aviation Group to Carlyle Aviation Partners at the time of our acquisition. Our investment in Carlyle Aviation Partners faces the risk that we do not successfully integrate the business into our Global Credit segment.

In addition, if a new product, business or venture developed internally or by acquisition is unsuccessful, we may decide to wind down, liquidate and/or discontinue it. Such actions could negatively impact our relationships with fund investors in those businesses, could subject us to litigation or regulatory inquiries and can expose us to additional expenses, including impairment charges and potential liability from investor or other complaints.

Our organizational documents do not limit our ability to enter into new lines of business, and we intend to, from time to time, expand into new investment strategies, geographic markets and businesses, each of which may result in additional risks and uncertainties in our businesses.

We intend, to the extent that market conditions warrant, to seek to grow our businesses and expand into new investment strategies, geographic markets and businesses. Our organizational documents do not limit us to the asset management business and to the extent that we make strategic investments or acquisitions in new geographic markets or businesses, undertake other related strategic initiatives or enter into a new line of business, we may face numerous risks and uncertainties, including risks associated with the following:

- the required investment of capital and other resources;
- the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk;
- the diversion of management’s attention from our core businesses;
- assumption of liabilities in any acquired business;
- the disruption of our ongoing business;
- the increasing demands on or issues related to the combination or integration of operational and management systems and controls;
- compliance with or applicability to our business or our portfolio companies of regulations and laws, including, in particular, local regulations and laws (for example, consumer protection related laws) and customs in the numerous global jurisdictions in which we operate and the impact that noncompliance or even perceived noncompliance could have on us and our portfolio companies;
- a potential increase in investor concentration; and

- the broadening of our geographic footprint, including the risks associated with conducting operations in certain foreign jurisdictions where we currently have no presence.

Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar or from which we are currently exempt, and may lead to increased liability, litigation, regulatory risk and expense. If a new business generates insufficient revenue or if we are unable to efficiently manage our expanded operations, our results of operations may be adversely affected.

Our strategic initiatives may include joint ventures, which may subject us to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under our control. We currently participate in joint advisory arrangements and may elect to participate in additional joint venture opportunities in the future if we believe that operating in such a structure is in our best interests. There can be no assurances that our current joint advisory arrangements will continue in their current form, or at all, in the future or that we will be able to identify acceptable joint venture partners in the future or that our participation in any additional joint venture opportunities will be successful.
In past years, the U.S. Congress has considered legislation that would have, in some cases after a ten-year transition period, precluded us from qualifying as a partnership for U.S. federal income tax purposes or required us to hold carried interest through taxable subsidiary corporations. If any similar legislation were to be enacted and apply to us, the after tax income and gain related to our business could be reduced.

Legislative proposals by members of the U.S. Congress have provided that, for taxable years beginning ten years after the date of enactment, income derived with respect to carried interest would not meet the qualifying income requirements under the publicly traded partnership rules. Therefore, if similar legislation is enacted, following such ten-year period, we would be precluded from qualifying as a partnership for U.S. federal income tax purposes or be required to hold all such carried interest through corporations, possibly U.S. corporations. If we were taxed as a U.S. corporation or required to hold all carried interest through corporations, our effective tax rate would increase significantly. The federal statutory rate for corporations is currently 21%. In addition, we could be subject to increased state and local taxes. Furthermore, common unitholders could be subject to tax on our conversion into a corporation or any restructuring required in order for us to hold our carried interest through a corporation.
States and local jurisdictions have considered and are considering changes to the income tax treatment of carried interest and partnerships generally that could, if enacted, cause us to incur a material increase in our tax liability and/or cause carried interest or other income allocable to holders of our common units to be subject to state or local income tax at higher rates than under current law.

States and other jurisdictions have also considered legislation to increase taxes with respect to carried interest. For example, New Jersey recently enacted legislation which eliminates an exclusion from New Jersey source income (for non-residents) for carried interest and income from providing investment management services, which is not expected to materially affect our common unitholders, and authorizes a contingent 17% surtax on such management income for gross income tax and corporate income tax purposes. These carried interest provisions remain non-operative as they are dependent upon Connecticut, New York and Massachusetts enacting legislation with identical provisions. In addition, New York has considered recently introduced legislation which would tax income from certain investment management services provided by a partner (whether or not a New York resident), which could cause a non-resident of New York who holds our common units to be subject to New York state income tax on carried interest earned by entities in which we hold an indirect interest, thereby requiring the non-resident to file a New York state income tax return reporting such carried interest income. As part of that same legislation, New York also proposed a state tax surcharge of 19% on carried interest in addition to the personal income tax. Similar to the New Jersey legislation, the New York legislation would not take effect until similar legislation is enacted by Connecticut, New Jersey and Massachusetts. In addition, states and other jurisdictions have considered legislation to increase taxes involving other aspects of our structure and have considered and enacted legislation which could increase taxes imposed on our income and gain. For example, the District of Columbia has passed legislation that could expand the portion of our income that could be subject to District of Columbia income or franchise tax. These and other proposals have recently been under heightened consideration in light of the recently enacted TCJA.
Proposed changes in U.S. and foreign taxation of businesses could adversely affect us.

Congress, the Organization for Economic Co-Operation and Development ("OECD"), the European Commission and other government agencies in jurisdictions where we and our affiliates invest or do business have maintained a focus on issues related to the taxation of multinational corporations. The OECD, which represents a coalition of member countries, has proposed changes to numerous long-standing tax principles through its base erosion and profit shifting ("BEPS") project, an area that focuses in part on payments made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates.

The OECD released the BEPS package in October 2015, which looks at various different ways in which domestic tax rules around the world, and the bilateral double tax treaties that govern the interplay between them, could be amended to address profit shifting among affiliated entities. Several of the proposed measures, including measures covering treaty abuse, the deductibility of interest expense, local nexus requirements, transfer pricing and hybrid mismatch arrangements are potentially relevant to some of our structures and could have an adverse tax impact on our funds, investors and/or our portfolio companies. Some member countries have been moving forward on the BEPS agenda but, because timing of implementation and the specific measures adopted will vary among participating states, significant uncertainty remains regarding the impact of BEPS proposals. If implemented, these proposals could result in a loss of tax treaty benefits and increased taxes on income from our investments.

A number of European jurisdictions have enacted taxes on financial transactions, and the European Commission has proposed legislation to harmonize these taxes under the so-called "enhanced cooperation procedure," which provides for adoption of EU-level legislation applicable to some but not all EU Member States. We are continuing to evaluate the impacts of of these contemplated changes which, if adopted by individual countries, could potentially increase tax uncertainty and/or costs faced by us, our funds' portfolio companies and our investors, change our business model and cause other adverse consequences.

The European Union has taken steps to implement BEPS type legislation between Member States through its Anti-Tax Avoidance Directive ("ATAD" and ATAD II"). This Directive may impact the investments in certain of our funds. The Directive will be applicable as from January 1, 2019 and January 1, 2020 for certain provisions. The ATAD rules may impact the tax efficiency of certain investments in our funds and could lead to increased costs which could adversely affect profitability and returns on our funds. In addition, the European Union also passed legislation in June 2018 to provide for enhanced transparency of tax arrangements, which will be fully effective by 2020, with retrospective effect back to 2018, requiring mandatory disclosure of certain transactions. This will likely create additional costs and administrative burdens and penalties could be imposed for failure to adequately provide such disclosure in a timely manner.

Other jurisdictions have implemented various country specific legislation, including the proposals related to digital services taxes, general anti-avoidance provisions, additional substance requirement provisions and other specific legislation, which may impact the value of the investments or create additional administrative burdens and costs on the organization.

The Netherlands continued to provide additional updates to its withholding tax on dividends. It is anticipated that the current dividend withholding tax rules will be abolished as of January1, 2020 and will be replaced by conditional withholding taxation at a rate of 23.9% (22.5% from January 1, 2021). These rules will apply to payments made to affiliated entities in low taxed jurisdictions (jurisdictions with a corporate tax rate below 7% or included in the EU blacklist of non-cooperative jurisdictions). We are evaluating the impact of this change which could result in additional withholding on certain payments for us and our investment funds.

As part of the TCJA, any gain recognized by a non-U.S. holder on the sale or exchange of a partnership interests that is deemed to be effectively connected with a U.S. trade or business will also be treated as ECI. The TCJA includes a provision effective after December 31, 2017 requiring the transferee of an interest in a partnership that is engaged in a U.S. trade or business to withhold 10 percent of the transferor's realized gain (gross purchase price) on the sale, exchange or other disposition of such partnership interest, unless an applicable non-foreign person affidavit is furnished by the transferor or another exception applies. Until additional guidance is issued by the applicable authorities, due to lack of clarity this could have an adverse impact on our secondaries business.

Operational risks, including those associated with our business model, may disrupt our businesses, result in losses or limit our growth.

We rely heavily on our financial, accounting, information and other data processing systems. We face various security threats on a regular basis, including ongoing cyber security threats to and attacks on our information technology infrastructure that are intended to gain access to our proprietary information, destroy data or disable, degrade or sabotage our systems. These security threats could originate from a wide variety of sources, including unknown third parties outside the company.

There has been an increase in the frequency and sophistication of the cyber and security threats we face, with attacks ranging from those common to businesses generally to those that are more advanced and persistent, which may target us because, as an global investment management firm, we hold a significant amount of confidential and sensitive information about our investors, our portfolio companies and potential investments. As a result, we may face a heightened risk of a security breach or disruption with respect to this information resulting from an attack by computer hackers, foreign governments, cyber extortionists or cyber terrorists. If successful, these types of attacks on our network or other systems could have a material adverse effect on our business and results of operations, due to, among other things, the loss of investor or proprietary data, interruptions or delays in our business and damage to our reputation.

Because employees and contractors may introduce vulnerabilities in our systems if they are the target of “phishing,” social engineering or other attacks through the firm’s email systems, we have implemented a security awareness training program. The objective of this program is to inform Carlyle personnel of their responsibility for information security and includes quarterly online training, live awareness events and phishing simulations.

Although we are not currently aware that we have been subject to cyber-attacks or other cyber-incidents which, individually or in the aggregate, have materially affected our operations or financial condition, there can be no assurance that the various procedures and controls we utilize to mitigate these threats will be sufficient to prevent disruptions to our systems, especially because the cyber-attack techniques used change frequently or are not recognized until launched, and because cyber-attacks can originate from a wide variety of sources. If any of these systems do not operate properly or are disabled for any reason or if there is any unauthorized disclosure of data, whether as a result of tampering, a breach of our network security systems, a cyber-incident or attack or otherwise, we could suffer substantial financial loss, increased costs, a disruption of our businesses, liability to our funds and fund investors, regulatory intervention or reputational damage. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means.

Cyber security also has become a top priority for regulators around the world, including the SEC's Office of Compliance Inspections and Examinations (OCIE). In its examination programs, OCIE has prioritized cyber security with an emphasis on, among other things, proper configuration of network storage devices, information security governance, and policies and procedures related to retail trading information security. In addition, many jurisdictions in which we operate have laws and regulations relating to data privacy, cyber security and protection of personal information, including the General Data Protection Regulation ("GDPR") in the EU that went into effect in May 2018. If we fail to comply with the relevant laws and regulations, it could result in regulatory investigations and penalties, which could lead to negative publicity and may cause our fund investors and clients to lose confidence in the effectiveness of our security measures.

Our information systems and technology may not continue to be able to accommodate our growth, and the cost of maintaining such systems may increase from its current level. For example, our existing systems may not be adequate to identify or control the relevant risks in investment strategies employed by new investment funds we may introduce. A failure to accommodate growth, or an increase in costs related to such information systems, could have a material adverse effect on us. In addition, we rely on third-party service providers for certain aspects of our business, including for certain information systems and technology and administration of our business development companies, structured credit funds and Investment Solutions segment. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair the quality of the funds' operations and could affect our reputation and hence adversely affect our businesses.

We depend on our headquarters in Washington, DC, where most of our administrative and operations personnel are located, and our office in Arlington, Virginia, which houses our treasury, tax, finance, and GTS functions, for the continued operation of our business. However, our global employee base services the needs of our investment funds and investors out of 31 offices around the world. As our business needs evolve and/or in order to reduce expenses, we may close offices, terminate the employment of a significant number of our personnel or cut back or eliminate the use of certain services or service providers, that, in each case, could be important to our business and without which our operating results could be adversely affected. Furthermore, a restructuring of our corporate real estate that results in the closure of one or more offices could result in significant charges and other costs incurred by us.

A disaster or a disruption in the infrastructure that supports our businesses, including a disruption involving electronic communications or other services used by us or third parties with whom we conduct business, or directly affecting our headquarters, could have a material adverse impact on our ability to continue to operate our business without interruption. Our disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. We may also need to commit additional management, operational and financial resources to identify new professionals to join our firm and to maintain appropriate operational and financial systems to adequately support expansion. The market for hiring talented professionals, including IT professionals, is competitive and we may not be able to grow at the pace we desire.

In addition, we may not be able to obtain or maintain sufficient insurance on commercially reasonable terms or with adequate coverage levels against potential liabilities we may face in connection with potential claims, which could have a material adverse affect on our business. We may face a risk of loss from a variety of claims, including related to securities, antitrust, contracts, fraud and various other potential claims, whether or not such claims are valid. Insurance and other safeguards might only partially reimburse us for our losses, if at all, and if a claim is successful and exceeds or is not covered by our insurance policies, we may be required to pay a substantial amount in respect of such successful claim. Certain losses of a catastrophic nature, such as wars, earthquakes, typhoons, terrorist attacks or other similar events, may be uninsurable or may only be insurable at rates that are so high that maintaining coverage would cause an adverse impact on our business, our investment funds and their portfolio companies. In general, losses related to terrorism are becoming harder and more expensive to insure against. Some insurers are excluding terrorism coverage from their all-risk policies. In some cases, insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total cost of casualty insurance for a property. As a result, we, our investment funds and their portfolio companies may not be insured against terrorism or certain other catastrophic losses.

Our portfolio companies also rely on data and processing systems and the secure processing, storage and transmission of information. A disruption or compromise of these systems could have a material adverse effect on the value of these businesses. Our funds may invest in strategic assets having a national or regional profile or in infrastructure assets, the nature of which could expose them to a greater risk of being subject to a terrorist attack or security breach than other assets or businesses. Such an event may have adverse consequences on our investment or assets of the same type or may require portfolio companies to increase preventative security measures or expand insurance coverage.
Failure to maintain the security of our information and technology networks, including personally identifiable employee and investor information, intellectual property and proprietary business information could have a material adverse effect on us.
We are subject to various risks and costs associated with the collection, handling, storage and transmission of sensitive information, including those related to compliance with U.S. and foreign data collection and privacy laws and other contractual obligations, as well as those associated with the compromise of our systems collecting such information.
In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information and intellectual property, and personally identifiable information of our employees and our investors, in our data centers and on our networks. The secure processing, maintenance and transmission of this information are critical to our operations. Although we take various measures and have made, and will continue to make, significant investments to ensure the integrity of our systems and to safeguard against such failures or security breaches, there can be no assurance that these measures and investments will provide protection. In addition, we and our employees may be the target of fraudulent emails or other targeted attempts to gain unauthorized access to proprietary or sensitive information. For example, we could be the target of wire transfer fraud whereby a third party seeks to benefit from misrepresenting an employee or fund investor by improperly authorizing a wire transfer or change in wire instructions. A significant actual or potential theft, loss, corruption, exposure, fraudulent use or misuse of investor, employee or other personally identifiable or proprietary business data, whether by third parties or as a result of employee malfeasance or otherwise, non-compliance with our contractual or other legal obligations regarding such data or intellectual property or a violation of our privacy and security policies with respect to such data could result in significant remediation and other costs, fines, litigation or regulatory actions against us by the U.S. federal and state governments, the European Union (the “EU”) or other jurisdictions or by various regulatory organizations or exchanges. Such an event could additionally disrupt our operations and the services we provide to investors, damage our reputation, result in a loss of a competitive advantage, impact our ability to provide timely and accurate financial data, and cause a loss of confidence in our services and financial reporting, which could adversely affect our business, revenues, competitive position and investor confidence.
Extensive regulation in the United States and abroad affects our activities, increases the cost of doing business and creates the potential for significant liabilities and penalties.
Our business is subject to extensive regulation, including periodic examinations, by governmental agencies and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. and foreign government agencies and self-regulatory organizations and state securities commissions in the United States, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer or investment adviser from registration or memberships. Even if an investigation or proceeding does not result in a sanction or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the costs incurred in responding to such matters could be material and the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm our reputation and cause us to lose existing fund investors or fail to gain new investors or discourage others from doing business with us. Some of our investment funds invest in businesses that operate in highly regulated industries, including in

businesses that are regulated by the U.S. Federal Communications Commission and U.S. federal and state banking authorities. The regulatory regimes to which such businesses are subject may, among other things, condition our funds' ability to invest in those businesses upon the satisfaction of applicable ownership restrictions or qualification requirements. Our failure to obtain or maintain any regulatory approvals necessary for our funds to invest in such industries may disqualify our funds from participating in certain investments or require our funds to divest themselves of certain assets.

In recent years, the SEC and its staff have focused on issues relevant to global investment firms and have formed specialized units devoted to examining such firms and, in certain cases, bringing enforcement actions against the firms, their principals and their employees. It is unclear whether the SEC and its staff will maintain the same level of enforcement activity under the current administration. Significant enforcement activity related to global investment firms may cause us to reevaluate certain practices and adjust our compliance control function as necessary and appropriate.

It is generally expected that the SEC's oversight of global investment firms will continue to focus on concerns related to transparency and investor disclosure practices. Although the SEC has cited improvements in disclosures and industry practices in this area, it has also indicated that there is room for improvement in particular areas, including fees and expenses (and the allocation of such fees and expenses) and co-investment practices. To this end, many firms have received inquiries during examinations or directly from the SEC Division of Enforcement regarding various transparency-related topics, including the acceleration of monitoring fees, the allocation of broken-deal expenses, the disclosure of operating partner or operating executive compensation, outside business activities of firm principals and employees, group purchasing arrangements and general conflicts of interest disclosures.

The SEC's focus in these areas could impact Carlyle in various ways. For example, in November 2015, the SEC requested additional information about our historical monitoring fee acceleration practices, a topic of a recent enforcement action within the private equity industry. We continue to cooperate with the SEC's informal request. In addition, our private equity funds frequently engage operating executives who often work (generally, on a part-time basis) with our investment teams during due diligence, provide board-level governance and support and advise portfolio company management. Operating executives generally are third parties, are not considered Carlyle employees and typically are retained by us pursuant to consulting agreements. Generally these consultants also are involved in non-Carlyle related activities, including serving on boards of companies that are not our portfolio companies. In some cases, an operating executive may be retained by a portfolio company directly and in such instances the portfolio company may compensate the operating executive directly (meaning that investors in our private equity funds may indirectly bear the cost of the operating executive's compensation). While we believe we have made appropriate and timely disclosures regarding the engagement and compensation of our operating executives, the SEC staff may disagree.

We regularly are subject to requests for information and informal or formal investigations by the SEC and other regulatory authorities, with which we routinely cooperate and, in the current environment, even historical practices that have been previously examined are being revisited. In 2014, the SEC indicated that investment advisers that receive transaction-based compensation for investment banking or acquisition activities relating to fund portfolio companies may be required to register as broker-dealers. Specifically, the Staff noted that if a firm receives fees from a fund portfolio company in connection with the acquisition, disposition or recapitalization of such portfolio company, such fees could raise broker-dealer concerns under applicable regulations related to broker-dealers. In 2016, the SEC charged an SEC-registered investment advisor to a private equity fund and its principal with violating Section 15(a) of the Exchange Act for providing brokerage services and receiving transaction-based compensation in connection with the purchase and sale of portfolio companies while not being registered as a broker-dealer. To the extent we receive such transaction fees and the SEC takes the position that such activities render us a "broker" under the applicable rules and regulations of the Exchange Act, we could be subject to additional regulation. If receipt of transaction fees from a portfolio company is determined to require a broker-dealer license, receipt of such transaction fees in the past or in the future during any time when we did not or do not have a broker-dealer license could subject us to liability for fines, penalties or damages. Even if a regulatory investigation or proceeding does not result in a sanction or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the adverse publicity relating to such matters could harm our reputation. In addition, our ability to accelerate such fees in the future could be affected.
We regularly rely on exemptions from various requirements of the Securities Act of 1933, as amended (the "Securities Act"), the Exchange Act, the Investment Company Act, the Commodity Exchange Act, and the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), in conducting our asset management activities in the United States.

Similarly, in conducting our asset management activities outside the United States, we rely on available exemptions from the regulatory regimes of various foreign jurisdictions. These exemptions from regulation within the United States and abroad are sometimes highly complex and may, in certain circumstances, depend on compliance by third parties whom we do not control. If for any reason these exemptions were to become unavailable to us, we could become subject to regulatory action or third-party claims and our business could be materially and adversely affected. For example, in 2014, the SEC amended Rule 506 of Regulation D under the Securities Act to impose “bad actor” disqualification provisions which ban an issuer from offering or selling securities pursuant to the safe harbor in Rule 506 if the issuer, or any other “covered person”, is the subject of a criminal, regulatory or court order or other “disqualifying event” under the rule which has not been waived by the SEC. The definition of “covered person” under the rule includes an issuer’s directors, general partners, managing members and executive officers; affiliates who are also issuing securities in the offering; beneficial owners of 20% or more of the issuer’s outstanding equity securities; and promoters and persons compensated for soliciting investors in the offering. Accordingly, our ability to rely on Rule 506 to offer or sell securities would be impaired if we or any “covered person” is the subject of a disqualifying event under the rule and we are unable to obtain a waiver from the SEC. Moreover, the requirements imposed by our regulators are designed primarily to ensure the integrity of the financial markets and to protect investors in our funds and are not designed to protect our unitholders. Consequently, these regulations often serve to limit our activities and impose burdensome compliance requirements. See—“Part I. Item 1. Business —Regulatory and Compliance Matters.”

We may become subject to additional regulatory and compliance burdens as we expand our product offerings and investment platform. For example, we have a number of closed-end investment companies in our Global Credit segment that are regulated as business development companies under the Investment Company Act. These business development companies are subject to inspection by the SEC and to the Investment Company Act and the rules thereunder, which, among other things impose regulatory restrictions on principal transactions between, and joint transactions among, the business development company and certain of its affiliates, including its investment adviser. One such business development company completed an initial public offering in 2017, further subjecting that company to additional securities law requirements applicable to publicly traded issuers, as well as the listing standards of the applicable national securities exchange. These additional regulatory requirements will increase our compliance costs and may expose us to liabilities and penalties if we fail to comply with the applicable laws, rules and regulations.

In addition, the Iran Threat Reduction and Syria Human Rights Act of 2012 (the “ITRA”) expanded the scope of U.S. sanctions against Iran and Section 219 of the ITRA amended the Exchange Act to require companies subject to SEC reporting obligations under Section 13 of the Exchange Act to disclose in their periodic reports specified dealings or transactions involving Iran or other individuals and entities targeted by certain sanctions promulgated by the Office of Foreign Assets Control (“OFAC”) engaged in by the reporting company or any of its affiliates, including in our case some of our portfolio companies, during the period covered by the relevant periodic report. In some cases, the ITRA requires companies to disclose transactions even if they were permissible under U.S. law. In addition, the ITRA imposes an obligation to separately file with the SEC a notice that specified activities have been disclosed in our quarterly and annual reports, and the SEC is required to post this notice of disclosure on its website and send the report to the U.S. President and certain U.S. Congressional committees. Disclosure of ITRA-specified activity, even if such activity is legally permissible and not subject to sanctions under applicable law, and any fines or penalties actually imposed on us or our affiliates as a result of impermissible any Iran-related activities, could harm our reputation and have a negative impact on our business. In the past, we have disclosed pursuant to Section 13 of the Exchange Act, certain permissible dealings and transactions and to date, we have not received notice of any investigation into such activities.

It is unclear what impact the United Kingdom's exit from the European Union will have on the Partnership or the fund portfolio companies.

The United Kingdom (the “UK”) held a referendum in June 2016 on whether to remain a member state of the European Union ("EU"), in which a majority of voters voted to leave the EU. The UK formally notified the European Council of its intention to leave the EU on March 29, 2017. Under the process for leaving the EU, the UK will remain a member state until a withdrawal agreement is entered into or failing that, two years following the notification its of intention to leave, although the European Council, in agreement with the UK, could decide to extend this period.

Under guidelines published by the European Council, the negotiations for leaving are to be conducted broadly in two phases. The first phase is intended to ensure the UK's orderly withdrawal from the EU; the second phase is directed toward outlining a framework for a future relationship between the UK and the EU.

There is no guarantee that an agreement on withdrawal or an outline of a future relationship can be reached within the time available, or at all. However, assuming it will take the full two years to negotiate a withdrawal agreement and outline a future relationship, the UK will remain a member state subject to EU law with privileges to provide services under the single market directives until at least March 29, 2019, and may possibly continue to have certain privileges after March 29, 2019 if a withdrawal agreement provides for a transition or implementation period.

Currently, the EU provides a single market for goods and services, seeking to ensure the free movement of goods within the EU and seeking to eliminate obstacles to trade and the provision of services within the EU. The single market directives in financial services provide mutual access rights to markets and market infrastructure across the European Economic Area ("EEA"). Entities authorized or licensed in their home member state under sectoral legislation relating to banking, investment services, insurance or fund management may provide service and offer financial products on a cross-border basis in other EEA host countries in reliance on passporting rights without the need for additional approval from the host state regulator.

In the absence of an agreement between the UK and the EU on an orderly withdrawal, or without an extension of the negotiating period, or without the revocation of the UK's notification to leave the EU, the UK will become a third country vis-à-vis the EU on March 29, 2019 (i.e. in a "no-deal Brexit" scenario). As a third country, the UK will cease to have access to the single market and will no longer be a member of the EU customs union. The cross-border trade in goods between the UK and the EU member states will, in such circumstances, depend on any multilateral trade agreements to which both the EU and the UK are parties (such as those administered by the World Trade Organization); the provision of services by UK firms will be restricted to those that can be provided by firms established in any third country.

Amongst other consequences, a no-deal Brexit could immediately result in a tariff on goods flowing between the UK and the EU, customs checks which extend the time during which goods are in transit, uncertainty with respect to fiscal cooperation (including withholding tax arrangements), the interruption of ongoing cross-border services, and restrictions on movements of employees and prospective employees.

The UK has indicated that it will provide a temporary permissions regime to permit firms established in the EEA to continue offering their services in the UK, and intends to bring existing EU law into UK domestic law on the date of the UK's exit from the EU. There is no expectation that the EU will reciprocate in facilitating access to its market following a no-deal Brexit. While some EU directives contemplate access to the market by firms established in countries deemed to have equivalent standards, even if UK domestic law continues to be equivalent to EU law for the foreseeable future, there is no certainty that the EU would facilitate findings of equivalency in a timely fashion following a no-deal Brexit. It is therefore expected that following a no-deal Brexit UK regulated entities will lose the right to passport their services into the EEA and market infrastructure operated in the UK will cease to have the benefits of being part of the single market.

UK regulated firms and other UK businesses that currently depend on the free movement of goods (without tariff and non-tariff barriers), or the provision of cross-border services between the UK and the EEA, will be adversely affected by a no-deal Brexit absent some contingency plan. Equally, if a withdrawal agreement is reached and a transition or implementation period is secured, UK regulated firms and other UK businesses could still be adversely affected by the terms ultimately agreed for a future trading relation with the EU. A tariff on goods, customs checks, the inability to provide cross-border services, changes in withholding tax, restrictions on movements of employees, etc., all have the potential to materially impair the profitability of a business, require it to adapt or even relocate.

Regardless of whether the UK ultimately secures a withdrawal agreement that allows for an orderly transition to a future relationship with the EU, as the date of March 29, 2019 approaches without the prospect of an orderly withdrawal, many businesses become unable to postpone executing their contingency plans. Contingency planning for some businesses involves re-establishing the business in a member state of the EU, moving personnel and, if applicable, seeking authorization from the local regulator - all of which are costly, disruptive and potentially inefficient if a business presence is also required in the UK.

Uncertainty about the way in which these many and complex issues will be resolved (and whether by agreement or through the absence of any agreement) could adversely affect the Partnership, its investment funds and portfolio companies (especially if its investment funds include, or expose them to, businesses that depend on access to the single market, the customs union, or whose value is affected adversely by the UK's future relationship with the EU). The Partnership set up a Brexit Contingency Planning Committee (the “Brexit Committee”) in September 2016 to conduct a risk review and track key political and business-related developments related to Brexit. The Brexit Committee has identified actions to be taken in relation to the immediate pre-Brexit period (initially up to March 29, 2019) and is also preparing contingency and risk mitigation plans to manage a negotiated Brexit outcome, a “no-deal” outcome or other potential scenarios such as delayed withdrawal or calling of a second referendum. For example, the Brexit Committee has identified market access through a passporting regime to limited partners in member states in the EU excluding the UK (“EU27”) as an important immediate Brexit-related issue to address for the Partnership and its global fund structure. We have also briefed our London-based employees of the Partnership on issues relating to immigration, residency and nationality. On taxation, the Brexit Committee has considered, amongst other things, the availability of EU tax directives to our UK based entities in the post-Brexit landscape and the impact that loss of such directives may have on the structure of our funds and portfolio investments. We are also engaging in regular and continuing dialogue with UK tax authorities (HMRC) and Treasury in respect of the tax framework that may apply between the UK and EU post Brexit and the impact of such framework on our business. The Brexit Committee continuously monitors the activities of those portfolio companies which could be impacted by Brexit, including considering the impact on pending exits and acquisition activity, contractual provisions and "material adverse change" clauses, debt restructuring, capital raising plans. The Brexit Committee coordinates engagement with portfolio company management to address identified issues.

At this time, there is uncertainty as to how the UK’s withdrawal from the EU will be implemented and what the economic, tax, fiscal, legal, regulatory and other implications will be for the private investment funds industry and the broader European and global financial and real estate markets generally and for the Partnership, its investment funds and fund portfolio companies, specifically. Given the size and importance of the UK’s economy, uncertainty or unpredictability about the terms of its withdrawal from the EU or the absence of any withdrawal agreement and its legal, political and/or economic relationships with Europe is now, and may continue to be for the foreseeable future (including beyond the date of the UK's withdrawal from the EU), a source of instability, significant currency fluctuations and/or other adverse effects on international markets, international trade agreements and/or other existing cross-border cooperation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise). In addition, the withdrawal of the UK from the EU could have a destabilizing effect if any other member states were to consider withdrawing from the EU. The decision for any other member state to withdraw from the EU could exacerbate such uncertainty and instability and may present similar and/or additional potential risks and consequences for the Partnership, its investment funds and fund portfolio companies.

Financial regulatory changes in the United States could adversely affect our business and the possibility of increased regulatory focus could result in additional burdens and expenses on our business.

As a result of the global financial crisis and highly publicized financial scandals, there has been an active debate over the appropriate extent of regulation and oversight of the financial industry, including private investment funds and their managers. The regulatory and legal requirements that currently apply to our business are subject to change from time to time and may become more restrictive, which may impose additional expenses on us, make compliance with applicable requirements more difficult, require significant attention of our senior management team or otherwise restrict our ability to conduct our business activities in the manner in which they are now conducted.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), enacted in 2010, has imposed significant changes on almost every aspect of the U.S. financial services industry, including aspects of our business. Among other things, the Dodd-Frank Act currently includes the following provisions, which could have an adverse impact on our ability to conduct our business:

- The Dodd-Frank Act imposes a number of restrictions on the relationship and activities of banking organizations with private equity funds and hedge funds and other provisions that will affect the private equity industry, either directly or indirectly. Among other things, the Volcker Rule generally prohibits any "banking entity" (broadly defined as any insured depository institution, subject to certain exceptions including for depository institutions that do not have, and are not controlled by a company that has, more than $10 billion in total consolidated assets and significant trading assets and liabilities, any company that controls such an institution, a non-U.S. bank that is treated as a bank holding company for purposes of U.S. banking law and any affiliate or subsidiary of the foregoing entities) from sponsoring, acquiring or retaining an ownership interest in a fund that is not subject to the provisions of the 1940 Act in reliance upon either Section 3(c)(1) or Section 3(c)(7) of the 1940 Act. The Volcker Rule also authorizes the imposition of additional capital requirements and certain other quantitative limits on such activities engaged in by certain nonbank financial companies that have been determined to be systemically important by the Financial Stability Oversight Council ("FSOC") and subject to supervision by the Federal Reserve, although such entities are not expressly prohibited from sponsoring or investing in such funds.

- The Dodd-Frank Act also imposes a regulatory structure on the "swaps" market, including requirements for clearing, exchange trading, capital, margin, reporting, and recordkeeping. In connection with the Dodd-Frank Act, the CFTC has finalized many rules applicable to swap market participants, including business conduct standards for swap dealers, reporting and recordkeeping, mandatory clearing for certain swaps, exchange trading rules applicable to swaps, initial and variation margin requirements for uncleared swap transactions and regulatory requirements for cross-border swap activities. For example, the CFTC finalized a rule governing margin requirements for uncleared swaps entered into by swap dealers and major swap participants who are not supervised by a "prudential regulator" ("covered swap entities"). The final rule generally requires covered swap entities, subject to certain thresholds and exemptions for inter-affiliate swaps, to collect and post margin in respect of uncleared swap transactions with other covered swap entities and financial end-users. In particular, the finalized rule requires covered swap entities and financial end-users having "material swaps exposure," defined as such entity and certain affiliates that have an average aggregate daily notional amount of uncleared swaps exceeding $8 billion for June, July and August of the previous calendar year, to collect and post a minimum amount of "initial margin" in respect of each uncleared swap. In addition, the finalized rule requires covered swap entities entering into uncleared swaps with other covered swap entities or financial-end users, regardless of swaps exposure, to post or collect (as appropriate) "variation margin". The federal banking agencies (the Federal Deposit Insurance Corporation, the Comptroller of the Currency, and the Board of Governors of the Federal Reserve System), the Federal Housing Finance Agency, and the Farm Credit Administration or have finalized a similar rule governing margin requirements for uncleared swaps entered into by swap dealers who are supervised by one of those agencies. These margin requirements for uncleared swaps could adversely affect our business, including our ability to enter such swaps or our available liquidity.

- The Dodd-Frank Act amended the Exchange Act to direct the Federal Reserve and other federal regulatory agencies to adopt rules requiring sponsors of asset-backed securities (or a majority-owned affiliate thereof) to retain at least 5% of the credit risk relating to the assets collateralizing the asset-backed securities (the “U.S. Risk Retention Rules”). The U.S. Risk Retention Rules were issued by five federal banking and housing agencies (the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Department of Housing and Urban Development, and the Federal Housing Finance Agency) and the SEC in October 2014 and became effective on December 24, 2016.

- On February 9, 2018, the U.S. Court of Appeals for the District of Columbia ruled that the U.S. Risk Retention Rules do not apply to managers of open-market CLOs - CLOs for which the underlying assets are not transferred by the manager to the CLO issuer via a sale. On April 5, 2018, the U.S. District Court for the District of Columbia issued an order implementing this decision and vacating the U.. Risk Retention Rules with respect to collateral managers of open-market CLOs. The deadline for the regulators to appeal the Risk Retention Decision to the U.S. Supreme Court expired on May 10, 2018. As a result, we have determined that we are not subject to the U.S. Risk Retention Rules in respect of our open-market CLO transactions and do not intend to act in accordance with the various restrictions the U.S. Risk Retention Rules imposed on sponsors of securitization transactions. We continue to review this decision and its ultimate impact on our business, including with respect to unwinding previous financing facilities put in place to allow us to satisfy the U.S. Risk Retention Rules for open-market CLOs entered into prior to May 10, 2018.

- The Dodd-Frank Act authorizes federal regulatory agencies to review and, in certain cases, prohibit compensation arrangements at financial institutions that give employees incentives to engage in conduct deemed to encourage inappropriate risk taking by covered financial institutions. On May 16, 2016, the SEC re-proposed a rule, as part of a joint rulemaking effort with U.S. federal banking regulators, that would apply to "covered financial institutions," including registered investment advisers and broker-dealers that have total consolidated assets of at least $1 billion, and impose substantive and procedural requirements on incentive-based compensation arrangements. The application of this rule, if adopted, to us could limit our ability to recruit and retain investment professionals and senior management executives. However, the proposed rule remains pending and may be subject to significant modifications.

- The Dodd-Frank Act requires public companies to adopt and disclose policies requiring, in the event the company is required to issue an accounting restatement, the giveback of any related incentive compensation from current and former executive officers.

- The Dodd-Frank Act amended the Exchange Act to compensate and protect whistleblowers who voluntarily provide original information to the SEC and establishes a fund to be used to pay whistleblowers who will be entitled to receive a payment equal to between 10% and 30% of certain monetary sanctions imposed in a successful government action resulting from the information provided by the whistleblower.

In June 2010, the SEC approved Rule 206(4)-5 under the Advisers Act regarding “pay to play” practices by investment advisers involving campaign contributions and other payments to government clients and elected officials able to exert influence on such clients. The rule prohibits investment advisers from providing advisory services for compensation to a government client for two years, subject to very limited exceptions, after the investment adviser, its senior executives or its personnel involved in soliciting investments from government entities make contributions to certain candidates and officials in a position to influence the hiring of an investment adviser by such government client. Any failure on our part to comply with the rule could expose us to significant penalties, loss of fees, and reputational damage. In August 2016, the SEC approved "pay to play" regulations proposed by FINRA that are largely similar to the SEC's regulations and such laws went into effect in August 2017. These FINRA rules effectively prohibit the receipt of compensation from state or local government agencies for solicitation and distribution activities within two years of a prohibited contribution by a broker-dealer or one of its covered associates. There have also been similar laws, rules and regulations and/or policies adopted by a number of states and municipal pension plans, which prohibit, restrict or require disclosure of payments to (and/or certain contracts with) state officials by individuals and entities seeking to do business with state entities, including investment by public retirement funds.

We may be impacted indirectly by guidance recently directed to regulated banking institutions with regard to leveraged lending practices. In March 2013, the U.S. federal banking agencies issued updated guidance on credit transactions characterized by a high degree of financial leverage. To the extent that such guidance limits the amount or increases the cost of financing we are able to obtain for our transactions, the returns on our investments may suffer. However, the status of the 2013 leveraged lending guidance remains in doubt following a determination by the Government Accountability Office, on October 19, 2017, that such guidance constituted a “rule” for purposes of the Congressional Review Act of 1996. As a result, the guidance was required to be submitted to Congress for review. It is possible the guidance could be overturned if a joint resolution of disapproval is passed by Congress.

The current administration’s short-term legislative agenda may include certain deregulatory measures for the U.S. financial services industry, including changes to the Volcker Rule, the U.S. Risk Retention Rules, capital and liquidity requirements, FSOC’s authority and other aspects of the Dodd-Frank Act. On February 3, 2017, the president signed an executive order calling for the administration to review U.S. financial laws and regulations in order to determine their consistency with a set of core principles identified in the order. In response to this executive order, the U.S. Department of Treasury released four reports that identify laws and regulations that are inconsistent with the core principles set forth in the executive order and proposed recommendations for reform in the regulation of banks and credit unions, capital markets, asset management and insurance companies, and nonbank financials and financial technology companies. On May 24, 2018, the Economic Growth, Regulatory Relief and Consumer Protection Act (the "Reform Act") was signed into law. Among other financial regulatory changes, the Reform Act amends various sections of the Dodd-Frank Act, including by modifying the Volcker Rule to exempt insured depository institutions that do not have, and are not controlled by a company that has, (i) more than $10 billion in total consolidated assets and (ii) total trading assets and trading liabilities that are more than 5 percent of total consolidated assets. The ultimate consequences of the Reform Act on our business remain uncertain.

The Reform Act and various other proposals focused on deregulation of the U.S. financial services industry may have the effect of increasing competition for our credit-focused businesses or otherwise reducing investment opportunities. Increased competition from banks and other financial institutions in the credit markets could have the effect of reducing credit spreads, which may adversely affect the revenues of our credit and other businesses whose strategies include the provision of credit to borrowers.

The Dodd-Frank Act, as well as future related legislation, may have an adverse effect on the fund industry generally and/or us, specifically. It is difficult to determine the full extent of the impact on us of any new laws, regulations or initiatives that may be proposed or whether any of the proposals will become law. Any changes in the regulatory framework applicable to our business, including the changes described above, may impose additional costs on us, require the attention of our senior management or result in limitations on the manner in which we conduct our business. Moreover, there may be an increase in regulatory investigations of the trading and other investment activities of private funds, including our funds. Compliance with any new laws or regulations could make compliance more difficult and expensive, affect the manner in which we conduct our business and adversely affect our profitability.

The short-term and long-term impact of the Basel III capital standards is uncertain.
In June 2011, the Basel Committee on Banking Supervision ("Basel Committee"), an international body comprised of senior representatives of bank supervisory authorities and central banks from 27 countries, including the United States, announced the final framework for a comprehensive set of capital and liquidity standards, commonly referred to as “Basel III,” for internationally active banking organizations and certain other types of financial institutions. These new standards, which will be fully phased in by 2019, will require banks to hold more capital, predominantly in the form of common equity, than under the current capital framework. Implementation of Basel III will require implementing regulations and guidelines by member countries. In July 2013, the U.S. federal banking regulators announced the adoption of final regulations to implement Basel III for U.S. banking organizations, subject to various transition periods. In December 2017, the Basel Committee adopted a package of revisions to the Basel III framework.

Compliance with the Basel III standards, as well as other standards from the Basel Committee, may result in significant costs to banking organizations, which in turn may result in higher borrowing costs for the private sector and reduced access to certain types of credit.

Regulatory initiatives in jurisdictions outside the United States could adversely affect our business.

Similar to the environment in the United States, the current environment in jurisdictions outside the United States in which we operate, in particular the EU, has become subject to further regulation. Governmental regulators and other authorities in the EU have proposed or implemented a number of initiatives and additional rules and regulations that could adversely affect our business.

The Capital Requirements Regulation together with the recast Capital Requirements Directive (collectively "CRD IV"), reformed the EU's capital requirements regime for credit institutions and investment firms. CRD IV implements the key Basel III reforms in the EU. These include amendments to the definition of capital and counterparty credit risk and the introduction of a leverage ratio and liquidity requirements. CRD IV was also used to introduce other reforms, such as to introduce stricter control on remuneration of key employees and risk takers within certain credit institutions and investment firms. The regulation became applicable and member states were required to transpose the Directive's requirements from January 1, 2014. The extent of CRD IV’s impact on a credit institution or investment firm depends on a variety of factors, including the firm’s size and the nature of its activities. It is possible that other regulators may seek to impose similar controls on remuneration of personnel. Currently, Carlyle is permitted to disapply certain of CRD IV’s restrictive remuneration provisions. However, to the extent that European regulators determine that Carlyle must comply with these restrictions or such regulators incorporate similar restrictions into other European directives to which Carlyle is subject, it may be necessary for certain of our subsidiaries to change their compensation structures for key personnel, thereby affecting our ability to recruit and retain these personnel.

In June 2018, the Parliament's Economic & Monetary Affairs Committee (ECON) provided its report on a proposal by the European Commission to make further amendments to CRD IV. The proposal is intended to implement the most recent standards set by the Basel Committee and to address some perceived shortcomings in CRD IV, with a view to contributing to sustainable bank financing of the economy. The proposal is likely to amend, amongst other things, the way in which credit institutions calculate an exposure (held in the banking book) to a collective investment undertaking. These changes have the potential to change and provide more certainty about the calculation of an exposure to, e.g., an investment in a private equity fund. The Commission's proposal is currently in trilogue discussions.

The AIFMD was implemented in most jurisdictions in the EEA, on July 22, 2014. The AIFMD regulates alternative investment fund managers (“AIFMs”) established in the EEA that manage alternative investment funds (“AIFs”). The AIFMD also regulates and imposes regulatory obligations in respect of the marketing in the EEA by AIFMs (whether established in the EEA or elsewhere) of AIFs (whether established in the EEA or elsewhere). The AIFMD was intended to have a staged implementation, possibly even allowing for the authorization of non-EEA managers, but decisions with respect to certain key milestones have been delayed. As a result of the business activities of certain of our subsidiaries, such subsidiaries currently are subject to various compliance obligations in connection with the AIFMD, including capital requirements, investor and regulatory reporting, portfolio company asset stripping restrictions, deal-related notifications, and remuneration reporting. AlpInvest, one of our subsidiaries, obtained authorization in 2015 and is licensed as an AIFM in the Netherlands. Additionally, in 2018, one of our subsidiaries, CIM Europe S.à.r.l., obtained authorization as AIFM in Luxembourg. The AIFMD obligations applicable to these and any other subsidiaries may have an adverse effect on us and/or our investment funds by, among other things, increasing the regulatory burden and costs of raising money and doing business in EEA jurisdictions, imposing capital requirements on our business, imposing extensive disclosure obligations on certain investment funds and portfolio companies, and disadvantaging our investment funds as bidders for and potential owners of private companies located in the EEA when compared to non-AIF/AIFM competitors, which may not be subject to the requirements of the AIFMD.

Certain of our European subsidiaries must comply with the pan-European regime established by the EU Markets in Financial Instruments Directive (Directive 2004/39/EC) ("MiFID") which regulates the provision and conduct of investment services and activities throughout the EEA. MiFID sets out detailed requirements governing the organization and conduct of business of investment firms, regulated markets and certain other entities such as credit institutions to the extent they perform investment services or activities. It also includes pre- and post-trade transparency requirements for securities markets and extensive transaction reporting requirements for transactions within scope.

MiFID was substantially amended by Directive 2014/65/EU and Regulation 600/2014/EU (collectively referred to as "MiFID II") and has been effective since January 3, 2018. MiFID II is designed to amend the functioning of financial markets in light of the financial crisis and to strengthen investor protection. MiFID II has extended the MiFID requirements in a number of areas including market structure requirements, new and extended requirements in relation to transparency and transaction reporting, revised rules on research and inducements and product governance requirements. MiFID II has therefore imposed further compliance requirements on our European operations, requiring additional management time and resources.

In December 2016, the European Commission established a ‘High-Level Expert Group on Sustainable Finance’. In May 2018, the European Commission adopted a package of measures relating to its “action plan on sustainable finance”. The package includes:

- a proposal for a regulation on the establishment of a framework to facilitate sustainable investment;
- a proposal for a regulation on disclosures relating to sustainable investments and sustainability risks and amending the EU pension fund directive, IORP II, to include environmental, social and governance (“ESG”) considerations into the advice provided by investment firms; and
- a proposal for a regulation amending the benchmark regulation (to create a new category of benchmark relating to low carbon and positive carbon investments).

The action plan contemplates:

- establishing a ‘taxonomy’ for sustainable activities;
- establishing EU labels for green financial products;
- introducing measures to clarify asset managers' and institutional investors' duties regarding sustainability in their investment decision-making processes;
- strengthening the transparency of companies on their ESG policies; and
- introducing a 'green supporting factor' in the EU prudential rules for banks and insurance companies to incorporate climate risks into banks' and insurance companies’ risk management policies.

The action plan will be implemented through a series of delegated acts. It is expected that the first delegated act could be adopted by the end of 2019, with further acts adopted in 2021 and 2022. The action plan is designed to define and reorient investment toward sustainability. Although the taxonomy of sustainable activities has yet to be agreed and published, there is a risk that a significant reorientation in the market could be adverse to our investment businesses, at least in the short term, and to our portfolio companies if they are perceived to be less valuable as a consequence of, e.g., their carbon footprint.
In December 2011, China’s National Development and Reform Commission (the "NDRC Regulation") issued a new circular regulating the activities of private equity funds established in China. The circular established new rules relating to the establishment, fundraising and investment scope of such funds; risk control mechanisms; basic responsibilities and duties of fund managers; information disclosure systems; and record filing. As a supplement to the NDRC regulations in August 2014, China Securities Regulatory Commission (“CSRC”), the Chinese securities regulator, promulgated the Interim Regulations on the Supervision and Administration of Private Investment Funds (the “CSRC Regulations”). These new regulations adopt a very broad definition of private investment funds, potentially including private equity funds. In recent years, regulations, directives and guidelines from, amongst others, the Administration for Industry and Commerce and the Asset Management Association of China (“AMAC”) have continued to regulate private investment funds incorporated in China. For example, during the course of 2016. AMAC issued “Guidelines for Internal Control of Privately-raised Investment Fund Managers” (February, 2016), “Administrative Measures for Information Disclosure of Privately-raised Investment Fund” (February, 2016), “Announcement on Further Regulating Relevant Matters Concerning the Registration of the Managers of the Privately-Raised Funds” (February, 2016), “Measures for the Administration of Private Placement of Private Investment Funds” (April, 2016) and “Private Equity Fund Contract Guidelines No. 1, No. 2 and No. 3” (April, 2016). These regulations may have an adverse effect on us and/or our renminbi (RMB)-denominated investment funds by, among other things, increasing the regulatory burden and costs of raising money for RMB-denominated investment funds, imposing extensive disclosure obligations on RMB-denominated investment funds and their associated portfolio companies, and disadvantaging our investment funds as bidders, imposing significant capital requirements on managers of RMB denominated investment funds, imposing numerous registrations and ongoing filings by private investment fund managers in China with multiple government authorities.

The legislative and regulatory framework for privacy and data protection issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. The Company collects personally identifiable information (PII) and other data as an integral part of its business processes and activities. This data is subject to a variety of U.S. and international laws and regulations, including oversight by various regulatory or other governmental bodies. Many foreign countries and governmental bodies, including the European Union and other relevant jurisdictions where we conduct business, have laws and regulations concerning the collection and use of PII and other data obtained from their residents or by businesses operating within their jurisdiction that are more restrictive than those in the U.S. The General Data Protection Regulation ("GDPR") was published on the Official Journal in May 2016, but only became applicable throughout the European Union on 25 May 2018. Among other things, the GDPR imposes more stringent data protection requirements and provides for greater penalties for noncompliance. A failure to comply with the

GDPR could result in fines up to 20 million Euros or 4% of annual global revenues, whichever is higher. Further, any inability, or perceived inability, to adequately address privacy and data protection concerns, or comply with applicable laws, regulations, policies, industry standards, contractual obligations, or other legal obligations could result in additional cost and liability and could damage our reputation and adversely affect our business.

The EU has adopted certain risk retention, due diligence and transparency and reporting requirements pursuant to Regulation (EU) 2017/2402 (the “Securitization Regulation”), which have been supplemented by certain technical standards (the “Securitization Regulation Requirements”). The Securitization Regulation Requirements affect certain investors, sponsors, original lenders, originators and securitization special purpose entities (“SSPEs”) in relation to securitizations issued from and including January 1, 2019. Unlike the regime for securitizations issued prior to January 1, 2019, the Securitization Regulation Requirements impose direct obligations on originators, sponsors, original lenders and SSPEs. The Securitization Regulation Requirements also place extensive due diligence requirements on “institutional investors”, a term which includes various types of EU regulated investor institutions, including, but not limited to, credit institutions, AIFMs, investment firms, insurance and reinsurance undertakings, certain Undertakings for Collective Investment in Transferable Securities (UCITS) and certain institutions for occupational retirement provision (or their investment manager).

The Securitization Regulation Requirements apply to securitizations the securities of which are issued on or after January 1, 2019. Existing transactions issued prior to January 1, 2019 will remain subject to pre-existing EU risk retention rules. However, it is likely that if such existing transactions are refinanced or otherwise materially amended, they will fall within the remit of the Securitization Regulation. There can also be no assurances as to whether relevant transactions or any potential refinancing will be affected by any other change in law or regulation relating to the Securitization Regulation Requirements, including as a result of any changes recommended in future reports or reviews.

Among other things, the Securitization Regulation Requirements require (a) the originator, sponsor or original lender of the relevant securitization to retain, on an on-going basis, a net economic interest of no less than 5 per cent. in respect of certain specified credit risk tranches or securitized exposures and (b) one of the originator, sponsor or SSPE of the securitization to make certain information available to investors (current and prospective) and the relevant competent authority. Failure to comply with one or more of the applicable Securitization Regulation Requirements may result in various penalties or have other impacts, including (a) in the case of those investors subject to regulatory capital requirements, the imposition of a punitive capital charge on the notes issued by our CLOs acquired by the relevant investor, (b) in the case of originators, sponsors and SSPEs failing to meet the applicable Securitization Regulation Requirements, certain sanctions and fines which are to be implemented by individual members states and (c) in the case of our EU CLO notes in the secondary market the Securitization Regulation Requirements could have a negative impact on the price and liquidity of such notes.

In December 2015, the EBA produced guidelines to set appropriate aggregate limits to shadow banking entities when carrying out banking activities. These guidelines came into effect on January 1, 2017. While most alternative investment funds are excluded from the definition of "shadow banking entity," funds that use leverage on a substantial basis at fund level or have certain third-party lending exposures are within the definition. When dealing with shadow banking entities, the EEA financial institution would be required to implement additional effective processes (including with respect to due diligence) and set internal aggregate and individual limits to such exposures where they exceed 0.25% of the institution's eligible capital. While the guidelines do not themselves introduce a quantitative limit to institutions' exposures to shadow banking entities at the individual or aggregate exposure level, they place the responsibility on the banking sector to demonstrate that risks are managed effectively. Affected institutions will be required to set internal aggregate and individual limits to exposures to individual shadow banking entities which could limit or restrict the availability of credit and/or increase the cost of credit from these institutions for impacted funds.

In May 2017, the European Central Bank ("ECB") issued guidance on leveraged transactions. The ECB guidance applies to significant credit institutions supervised by the ECB in member states of the euro zone. Under the guidance, credit institutions are expected to have in place internal policies that include a definition of "leveraged transactions". Loans or credit exposures to a borrower should be regarded as leveraged transactions if: (i) the borrower's post-financing level of leverage exceeds a total debt to EBITDA ratio of 4.0 times; or (ii) the borrower is owned by one or more "financial sponsors". For these purposes, a financial sponsor is an investment firm that undertakes private equity investments in and/or leveraged buyouts of companies. In summary, credit institutions are expected to define their appetite for underwriting and syndicating transactions, which will include defining acceptable leverage levels. Underwriting of transactions having a ratio of total debt to EBITDA exceeding 6.0 times at deal inception is a high level of leverage and should be exceptional. For most industries, the ECB believes a leverage level in excess of 6.0 times total debt to EBITDA should raise concerns. Following these guidelines, credit institutions in the euro zone could in the future limit, delay or restrict the availability of credit and/or increase the cost of credit for funds or portfolio companies involved in leveraged transactions. Credit institutions may be reluctant to enter into a leveraged transaction having a ratio of total debt to EBITDA exceeding 6.0 times absent an appropriate justification.

Our investment businesses are subject to the risk that similar measures might be introduced in other countries in which our funds currently have investments or plan to invest in the future, or that other legislative or regulatory measures that negatively affect their respective portfolio investments might be promulgated in any of the countries in which they invest. The reporting related to such initiatives may divert the attention of our personnel and the management teams of our portfolio companies. Moreover, sensitive business information relating to us or our portfolio companies could be publicly released.

See—"Risks Related to Our Business Operations —Our funds make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States" and "Part I. Item 1. Business — Regulatory and Compliance Matters"—for more information.

Changing regulations regarding derivatives and commodity interest transactions could adversely impact various aspects of our business.

The regulation of derivatives and commodity interest transactions in the United States and other countries is a rapidly changing area of law and is subject to ongoing modification by governmental and judicial action. We and our affiliates enter into derivatives and commodity interest transactions for various purposes, including to manage the financial risks related to our business. Accordingly, the impact of this evolving regulatory regime on our business is difficult to predict, but it could be substantial and adverse.

Among other things, the CFTC adopted certain amendments to its existing rules that potentially subject certain of our affiliated entities to registration, reporting and record-keeping obligations in connection with derivatives transactions (including for hedging/risk management purposes). As such, our business may incur increased ongoing costs associated with monitoring compliance with the CFTC registration and exemption obligations across platforms and complying with the various reporting and record-keeping requirements.

In addition, derivatives regulations in the United States and Europe are effectively transforming an over-the-counter market in which parties negotiate directly with each other into a regulated market in which a majority of swap transactions are executed on registered exchanges and cleared through central counterparties. These regulations could significantly increase the cost of entering into derivative contracts (including through requirements to post collateral which could adversely affect our available liquidity), materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks that we encounter, reduce our ability to restructure our existing derivative contracts, and increase our exposure to less creditworthy counterparties. If we reduce our use of derivatives as a result of such regulations (and any new regulations), our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to satisfy our debt obligations or plan for and fund capital expenditures.

Furthermore, the CFTC has proposed rules relating to position limits on derivatives (including futures, options and swaps) with certain underlying reference assets, as well as supplemental rules relating to the aggregation of derivative positions among commonly owned or controlled entities and exemptions from such aggregation. In December 2016, the CFTC finalized the rules related to the aggregation of positions, but proposed for further comment the position limit rules. It is unclear when the CFTC intends to finalize such rules. In addition to these U.S. requirements, we are subject to, where relevant and applicable, position limit requirements in Europe under MiFID II and related rules. Specifically, under MiFID II, national competent authorities (including the Financial Conduct Authority (the "FCA")), within EU member states, are required to establish position limits in relation to the maximum size of positions which a relevant person can hold in certain commodity derivatives. The limits apply to contracts traded on trading venues and their economically equivalent OTC contracts. The position limits established, as amended from time to time, and our ability to rely on any exemption thereunder may affect the size and types of investments we may make. Moreover, in order to avoid exceeding position limits, it is possible that we and our affiliates may need to significantly alter our business processes related to such trading, including by modifying trading strategies and instructions.

Changes in the method of determining LIBOR, or the replacement of LIBOR with an alternative reference rate, may adversely affect our credit arrangements and our collateralized loan obligation transactions.

LIBOR and certain other "benchmarks" are the subject of recent national, international, and other regulatory guidance and proposals for reform. These reforms may cause such benchmarks to perform differently than in the past or have other consequences which cannot be predicted.

On July 27, 2017, the FCA announced that it would phase out LIBOR as a benchmark by the end of 2021. As a result of this transition, interest rates on our floating rate obligations, loans, deposits, derivatives, and other financial instruments tied to LIBOR rates, as well as the revenue and expenses associated with those financial instruments, may be adversely affected. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist after 2021. To address the transition away from LIBOR, we have amended our credit agreement and related loan documentation to provide for an agreed upon methodology to calculate the new floating rate reference plus new applicable spreads. We are carefully evaluating our CLOs to determine where any discrepancy between the interest rate an issuer pays on its liabilities compared to the interest rate on the underlying assets could have material implications. For our latest generation of CLOs, we have been incorporating provisions to address the transition from LIBOR, however certain older CLOs have not yet come up for amendment or refinancing, and as such may not currently contain clear LIBOR transition procedures.

There is no guarantee that a transition from LIBOR to an alternative will not result in financial market disruptions, significant increases in benchmark rates, or borrowing costs to borrowers, any of which could have a material adverse effect on our business, result of operations, financial condition, and unit price.

We are subject to substantial litigation risks and may face significant liabilities and damage to our professional reputation as a result of litigation allegations and negative publicity.

In the ordinary course of business, we are subject to the risk of substantial litigation and face significant regulatory oversight. In recent years, the volume of claims and the amount of potential damages claimed in such proceedings against the financial services industry have generally been increasing. The investment decisions we make in our asset management business and the activities of our investment professionals on behalf of portfolio companies of our carry funds may subject them and us to the risk of third-party litigation arising from investor dissatisfaction with the performance of those investment funds, alleged conflicts of interest, the activities of our portfolio companies and a variety of other litigation claims and regulatory inquiries and actions. From time to time we and our portfolio companies have been and may be subject to regulatory actions and shareholder class action suits relating to transactions in which we have agreed to acquire public companies.

To the extent that investors in our investment funds suffer losses resulting from fraud, gross negligence, willful misconduct or other similar misconduct, investors may have remedies against us, our investment funds, our principals or our affiliates. Heightened standards of care or additional fiduciary duties may apply in certain of our managed accounts or other advisory contracts. To the extent we enter into agreements with clients containing such terms or applicable law mandates a heightened standard of care or duties, we could, for example, be liable to certain clients for acts of simple negligence or breach of such duties, which might include the allocation of a client’s funds to our affiliated funds. Even in the absence of misconduct, we may be exposed to litigation or other adverse consequences where investments perform poorly and investors in or alongside our funds experience losses. The general partners and investment advisers to our investment funds, including their directors, officers, other employees and affiliates, are generally indemnified with respect to their conduct in connection with the management of the business and affairs of our investment funds. For example, we have agreed to indemnify directors and officers of Carlyle Capital Corporation Limited ("CCC") in connection with the matters involving that fund discussed under “Part I. Item 3. Legal Proceedings.” However, such indemnity generally does not extend to actions determined to have involved fraud, gross negligence, willful misconduct or other similar misconduct.

Defending against litigation could be costly. For example, in 2016, we spent approximately $39.3 million in legal fees and related expenses in defending against the allegations brought by CCC's liquidators during a six month trial in Guernsey. Although we prevailed at the CCC trial court in Guernsey, the matter is on appeal. It is unclear whether the appellate court will affirm or reverse the trial court decision. If we do not prevail on the appeal or suffer an adverse judgment, our costs and expenses on further appeals or a rehearing could increase materially and insurance proceeds would not be available to cover such future expenses. Carlyle has recovered significant amounts of insurance proceeds in recent years. As a general matter, we expect that the cost of insurance will increase significantly, and we do not believe we will recover the same amount of insurance proceeds as we have in prior years.

The laws and regulations governing the limited liability of such issuers and portfolio companies vary from jurisdiction to jurisdiction, and in certain contexts the laws of certain jurisdictions may provide not only for carve-outs from limited liability protection for the issuer or portfolio company that has incurred the liabilities, but also for recourse to assets of other entities under common control with, or that are part of the same economic group as, such issuer. For example, if one of our portfolio companies is subject to bankruptcy or insolvency proceedings in a jurisdiction and is found to have liabilities under the local consumer protection, labor, tax or bankruptcy laws, the laws of that jurisdiction may permit authorities or creditors to file a lien on, or to otherwise have recourse to, assets held by other portfolio companies (including the Partnership) in that jurisdiction. There can be no assurance that the Partnership will not be adversely affected as a result of the foregoing risks.

If any lawsuits were brought against us and resulted in a finding of substantial legal liability, the lawsuit could materially adversely affect our business, results of operations or financial condition or cause significant reputational harm to us, which could materially impact our business. We depend to a large extent on our business relationships and our reputation for integrity and high-caliber professional services to attract and retain investors and to pursue investment opportunities for our funds. As a result, allegations of improper conduct by private litigants (including investors in or alongside our funds), regulators or employees, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, our investment activities, the private equity industry in general or our workplace, whether or not valid, may harm our reputation, which may be more damaging to our business than to other types of businesses.

In addition, with a workforce composed of many highly paid professionals, we face the risk of litigation relating to claims for compensation, which may, individually or in the aggregate, be significant in amount. The cost of settling any such claims could negatively impact our business, results of operations and financial condition.
Employee misconduct or fraud could harm us and subject us to significant legal liability and reputational harm, which could impair our ability to attract and retain investors in our funds. Fraud, other deceptive practices or other misconduct at our portfolio companies could similarly subject us to liability and reputational damage and also harm performance.

There have been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry in recent years, and there is a risk that our employees or advisors could engage in misconduct or fraud that adversely affects our business. Misconduct or fraud by employees, advisors or other third-party service providers could cause significant losses. Employee misconduct or fraud could include, among other things, binding the Partnership to transactions that exceed authorized limits or present unacceptable risks and other unauthorized activities or concealing unsuccessful investments (which, in either case, may result in unknown and unmanaged risks or losses), or otherwise charging (or seeking to charge) inappropriate expenses or engaging in inappropriate or unlawful behavior or actions directed towards other employees. It is not always possible to deter misconduct or fraud by employees or service providers, and the precautions we take to detect and prevent this activity may not be effective in all cases.

Our ability to attract and retain investors and to pursue investment opportunities for our funds depends heavily upon the reputation of our professionals, especially our senior Carlyle professionals. Because of our diverse business and the regulatory regimes under which we operate, we are subject to a number of obligations and standards (and related policies and procedures) arising from our asset management business and our authority over the assets managed by our asset management business. The violation of these obligations and standards (and related policies and procedures) by any of our employees would adversely affect us and our investment funds and fund investors. For example, we could lose our ability to raise new investment funds if any of our "covered persons" is the subject of a criminal, regulatory or court order or other "disqualifying event. See "—Extensive regulation in the United States and abroad affects our activities, increases the cost of doing business and creates the potential for significant liabilities and penalties."

Our business often requires that we deal with confidential matters of great significance to companies in which our funds may invest. If our employees, advisors or other third-party service providers were to use or disclose confidential information improperly, we could suffer serious harm to our reputation, financial position and current and future business relationships, as well as face potentially significant litigation. It is not always possible to detect or deter employee misconduct or fraud, including financial fraud, the misappropriation of funds of our business or our investment funds or inappropriate or unlawful behavior or actions directed toward other employees, and the extensive precautions we take to detect and prevent this activity may not be effective in all cases. If any of our employees were to engage in misconduct or fraud or were to be accused of such misconduct or fraud, whether or not substantiated, our business and our reputation could be adversely affected and a loss of investor confidence could result, which would adversely impact our ability to raise future funds.
In recent years, the U.S. Department of Justice (the "DOJ") and the SEC have devoted greater resources to enforcement of the Foreign Corrupt Practices Act (the "FCPA"). In addition, the United Kingdom and other jurisdictions have significantly expanded the reach of their anti-bribery laws. While we have developed and implemented policies and procedures designed to ensure compliance by us and our personnel with the FCPA and the UK anti-bribery laws, such policies and procedures may not be effective in all instances to prevent violations. Any determination that we have violated the FCPA, the UK anti-bribery laws or other applicable anticorruption laws could subject us to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect our business prospects,

financial position or the market value of our common units.
In addition, we will also be adversely affected if there is fraud, other deceptive practices or other misconduct by personnel of the portfolio companies in which our funds invest. For example, improper or illegal conduct by personnel at our portfolio companies or failure by such personnel to comply with anti-bribery, trade sanctions, anti-harassment, legal and regulatory requirements could adversely affect our business and reputation. Such misconduct or fraud could also undermine any due diligence efforts with respect to such companies and could negatively affect the valuation of a fund's investments.

Certain policies and procedures implemented to mitigate potential conflicts of interest and address certain regulatory requirements may reduce the synergies across our various businesses and inhibit our ability to maintain our collaborative culture.

We consider our “One Carlyle” philosophy and the ability of our professionals to communicate and collaborate across funds, industries and geographies one of our significant competitive strengths. As a result of the expansion of our platform into various lines of business in the asset management industry, our acquisition of new businesses, and the growth of our managed account business, we are subject to a number of actual and potential conflicts of interest and subject to greater regulatory oversight than that to which we would otherwise be subject if we had just one line of business. In addition, as we expand our platform, the allocation of investment opportunities among our investment funds is expected to become more complex. In addressing these conflicts and regulatory requirements across our various businesses, we have and may continue to implement certain policies and procedures (for example, information barriers). As a practical matter, the establishment and maintenance of such information barriers means that collaboration between our investment professionals across various platforms or with respect to certain investments may be limited, reducing potential synergies that we cultivate across these businesses through our “One Carlyle” approach. For example, although we maintain ultimate control over the Investment Solutions segment's constituent firms: AlpInvest and Metropolitan, we have erected an information barrier between the management teams at these firms and the rest of Carlyle. See “—Risks Related to Our Business Operations—Our Investment Solutions business is subject to additional risks.” In addition, we may come into possession of material, non-public information with respect to issuers in which we may be considering making an investment. As a consequence, we may be precluded from providing such information or other ideas to our other businesses that could benefit from such information.

Risks Related to Our Business Operations

Poor performance of our investment funds would cause a decline in our revenue, income and cash flow, may obligate us to repay carried interest previously paid to us, and could adversely affect our ability to raise capital for future investment funds.

In the event that any of our investment funds were to perform poorly, our revenue, income and cash flow could decline. Investors could also demand lower fees or fee concessions for existing or future funds which would likewise decrease our revenue or require us to record an impairment of intangible assets and/or goodwill in the case of an acquired business. In some of our funds, such as our carry funds, a reduction in the value of the portfolio investments held in such funds could result in a reduction in the carried interest we earn or in our management fees. We also could experience losses on our investment of our own capital into our funds as a result of poor performance by our investment funds. If, as a result of poor performance of later investments in a carry fund’s life, the fund does not achieve certain investment returns for the fund over its life, we will be obligated to repay the amount by which carried interest that was previously distributed to us exceeds the amount to which we are ultimately entitled. These repayment obligations may be related to amounts previously distributed to our senior Carlyle professionals prior to the completion of our initial public offering, with respect to which our unitholders did not receive any benefit. See “—We may need to pay “giveback” obligations if and when they are triggered under the governing agreements with our investors” and Note 11 to our consolidated financial statements included in this Annual Report on Form 10-K.

Poor performance of our investment funds may also make it more difficult for us to raise new capital. Investors in our funds might decline to invest in future investment funds we raise. Investors and potential investors in our funds continually assess our investment funds’ performance, and our ability to raise capital for existing and future investment funds and avoid excessive redemption levels will depend on our investment funds’ continued satisfactory performance. Accordingly, poor fund performance may deter future investment in our funds and thereby decrease the capital invested in our funds and ultimately, our management fee income.

Our asset management business depends in large part on our ability to raise capital from third-party investors. If we are unable to raise capital from third-party investors, we would be unable to collect management fees or deploy their capital into investments and potentially collect carried interest, which would materially reduce our revenue and cash flow and adversely affect our financial condition.

In 2016, we commenced a four-year fundraising cycle during which we are targeting to raise approximately $100 billion in new capital commitments by the end of 2019. Through December 31, 2018, we have raised $90 billion in gross new capital commitments. Our ability to raise this capital from third-party investors depends on a number of factors, including certain factors that are outside our control. Certain of these factors such as the performance of the stock market, the pace of distributions from our funds and from the funds of other asset managers or the asset allocation rules or regulations or investment policies to which such third-party investors are subject, could inhibit or restrict the ability of third-party investors to make investments in our investment funds. Third-party investors in private equity, real assets and venture capital funds typically use distributions from prior investments to meet future capital calls. In cases where valuations of existing investments fall and the pace of distributions slows, investors may be unable or unwilling to make new commitments or fund existing commitments to third-party management investment funds such as those advised by us. Although many investors have increased the amount of commitments they are making to alternative investment funds and aggregate fundraising totals are near the highest they have been since 2008, there can be no assurance that this historical or current levels of commitments to our funds will continue. For example, there is a continuing shift away from defined benefit pension plans to defined contributions plans, which could reduce the amount of assets available for us to manage on behalf of certain of our clients. In addition, investors may downsize their investment allocations to alternative managers, including private funds and fund of funds vehicles, to rebalance a disproportionate weighting of their overall investment portfolio among asset classes. Investors may also seek to consolidate their investments with a smaller number of investment managers or prefer to pursue investments directly instead of investing through our funds, each of which could impact the amount of allocations they make to our funds. Moreover, as some existing investors cease or significantly curtail making commitments to alternative investment funds, we may need to identify and attract new investors in order to maintain or increase the size of our investment funds. The lack of clarity around regulations, including BEPS, may also limit our fund investors' ability to claim double tax treaty benefits on their investments, which may limit their investments in our funds. In addition, certain investors have implemented or may implement restrictions against investing in certain types of asset classes such as fossil fuels, which would affect our ability to raise new funds focused on those asset classes, such as funds focused on energy or natural resources. We are working to create avenues through which we expect to attract a new base of individual investors. There can be no assurances that we can find or secure commitments from those new investors. Our ability to raise new funds could similarly be hampered if the general appeal of private equity and alternative investments were to decline.

An investment in a private equity fund is more illiquid and the returns on such investment may be more volatile than an investment in securities for which there is a more active and transparent market. Private equity and alternative investments could fall into disfavor as a result of concerns about liquidity and short-term performance. Such concerns could be exhibited, in particular, by public pension funds, which have historically been among the largest investors in alternative assets. Concerns with liquidity could cause such public pension funds to reevaluate the appropriateness of alternative investments.

In addition, the evolving preferences of our fund investors may necessitate that alternatives to the traditional investment fund structure, such as managed accounts, smaller funds and co-investment vehicles, become a larger part of our business going forward. This could increase our cost of raising capital at the scale we have historically achieved. The failure to successfully raise capital commitments to new investment funds may also expose us to credit risk in respect of financing that we may provide such funds. When existing capital commitments to a new investment fund are insufficient to fund in full a new investment fund’s participation in a transaction, we may lend money to or borrow money from financial institutions on behalf of such investment funds to bridge this difference and repay this financing with capital from subsequent investors to the fund. Our inability to identify and secure capital commitments from new investors to these funds may expose us to losses (in the case of money that we lend directly to such funds) or adversely impact our ability to repay such borrowings or otherwise have an adverse impact on our liquidity position. Finally, if we seek to expand into other business lines, we may also be unable to raise a sufficient amount of capital to adequately support such businesses. The failure of our investment funds to raise capital in sufficient amounts could result in a decrease in our AUM as well as management fee and transaction fee revenue, or could result in a decline in the rate of growth of our AUM and management fee and transaction fee revenue, any of which could have a material adverse impact on our revenues and financial condition. Our past experience with growth of AUM provides no assurance with respect to the future.

Our investors may negotiate to pay us lower management fees and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues.

In connection with raising new funds or securing additional investments in existing funds, we negotiate terms for such funds and investments with existing and potential investors. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than the terms of prior funds we have advised or funds advised by our competitors. Such terms could restrict our ability to raise investment funds with investment objectives or strategies that compete with existing funds, reduce fee revenues we earn, reduce the percentage of profits on third-party capital that we share in or add expenses and obligations for us in managing the fund or increase our potential liabilities, all of which could ultimately reduce our profitability. For instance, our newest U.S. buyout and Asia buyout funds have increased the percentage of transaction fees that are shared with fund investors from 80% to 100% of the fees we generate. See "—A decline in the pace or size of investments by our carry funds could result in our receiving less revenue from transaction fees." Additionally, a change in terms which increases the amount of fee revenue the fund investors are entitled to could result in a significant decline in revenue generated from transaction fees. Given this change in terms, and to the extent we change our fee practices for other successor funds, we could experience a meaningful decline in the amount of transaction fee revenue we earn. Moreover, certain institutional investors have publicly criticized certain fund fee and expense structures, including management fees. We have received and expect to continue to confront requests from a variety of investors and groups representing investors to decrease fees and to modify our carried interest and incentive fee structures, which could result in a reduction in or delay in the timing of receipt of the fees and carried interest and incentive fees we earn. In addition to negotiating the overall fund rate of the management fees offered, certain fund investors have negotiated alternative management fee structures in several of our investment funds. For example, certain funds have offered a management fee rate discount for certain investors that came into the first closing of each fund. In certain cases, we have agreed to charge management fees based on invested capital or net asset value as opposed charging management fees on committed capital. Any modification of our existing fee or carry arrangements or the fee or carry structures for new investment funds could adversely affect our results of operations. See "—The alternative asset management business is intensely competitive."

Valuation methodologies for certain assets in our funds can involve subjective judgments, and the fair value of assets established pursuant to such methodologies may be incorrect, which could result in the misstatement of fund performance and accrued performance allocations.

There are often no readily ascertainable market prices for a substantial majority of illiquid investments of our investment funds. We determine the fair value of the investments of each of our investment funds at least quarterly based on the fair value guidelines set forth by generally accepted accounting principles in the United States ("U.S. GAAP"). The fair value measurement accounting guidance establishes a hierarchal disclosure framework that ranks the observability of market inputs used in measuring financial instruments at fair value. The observability of inputs is impacted by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices, or for which fair value can be measured from quoted prices in active markets, will generally have a higher degree of market price observability and a lesser degree of judgment applied in determining fair value.

Investments for which market prices are not observable include, but are not limited to illiquid investments in operating companies, real estate, energy ventures and structured vehicles, and encompass all components of the capital structure, including equity, mezzanine, debt, preferred equity and derivative instruments such as options and warrants. Fair values of such investments are determined by reference to the market approach (i.e., multiplying a key performance metric of the investee company or asset, such as EBITDA, by a relevant valuation multiple observed in the range of comparable public entities or transactions, adjusted by management as appropriate for differences between the investment and the referenced comparables), the income approach (i.e., discounting projected future cash flows of the investee company or asset and/or capitalizing representative stabilized cash flows of the investee company or asset) and other methodologies such as prices provided by reputable dealers or pricing services, option pricing models and replacement costs.

The determination of fair value using these methodologies takes into consideration a range of factors including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, the multiples of comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. These valuation methodologies involve a significant degree of management judgment. For example, as to investments that we share with another sponsor, we may apply a different valuation methodology than the other sponsor does and/or derive a different value than the other sponsor has derived on the same investment, which could cause some investors to question our valuations.

Because there is significant uncertainty in the valuation of, or in the stability of the value of, illiquid investments, the fair values of such investments as reflected in an investment fund's net asset value do not necessarily reflect the prices that would be obtained by us on behalf of the investment fund when such investments are realized. Realizations at values significantly lower than the values at which investments had been reflected in prior fund net asset values would result in reduced earnings or losses for the applicable fund, and potentially the loss of carried interest and incentive fees. Changes in values attributed to investments from quarter to quarter may result in volatility in the net asset values and results of operations that we report from period to period. Also, a situation where asset values turn out to be materially different than values reflected in prior fund net asset values could cause investors to lose confidence in us, which could in turn result in difficulty in raising additional funds.

The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.

We have presented in this Form 10-K information relating to the historical performance of our investment funds. The historical and potential future returns of the investment funds that we advise, however, are not directly linked to returns on our common units. Therefore, any continued positive performance of the investment funds that we advise will not necessarily result in positive returns on an investment in our common units. However, poor performance of the investment funds that we advise would cause a decline in our revenue from such investment funds, and could therefore have a negative effect on our performance, our ability to raise future funds and in all likelihood the returns on an investment in our common units. Moreover, with respect to the historical returns of our investment funds:

- we may create new funds in the future that reflect a different asset mix and different investment strategies, as well as a varied geographic and industry exposure as compared to our present funds, and any such new funds could have different returns than our existing or previous funds;

- the rates of returns of our carry funds reflect unrealized gains as of the applicable measurement date that may never be realized, which may adversely affect the ultimate value realized from those funds' investments;

- unitholders will not benefit from any value that was created in our funds prior to our becoming a public company to the extent such value was previously realized;

- in recent years, there has been increased competition for private equity investment opportunities resulting from the increased amount of capital invested in alternative investment funds, high liquidity in debt markets and strong equity markets, and the increased competition for investments may reduce our returns in the future;

- the rates of returns of some of our funds in certain years have been positively influenced by a number of investments that experienced rapid and substantial increases in value following the dates on which those investments were made, which may not occur with respect to future investments;

- our investment funds' returns in some years have benefited from investment opportunities and general market conditions that may not repeat themselves;

- our current or future investment funds might not be able to avail themselves of comparable investment opportunities or market conditions; and the circumstances under which our funds may make future investments may differ significantly from those conditions prevailing in the past (including, for example, particularly favorable borrowing conditions from 2013 through early 2015 for many of our investments that relied heavily on the use of leverage);

- newly-established funds may generate lower returns during the period that they take to deploy their capital.

Our recent performance has benefited from today's high multiples and asset prices. In the current market environment, earning such returns on new investments will be much more difficult than in the past and the future internal rate of return for any current or future fund may vary considerably from the historical internal rate of return generated by any particular fund or for our funds as a whole. Future returns will also be affected by the risks described elsewhere in this report, including risks of the industries and businesses in which a particular fund invests. See—"Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment Analysis—Fund Performance Metrics" for additional information.

Dependence on significant leverage in investments by our funds could adversely affect our ability to achieve attractive rates of return on those investments.

Many of our carry funds' investments rely heavily on the use of leverage, and our ability to achieve attractive rates of return on investments will depend on our ability to access sufficient sources of indebtedness at attractive rates. For example, in many private equity investments, indebtedness may constitute and historically has constituted up to 70% or more of a portfolio company's or real estate asset's total debt and equity capitalization, including debt that may be incurred in connection with the investment, whether incurred at or above the investment-level entity. The absence of available sources of sufficient debt financing for extended periods of time could therefore materially and adversely affect our CPE and Real Assets businesses. In addition, an increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness would make it more expensive to finance those investments thereby reducing returns. Increases in interest rates could also make it more difficult to locate and consummate private equity investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital or their ability to benefit from a higher amount of cost savings following the acquisition of the asset. In addition, a portion of the indebtedness used to finance private equity investments often includes high-yield debt securities issued in the capital markets. Availability of capital from the high-yield debt markets is subject to significant volatility, and there may be times when we might not be able to access those markets at attractive rates, or at all, when completing an investment. Certain investments may also be financed through borrowings on fund-level debt facilities, which may or may not be available for a refinancing at the end of their respective terms. Additionally, to the extent there is a reduction in the availability of financing for extended periods of time, the purchasing power of a prospective buyer may be more limited, adversely impacting the fair value of our funds' investments and thereby reducing the acquisition price. Finally, the interest payments on the indebtedness used to finance our carry funds' investments have historically been deductible expenses for income tax purposes, subject to limitations under applicable tax law and policy. The availability of interest deductions for U.S. federal income tax purposes, however, may be limited under new rules imposed by the TCJA which apply complex limitations on the deductibility of business interest expense over 30% of a taxpayer's taxable income of such business (with adjustments for certain interest and taxes, and for taxable years before 2022, depreciation and amortization). These new rules, as well as any future changes in such tax law or policy to eliminate or substantially limit these income tax deductions, as have been discussed from time to time in various other jurisdictions, could reduce the after-tax rates of return on the affected investments, which may have an adverse impact on our business and financial results. On October 5, 2015, the OECD published additional papers under the BEPS initiative. In action 4, the OECD recommended that countries adopt a limitation on excessive deductions under a fixed ratio rule and supplemented by a worldwide group ratio and certain targeted rules as needed. Many countries have adopted legislation limiting the amount of interest expense which will be deductible, which may impact the cash flow and value of our investments and ultimate profitability. See "— Our funds make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States."

Investments in highly leveraged entities are also inherently more sensitive to declines in revenue, increases in expenses and interest rates and adverse economic, market and industry developments. Furthermore, the incurrence of a significant amount of indebtedness by an entity could, among other things:

- subject the entity to a number of restrictive covenants, terms and conditions, any violation of which could be viewed by creditors as an event of default and could materially impact our ability to realize value from the investment;
- allow even moderate reductions in operating cash flow to render the entity unable to service its indebtedness, leading to a bankruptcy or other reorganization of the entity and a loss of part or all of the equity investment in it;
- give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which might limit the entity's ability to respond to changing industry conditions to the extent additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;
- limit the entity's ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors that have relatively less debt;
- limit the entity's ability to engage in strategic acquisitions that might be necessary to generate attractive returns or further growth; and
- limit the entity's ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or other general corporate purposes.

As a result, the risk of loss associated with a leveraged entity is generally greater than for companies with comparatively less debt. Similarly, the leveraged nature of the investments of our Real Assets funds increases the risk that a decline in the fair value of the underlying real estate or tangible assets will result in their abandonment or foreclosure.

When our private equity funds' portfolio investments reach the point when debt incurred to finance those investments matures in significant amounts and must be either repaid or refinanced, those investments may materially suffer if they have not generated sufficient cash flow to repay maturing debt and there is insufficient capacity and availability in the financing markets to permit them to refinance maturing debt on satisfactory terms, or at all. If a limited availability of financing for such purposes were to persist for an extended period of time, when significant amounts of the debt incurred to finance our CPE and Real Assets funds' portfolio investments came due, these funds could be materially and adversely affected.

Many of our Global Credit funds may choose to use leverage as part of their respective investment programs and regularly borrow a substantial amount of their capital. The use of leverage poses a significant degree of risk and enhances the possibility of a significant loss in the value of the investment portfolio. A fund may borrow money from time to time to purchase or carry securities or may enter into derivative transactions (such as total return swaps) with counterparties that have embedded leverage. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried and will be lost, and the timing and magnitude of such losses may be accelerated or exacerbated, in the event of a decline in the market value of such securities. Gains realized with borrowed funds may cause the fund's net asset value to increase at a faster rate than would be the case without borrowings. However, if investment results fail to cover the cost of borrowings, the fund's net asset value could also decrease faster than if there had been no borrowings. Increases in interest rates could also decrease the value of fixed-rate debt investment that our investment funds make. In addition, to the extent that any changes in tax law make debt financing less attractive to certain categories of borrowers, this could adversely affect the investment opportunities for our credit-focused funds.

Any of the foregoing circumstances could have a material adverse effect on our results of operations, financial condition and cash flow.

A decline in the pace or size of investments by our carry funds could result in our receiving less revenue from transaction fees.

The transaction fees that we earn are driven in part by the pace at which our funds make investments and the size of those investments. Any decline in that pace or the size of such investments could reduce our transaction fees and could make it more difficult for us to raise capital on our anticipated schedule. Many factors could cause such a decline in the pace of investment, including:

- the inability of our investment professionals to identify attractive investment opportunities;
- competition for such opportunities among other potential acquirers;
- decreased availability of capital on attractive terms; and
- our failure to consummate identified investment opportunities because of business, regulatory or legal complexities and adverse developments in the U.S. or global economy or financial markets.

In addition, we have confronted and expect to continue to confront requests from a variety of investors and groups representing investors to increase the percentage of transaction fees we share with our fund investors (or to decline to receive transaction fees from portfolio companies held by our funds). For example, in our newest Asia and U.S. Buyout funds, we have increased the percentage of transaction fees that are shared with fund investors from 80% to 100% of the fees we generate. Given this change, and to the extent we change our fee practices for other successor funds, we could experience a meaningful decline in the amount of transaction fee revenue we earn. See "—Our investors may negotiate to pay us lower management fees and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues."

The alternative asset management business is intensely competitive.

The alternative asset management business is intensely competitive, with competition based on a variety of factors, including investment performance, business relationships, quality of service provided to investors, investor liquidity and willingness to invest, fund terms (including fees), brand recognition, types of products offered and business reputation. Our investment business, as well as our investment funds, competes with a number of private equity funds, specialized investment funds, hedge funds, corporate buyers, traditional asset managers, real estate development companies, commercial banks, investment banks and other financial institutions (as well as sovereign wealth funds and other institutional investors).

Additionally, developments in financial technology (or fintech), such as a distributed ledger technology (or blockchain), have the potential to disrupt the financial industry and change the way financial institutions, as well as asset managers, do business. A number of factors serve to increase our competitive risks:

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- a number of our competitors in some of our businesses have greater financial, technical, marketing and other resources and more personnel than we do;

- some of our funds may not perform as well as competitors' funds or other available investment products;

- several of our competitors have significant amounts of capital, and many of them have similar investment objectives to ours, which may create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that otherwise could be exploited;

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- some of these competitors (including strategic competitors) may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for our funds with respect to investment opportunities;
- some of our competitors may have higher risk tolerances, different risk assessments or lower return thresholds than us, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make;
- some of our competitors may be subject to less regulation and accordingly may have more flexibility to undertake and execute certain businesses or investments than we do and/or bear less compliance expense than us;
- some of our competitors may have more flexibility than us in raising certain types of investment funds under the investment management contracts they have negotiated with their investors;
- some of our competitors may have better expertise or be regarded by investors as having better expertise in a specific asset class or geographic region than we do;
- our competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment;
- our competitors have instituted or may institute low cost high speed financial applications and services based on artificial intelligence and new competitors may enter the asset management space using new investment platforms based on artificial intelligence;
- there are relatively few barriers to entry impeding the formation of new investment firms, and the successful efforts of new entrants into our various businesses, including former "star" portfolio managers at large diversified financial institutions as well as such institutions themselves, is expected to continue to result in increased competition;
- some investors may prefer to pursue investments directly instead of investing through one of our funds;
- some investors may prefer to invest with an asset manager that is not publicly traded or is smaller with only one or two investment products that it manages; and
- other industry participants may, from time to time, seek to recruit our investment professionals and other employees away from us.

We may lose investment opportunities in the future if we do not match investment prices, structures, products or terms offered by our competitors. Alternatively, we may experience decreased rates of return and increased risks of loss if we match investment prices, structures and terms offered by our competitors. Moreover, if we are forced to compete with other asset managers on the basis of price, we may not be able to maintain our current fund fee and carried interest terms. We have historically competed primarily on the performance of our funds, and not on the level of our fees or carried interest relative to those of our competitors. However, there is a risk that fees and carried interest in the asset management industry will decline, without regard to the historical performance of a manager. Fee or carried interest income reductions on existing or future funds, without corresponding decreases in our cost structure, would adversely affect our revenues and profitability. See "—Our investors may negotiate to pay us lower management fees and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues."

The attractiveness of our investment funds relative to investments in other investment products could decrease depending on economic conditions. In addition, to the extent that any changes in tax law make debt financing less attractive to certain categories of borrowers, this could adversely affect the investment opportunities for our credit-focused funds. This competitive pressure could adversely affect our ability to make successful investments and limit our ability to raise future investment funds, either of which would adversely impact our business, revenue, results of operations and cash flow. See "—Our investors may negotiate to pay us lower management fees and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues."

The due diligence process that we undertake in connection with investments by our investment funds may not reveal all facts that may be relevant in connection with an investment.

Before making private equity and other investments, we conduct due diligence that we deem reasonable and appropriate based on the known facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the known facts and circumstances and initial risk assessment surrounding an investment and, depending on our ownership or control of private equity investments, prepare a framework that may be used from the date of an acquisition to drive operational achievement and value creation. When conducting due diligence, we may be required to evaluate important and complex business, financial, regulatory, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations and analysis. The due diligence process may at times be subjective with respect to newly-organized companies for which only limited information is available. Accordingly, we cannot be certain that the due diligence investigation that we carry out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. The due diligence process in connection with carve-out transactions may underestimate the complexity and/or level of dependence a business has on its parent company and affiliated entities. Because a carve-out business often does not have financial statements that accurately reflect its true financial performance as a stand-alone business, due diligence assessments of such investments can be particularly difficult. Instances of fraud, accounting irregularities and other improper, illegal or deceptive practices can be difficult to detect, and fraud and other deceptive practices can be widespread in certain jurisdictions. Several of our funds invest in emerging market countries that may not have established laws and regulations that are as stringent as in more developed nations, or where existing laws and regulations may not be consistently enforced. For example, our funds invest throughout jurisdictions that have material perceptions of corruption according to international rating standards (such as “Transparency International's Corruption Perceptions Index”) such as China, India, Indonesia, Latin America, MENA and Sub-Saharan Africa. Similarly, our funds invest in companies in the U.S. and other jurisdictions and regions with low perceived corruption but whose business may be conducted in other high-risk jurisdictions.

Due diligence on investment opportunities in these jurisdictions is frequently more complicated because consistent and uniform commercial practices in such locations may not be developed or our access to information may be very limited. Fraud, accounting irregularities and deceptive practices can be especially difficult to detect in such locations. In addition, investment opportunities may arise in companies that have historic and/or unresolved regulatory, tax, fraud or accounting related investigations, audits or inquiries and/or have been subjected to public accusations of improper behavior. However, even heightened and specific due diligence and investigations with respect to such matters may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity and/or will be able to accurately identify, assess and quantify settlements, enforcement actions and judgments that may arise and which could have a material adverse effect on the portfolio company’s business, financial condition and operations, as well as potential significant harm to the portfolio company’s reputation and prospects. We cannot be certain that our due diligence investigations will result in investments being successful or that the actual financial performance of an investment will not fall short of the financial projections we used when evaluating that investment. Failure to identify risks associated with our investments could have a material adverse effect on our business.

Our funds invest in relatively high-risk, illiquid assets, and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of our principal investments.

Many of our investment funds invest in securities that are not publicly traded. In many cases, our investment funds may be prohibited by contract or by applicable securities laws from selling such securities for a period of time. Our investment funds will not be able to sell these securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration is available. The ability of many of our investment funds, particularly our private equity funds, to dispose of investments is heavily dependent on the public equity markets. For example, the ability to realize any value from an investment may depend upon the ability to complete an initial public offering of the portfolio company in which such investment is held. Even if the securities are publicly traded, large holdings of securities can often be disposed of only over a substantial length of time, exposing the investment returns to risks of downward movement in market prices during the intended disposition period. Moreover, because the investment strategy of many of our funds, particularly our private equity funds, often entails our having representation on our funds' public portfolio company boards, our funds may be able to effect such sales only during limited trading windows. Additionally, certain provisions of the U.S. federal securities laws (e.g., Exchange Act Section 16) may constrain our investment funds' ability to effect purchases or sales of publicly traded securities. Accordingly, under certain conditions, our investment funds may be forced to either sell securities at lower prices than they had expected to realize or defer, potentially for a considerable period of time, sales that they had planned to make.

We have made and expect to continue to make significant principal investments in our current and future investment funds. Contributing capital to these investment funds is subject to significant risks, and we may lose some or all of the principal amount of our investments.

The investments of our private equity funds are subject to a number of inherent risks.
Our results are highly dependent on our continued ability to generate attractive returns from our investments. Investments made by our private equity funds involve a number of significant risks inherent to private equity investing, including the following:

- we advise funds that invest in businesses that operate in a variety of industries that are subject to extensive domestic and foreign regulation, such as the telecommunications industry, the aerospace, defense and government services industry and the healthcare industry (including companies that supply equipment and services to governmental agencies), that may involve greater risk due to rapidly changing market and governmental conditions in those sectors;

- significant failures of our portfolio companies to comply with laws and regulations applicable to them may expose us to liabilities, fines or penalties, could affect the ability of our funds to invest in other companies in certain industries in the future and could harm our reputation;

- companies in which private equity investments are made may have limited financial resources and may be unable to meet their obligations, which may be accompanied by a deterioration in the value of their equity securities or any collateral or guarantees provided with respect to their debt;

- companies in which private equity investments are made are more likely to depend on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of those persons could have a material adverse impact on their business and prospects and the investment made;

- companies in which private equity investments are made may be businesses or divisions acquired from larger operating entities which may require a rebuilding or replacement of financial reporting, information technology, back office and other operations;

- companies in which private equity investments are made may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;

- companies in which private equity investments are made generally have less predictable operating results;

- instances of fraud, corruption and other deceptive practices committed by senior management of portfolio companies in which our funds invest may undermine our due diligence efforts with respect to such companies and, upon the discovery of such fraud, negatively affect the valuation of a fund’s investments as well as contribute to overall market volatility that can negatively impact a fund’s investment program;

- our funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund’s term or otherwise, resulting in a lower than expected return on the investments and, potentially, on the fund itself;

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our funds generally establish the capital structure of portfolio companies on the basis of the financial projections based primarily on management judgments and assumptions, and general economic conditions and other factors may cause actual performance to fall short of these financial projections, which could cause a substantial decrease in the value of our equity holdings in the portfolio company and cause our funds' performance to fall short of our expectations;

- under ERISA, a "trade or business" within a "controlled group" can be liable for the ERISA Title IV pension obligations (including withdrawal liability for union multiemployer plans) of any other member of the controlled group. This "controlled group" liability represents one of the few situations in which one entity's liability can be imposed upon another simply because the entities are united by common ownership, but in order for such joint and several liability to be imposed, two tests must be satisfied: (1) the entity on which such liability is to be imposed must be a "trade or business" and (2) a "controlled group" relationship must exist among such entity and the pension plan sponsor or the contributing employer. While a number of cases have held that managing investments is not a "trade or business" for tax purposes, at least one federal Circuit Court case has concluded that an investment fund could be a "trade or business" for ERISA purposes (and, consequently, could be liable for underfunded pension liabilities of an insolvent portfolio company) based upon a number of factors present in that case, including the fund's level of involvement in the management of its portfolio companies and the nature of its management fee arrangements. Ongoing litigation related to the Circuit Court's decision suggests that additional factors may be relevant for purposes of determining whether an investment fund could face "controlled group" liability under ERISA, including the structure of the investment, and the nature of the fund's relationship with other affiliated investors and co-investors in the portfolio company. Moreover, regardless of whether or not an investment fund is determined to be a trade or business for purposes of ERISA, a court might hold that one of the fund's portfolio companies could become jointly and severally liable for another portfolio company's unfunded pension liabilities pursuant to the ERISA "controlled group" rules, depending upon the relevant investment structures and ownership interests as noted above; and

- executive officers, directors and employees of an equity sponsor may be named as defendants in litigation involving a company in which a private equity investment is made or is being made.

Our real estate funds are subject to the risks inherent in the ownership and operation of real estate and the construction and development of real estate.

Investments in our real estate funds will be subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. These risks include the following:

- those associated with the burdens of ownership of real property;
- general and local economic conditions;
- changes in supply of and demand for competing properties in an area (as a result, for instance, of overbuilding);
- fluctuations in the average occupancy and room rates for hotel and student housing properties;
- the financial resources of tenants;
- changes in building, environmental and other laws;
- failure to obtain necessary approvals and/or permits;
- energy and supply shortages;
- various uninsured or uninsurable risks;
- natural disasters;
- changes in government regulations (such as rent control);
- changes in real property tax rates and operating expenses;

- changes in interest rates;
- the reduced availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable;
- inability to meet debt obligations
- negative developments in the economy that depress travel and leasing activity;

- environmental liabilities;
- contingent liabilities on disposition of assets;
- unexpected cost overruns in connection with development projects;
- terrorist attacks, war and other factors that are beyond our control; and
- dependence on local operating partners.

In addition to real property assets, our real estate funds may also invest in real estate related operating companies such as logistics hubs and data centers. These investments are similar to the portfolio investments made by our Corporate Private Equity funds and are subject to similar risks and uncertainties as apply to those operating companies. See "—The investments of our private equity funds are subject to a number of inherent risks."

Real estate markets may experience sharp increases in capitalization rates and declines in value as a result of overall economic decline and the limited availability of financing and the value of certain investments in our real estate funds may decline significantly, as was the case in 2008 and 2009 in the United States, Europe and Japan. In addition, if our real estate funds acquire direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing, they will be subject to the risks normally associated with such assets and development activities, including risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond the control of our fund, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. Additionally, our funds’ properties are often managed by a third party, which makes us dependent upon such third parties and subjects us to risks associated with the actions of such third parties. Any of these factors may cause the value of the investments in our real estate funds to decline, which may have a material impact on our results of operations.

We often pursue investment opportunities that involve business, regulatory, legal or other complexities.

As an element of our investment style, we may pursue unusually complex investment opportunities. This can often take the form of substantial business, regulatory, tax, or legal complexity that would deter other asset managers. Our tolerance for complexity presents risks, as such transactions can be more difficult, expensive and time-consuming to finance and execute; it can be more difficult to manage or realize value from the assets acquired in such transactions; and such transactions sometimes entail a higher level of regulatory scrutiny or a greater risk of contingent liabilities. The complexity of these transactions could also make it more difficult to find a suitable buyer. Any of these risks could harm the performance of our funds.

Our investment funds make investments in companies that we do not control.

Investments by many of our investment funds will include debt instruments and equity securities of companies that we do not control. Such instruments and securities may be acquired by our investment funds through trading activities or through purchases of securities from the issuer. In addition, our funds may acquire minority equity interests in large transactions, which may be structured as “consortium transactions” due to the size of the investment and the amount of capital required to be invested. A consortium transaction involves an equity investment in which two or more private equity or other firms serve together or collectively as equity sponsors. We participated in a number of consortium transactions in prior years due to the increased size of many of the transactions in which we were involved. Consortium transactions generally entail a reduced level of control by our firm over the investment because governance rights must be shared with the other consortium sponsors. Accordingly, we may not be able to control decisions relating to a consortium investment, including decisions relating to the management and operation of the company and the timing and nature of any exit. Our funds may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the funds retaining a minority investment. Those investments may be subject to the risk that the company in which the investment is made may make business, tax, legal, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. If any of the foregoing were to occur, the value of investments by our funds could decrease and our financial condition, results of operations and cash flow could suffer as a result.

Our investment funds may invest in assets denominated in currencies which differ from the currency in which the Fund is denominated.
When our investment funds invest in assets denominated in currencies that differ from the functional currency of the relevant fund, fluctuations in currency rates could impact the performance of the investment funds. For example, Carlyle sponsors U.S. dollar-denominated funds that invest in assets denominated in foreign currencies such as our Corporate Private Equity funds in Asia, South America and Africa. In the event that the U.S. dollar appreciates, the market value of the investments in these funds will decline even if the underlying investments perform well in local currency. In addition, our Corporate Private Equity funds in Europe are Euro-denominated and may have investments denominated in U.S. Dollar, Great British Pound, or other currencies. In the event the Euro appreciates, the market value of investments in these funds would decline even if the underlying investments perform well in local currency.

We may employ hedging techniques to manage these risks, but we can offer no assurance that such strategies will be effective or tax-efficient. If we engage in hedging transactions, we may be exposed to additional risks associated with such transactions. See "—Risks Related to Our Business Operations—Risk management activities may adversely affect the return on our and our funds' investments." And "—Financial regulatory changes in the United States could adversely affect our business and the possibility of increased regulatory focus could result in additional burdens and expenses on our business."

Our funds make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States.
Many of our investment funds generally invest a significant portion of their assets in the equity, debt, loans or other securities of issuers that are headquartered outside of the United States, such as China, India, Indonesia, Latin America, MENA and Sub-Saharan Africa. A substantial amount of these foreign investments consist of investments made by our carry funds. For example, as of December 31, 2018, approximately 38% of the cumulative capital invested by our Corporate Private Equity, Real Assets and Global Credit carry funds was attributable to foreign investments. Investments in non-U.S. securities involve risks not typically associated with investing in U.S. securities, including:

- certain economic and political risks, including potential exchange control regulations and restrictions on our non-U.S. investments and repatriation of profits on investments or of capital invested, the risks of political, economic or social instability, the possibility of expropriation or confiscatory taxation and adverse economic and political developments;
- the imposition of non-U.S. taxes on gains from the sale of investments or other distributions by our funds;
- the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation;
- changes in laws or clarifications to existing laws that could impact our tax treaty positions, which could adversely impact the returns on our investments;
- limitations on the deductibility of interest for income tax purposes in certain jurisdictions;
- differences in the legal and regulatory environment or enhanced legal and regulatory compliance;
- limitations on borrowings to be used to fund acquisitions or dividends;

- political hostility to investments by foreign or private equity investors, including increased risk of government expropriation;

- less liquid markets;

- reliance on a more limited number of commodity inputs, service providers and/or distribution mechanisms;

- adverse fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency into another;

- higher rates of inflation;

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- higher transaction costs;
- less government supervision of exchanges, brokers and issuers;
- less developed bankruptcy, limited liability company, corporate, partnership and other laws (which may have the effect of disregarding or otherwise circumventing the limited liability structures potentially causing the actions or liabilities of one fund or a portfolio company to adversely impact us or an unrelated fund or portfolio company);
- difficulty in enforcing contractual obligations;
- less stringent requirements relating to fiduciary duties;
- fewer investor protections and less publicly available information in respect of companies in non-U.S. markets; and
- greater price volatility.

We operate in numerous national and subnational jurisdictions throughout the world and are subject to complex taxation requirements that could result in the imposition of taxes in excess of any amounts that are reserved as a cash or financial statement matter for such purposes. In addition, the portfolio companies of our funds are typically subject to taxation in the jurisdictions in which they operate. It is possible that a taxing authority could take a contrary view of our tax position or there could be changes in law subsequent to the date of an investment in a particular portfolio company that will adversely affect returns from that investment, or adversely affect any prospective investments in a particular jurisdiction, for example as a result of new legislation in any such local jurisdiction affecting the deductibility of interest or other expenses related to acquisition financing.

In the event a portfolio company outside the United States experiences financial difficulties, we may consider local laws, corporate organizational structure, potential impacts on other portfolio companies in the region and other factors in developing our business response. Among other actions, we may seek to enhance the management team or make fund capital investments from our investment funds, our senior Carlyle professionals and/or us. To the extent we and/or certain of our senior Carlyle professionals fund additional capital into a company that is experiencing difficulties, we may be required to consolidate the entity into our financial statements under applicable U.S. GAAP. See "—Risks Related to Our Organizational Structure—The consolidation of investment funds, holding companies or operating businesses of our portfolio companies could make it more difficult to understand the operating performance of the Partnership and could create operational risks for the Partnership."

Our funds' investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies or that there will be changes in the cost of currency conversion and/or exchange control regulations. Among the factors that may affect currency values are trade balances, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Additionally, the increase in the value of the dollar makes it more difficult for companies outside of the United States that depend on non-dollar revenues to repay or refinance their dollar liabilities and a stronger dollar also reduces the domestic value of the foreign sales and earnings of U.S.-based businesses.

Regulatory action to implement controls on foreign exchange and outbound remittances of currency could also impact the dollar value of investments proceeds, interest and dividends received by our investment funds, gains and losses realized on the sale of investments and the timing and amount of distributions, if any, made to us. For example certain Asian countries, including China have implemented stricter controls on foreign exchange and outbound remittances, and several governmental entities such as, The Peoples Bank of China (PBOC), the State Administration of Foreign Exchange (SAFE), the National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM) have instituted additional reporting, review and verification steps around control outbound payments on capital account items. Furthermore, in certain cases, our fund management fees are denominated in foreign currencies. With respect to those funds, we are subject to the risk that the value of a particular currency will change in relation to one or more other currencies in which the fund has incurred expenses or has made investments.

We may need to pay “giveback” obligations if and when they are triggered under the governing agreements with our investors.

If, at the end of any of the life of our CPE, Real Assets and Global Credit carry funds (or earlier with respect to certain of our funds), the carry fund has not achieved investment returns that (in most cases) exceed the preferred return threshold or (in almost all cases) the general partner receives net profits over the life of the fund in excess of its allocable share under the applicable partnership agreement, we will be obligated to repay an amount equal to the extent to which carried interest that was previously distributed to us exceeds the amounts to which we are ultimately entitled. This repayment obligation is known as a “giveback” obligation. As of December 31, 2018, we had accrued a giveback obligation of $63.2 million, representing the giveback obligation that would need to be paid by the firm if the carry funds were liquidated at their current fair values at that date. The majority of these repayment obligations are related to amounts previously distributed to our senior Carlyle professionals prior to the completion of our initial public offering, with respect to which our common unitholders did not receive any benefit. As of December 31, 2018, approximately $27.2 million of the total accrued giveback obligation is attributable to Carlyle Holdings, all of which relates to the accrued giveback obligation from the Legacy Energy Funds.

When payment of a giveback obligation is anticipated (or "realized"), the portion of this liability that is expected to be borne by the unitholders (i.e., the amount not expected to be funded by Carlyle professionals) has the effect of reducing our Distributable Earnings, which therefore may result in a lower distribution to unitholders. Any remaining giveback obligation required to be funded on behalf of our funds (most of which is attributable to Energy IV) would generally be due upon the liquidation of the remaining assets from the funds.

If, as of December 31, 2018, all of the investments held by our carry funds were deemed worthless, the amount of realized and distributed carried interest subject to potential giveback would have been $0.5 billion, on an after-tax basis where applicable. Since inception, we have paid $154.9 million in aggregate giveback obligations, which was funded primarily through collection of employee receivables related to giveback obligations and from Carlyle professionals and other non-controlling interests for their portion of the obligation. This amount is net of $44.7 million related to CAP II accruing carry again after payment of a full after-tax clawback in 2016.

Although a giveback obligation is several to each person who received a distribution, and not a joint obligation, the governing agreements of our funds generally provide that to the extent a recipient does not fund his or her respective share, then we may have to fund such additional amounts beyond the amount of carried interest we retained, although we generally will retain the right to pursue any remedies that we have under such governing agreements against those carried interest recipients who fail to fund their obligations. As of December 31, 2018, approximately $36.0 million of our $63.2 million accrued giveback obligation is attributable to various current and former senior Carlyle professionals. We have historically withheld a portion of the cash from carried interest distributions to individual senior Carlyle professionals and other employees as security for their potential giveback obligations. We may need to use or reserve cash to repay such giveback obligations instead of using the cash for other purposes. See “Part I. Item 1. Business—Structure and Operation of Our Investment Funds—Incentive Arrangements / Fee Structure” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations—Contingent Obligations (Giveback)” and Notes 2 and 9 to the consolidated financial statements included in this Annual Report on Form 10-K.

Our investment funds often make common equity investments that rank junior to preferred equity and debt in a company’s capital structure.

In most cases, the companies in which our investment funds invest have, or are permitted to have, outstanding indebtedness or equity securities that rank senior to our fund’s investment. By their terms, such instruments may provide that their holders are entitled to receive payments of dividends, interest or principal on or before the dates on which payments are to be made in respect of our investment. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a company in which an investment is made, holders of securities ranking senior to our investment would typically be entitled to receive payment in full before distributions could be made in respect of our investment. After repaying senior security holders, the company may not have any remaining assets to use for repaying amounts owed in respect of our investment. To the extent that any assets remain, holders of claims that rank equally with our investment would be entitled to share on an equal and ratable basis in distributions that are made out of those assets. Also, during periods of financial distress or following an insolvency, the ability of our funds to influence a company's affairs and to take actions to protect their investments may be substantially less than that of the senior creditors.

Third-party investors in substantially all of our carry funds have the right to remove the general partner of the fund for cause, to accelerate the liquidation date of the investment fund without cause by a simple majority vote and to terminate the investment period under certain circumstances and investors in certain of the investment funds we advise may redeem their investments. These events would lead to a decrease in our revenues, which could be substantial.

The governing agreements of almost all of our carry funds provide that, subject to certain conditions, third-party investors in those funds have the right to remove the general partner of the fund for cause or to accelerate the liquidation date of the investment fund without cause by a simple majority vote, resulting in a reduction in management fees we would earn from such investment funds and a significant reduction in the expected amounts of total carried interest and incentive fees from those funds. Carried interest and incentive fees could be significantly reduced as a result of our inability to maximize the value of investments by an investment fund during the liquidation process or in the event of the triggering of a “giveback” obligation. Finally, the applicable funds would cease to exist after completion of liquidation and winding-up. In addition, the governing agreements of certain of our investment funds provide that in the event certain “key persons” in our investment funds do not meet specified time commitments with regard to managing the fund (for example, certain of the investment professionals serving on the investment committee or advising the fund), then investors in certain funds have the right to vote to terminate the investment period by a simple majority vote in accordance with specified procedures, accelerate the withdrawal of their capital on an investor-by-investor basis, or the fund’s investment period will automatically terminate and the vote of a simple majority of investors is required to restart it. In addition to having a significant negative impact on our revenue, earnings and cash flow, the occurrence of such an event with respect to any of our investment funds would likely result in significant reputational damage to us and could negatively impact our future fundraising efforts.

The AlpInvest funds generally provide for suspension of the investment period if there is a key person event, the right of a supermajority of investors to remove the general partner with cause and, in some cases, without cause, but generally have not provided for liquidation without cause.

The latest generation of Metropolitan funds generally provide for suspension of the investment period if there is a key person event, the right of a supermajority of investors to remove the general partner with or without cause, and the right of a majority of investors to accelerate the liquidation date of the fund without cause by a simple majority vote. Where AlpInvest and Metropolitan funds include “key person” provisions, they are focused on specific existing AlpInvest or Metropolitan personnel as applicable. While we believe that existing management have appropriate incentives to remain in their respective positions, based on equity ownership, profit participation and other contractual provisions, we are not able to guarantee the ongoing participation of the management team members in respect of the funds vehicles. In addition, certain AlpInvest and Metropolitan vehicles are structured as "fund-of-one" managed accounts which typically have a single investor or a few affiliated investors. The investor(s) in such vehicles may hold disproportionate authority over decisions reserved for third-party investors. Further, in many cases, such investors have bespoke rights allowing them to, among other things, terminate the investment period or cause a dissolution of the account or vehicle for a variety of reasons. To the extent these fund-of-one vehicles cease to invest or are dissolved, the fees generated by them may be reduced.

In addition, because our investment funds generally have an adviser that is registered under the Advisers Act, the management agreements of each of our investment funds would be terminated upon an “assignment” to a third-party of these agreements without appropriate investor consent, which assignment may be deemed to occur in the event these advisers were to experience a change of control. We cannot be certain that consents required to assignments of our investment management agreements will be obtained if a change of control occurs. “Assignment” of these agreements without investor consent could cause us to lose the fees we earn from such investment funds.

Third-party investors in our investment funds with commitment-based structures may not satisfy their contractual obligation to fund capital calls when requested by us, which could adversely affect a fund’s operations and performance.

Investors in our carry funds make capital commitments to those funds that we are entitled to call from those investors at any time during prescribed periods. We depend on investors fulfilling their commitments when we call capital from them in order for those funds to consummate investments and otherwise pay their obligations (for example, management fees) when due. Any investor that did not fund a capital call would generally be subject to several possible penalties, including having a significant amount of its existing investment forfeited in that fund. However, the impact of the penalty is directly correlated to the amount of capital previously invested by the investor in the fund and if an investor has invested little or no capital, for instance early in the life of the fund, then the forfeiture penalty may not be as meaningful. Investors may also negotiate for lesser or reduced penalties at the outset of the fund, thereby inhibiting our ability to enforce the funding of a capital call. Our use of subscription lines of credit to purchase an investment prior to calling capital from fund investors could increase the prevalence of defaulting limited partners. Should the value of an investment funded through a fund line-of-credit decline, especially early in a fund's life-cycle where minimal capital has been contributed by the fund's investors, a limited partner may decide not to fund its commitment. In addition, third-party investors in private equity, real estate assets and venture capital funds typically use distributions from prior investments to meet future capital calls. In cases where valuations of investors' existing investments fall and the pace of distributions slows, investors may be unable to make new commitments to third-party managed investment funds such as those advised by us. If investors were to fail to satisfy a significant amount of capital calls for any particular fund or funds, the operation and performance of those funds could be materially and adversely affected.

In addition, our failure to comply with applicable pay-to-play laws, regulations and/or policies adopted by a number of states and municipal pension funds as well as the New York Attorney General's Public Pension Fund Reform Code of Conduct, may, in certain instances, excuse a public pension fund investor from its obligation to make further capital contributions relating to all or any part of an investment or allow it to withdraw from the fund. If a public pension fund investor were to seek to be excused from funding a significant amount of capital calls for any particular fund or funds, the operation and performance of those funds could be materially and adversely affected.

Our failure to deal appropriately with conflicts of interest in our investment business could damage our reputation and adversely affect our businesses.

As we have expanded and as we continue to expand the number and scope of our businesses, we increasingly confront potential conflicts of interest relating to our funds' investment activities. For example, a decision to acquire material, non-public information about a company while pursuing an investment opportunity for a particular fund may give rise to a potential conflict of interest that results in our having to restrict the ability of other funds to take any action. Certain of our funds, managed accounts or investment vehicles may have overlapping investment objectives, including co-investment funds and funds that have different fee structures, and potential conflicts may arise with respect to our decisions regarding how to allocate investment opportunities among those funds, managed accounts or investors. Different private equity funds may invest in a single portfolio company, for example where the fund that made an initial investment no longer has capital available to invest. We may also cause different funds that we manage to purchase different classes of securities in the same portfolio company. For example, one of our funds could acquire a debt security issued by the same company in which one of our buyout funds owns common equity securities. A direct conflict of interest could arise between the debt holders and the equity holders if such a portfolio company was to develop insolvency concerns, and that conflict would have to be carefully managed by us. It is also possible that in the event the portfolio company goes through a bankruptcy proceeding, the interests of the fund holding the debt securities may be subordinated, recharacterized or otherwise adversely affected by virtue of the involvement and actions of the fund holding the equity in the portfolio company. In such a case, the debt security could be converted into equity and the prospects of repayment greatly diminished. Conflicts of interest may also exist in the valuation of our investments and regarding decisions about the allocation of specific investment opportunities among us and our funds and the allocation of fees and costs among us, our funds and their portfolio companies and conflicts could also arise in respect of the ultimate disposition of such investments. Due to recent changes in the tax treatment of carried interest under the TCJA, conflicts of interest may arise with investors in certain of our funds in connection with the general partner's decisions with respect to the sequence and timing of disposals of investments in such funds. To the extent we fail to appropriately deal with any such conflicts, it could negatively impact our reputation and ability to raise additional funds and the willingness of counterparties to do business with us or result in regulatory liability or potential litigation against us.

Our CLO business and investment into CLOs involves certain risks.

CLOs may present risks similar to other types of debt obligations and, in fact, such risks may be of greater significance in the case of CLOs. For example, investments in structured vehicles, including equity and junior debt securities issued by CLOs, involve risks, including credit risk and market risk. Changes in interest rates and credit quality may cause short-term price fluctuations or longer term impairment.

In addition to the general risks associated with investing in debt securities, CLO securities carry additional risks, including, but not limited to the possibility that distributions from collateral assets will be inadequate to make interest or other payments and the quality of the collateral may decline in value, default or be downgraded. Additionally, changes in the collateral held by a CLO may cause payments on the instruments we hold to be reduced, either temporarily or permanently. Non-payment could result in a reduction of our income and revenues. CLOs are less liquid than other types of securities and may be more volatile than the assets underlying the CLOs we may target. In addition, CLOs and other structured finance securities may be subject to prepayment risk. Further, the performance of a CLO or other structured finance security is generally affected by a variety of factors, including the security's priority in the capital structure of the issuer thereof, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets. There are also the risks that the trustee of a CLO does not properly carry out its duties to the CLO, potentially resulting in loss to the CLO. In addition, the complex structure of the security may produce unexpected investment results, especially during times of market stress or volatility. Investments in structured finance securities may also be subject to liquidity risk.

The revenues we generate from our CLO business could be negatively impacted if one or more CLOs fail certain tests related to overcollateralization set forth in their respective indentures. In the event that worsening credit conditions and/or a deterioration in loan performance generally leads to defaults or downgrades of the CLOs' underlying collateral obligations, one or more CLOs could fail one or more overcollateralization tests and/or interest diversion tests. Any such failure would result in funds otherwise available to pay the management fees we earn on such investment vehicle to instead be used to either (x) pay down the principal on the securities issued by such vehicle in an amount necessary to cause such tests to pass or (y) purchase sufficient collateral in an amount necessary to cause such CLO to pass such tests. If either of these scenarios occurred, there is the potential that the remaining funds would be insufficient to pay expected management fee on any such CLO, which would result in either a temporary deferral or permanent loss of such management fees.

Underwriting, syndicating and securities placement activities expose us to risks.

Both TCG Senior Funding, L.L.C. and TCG Capital Markets may act as an underwriter, syndicator or placement agent in securities offerings and/or loan syndications. If we are unable to sell securities or place loans at the anticipated price levels where we act as an underwriter, syndicator or placement agent, we may incur losses and suffer reputational harm.

As an underwriter, syndicator or placement agent, we also may be subject to potential liability for material misstatements or omissions in prospectuses and other offering documents relating to offerings we underwrite, syndicate or place.

Risk management activities may adversely affect the return on our and our funds' investments.

When managing our exposure to market risks, we may (on our own behalf or on behalf of our funds) from time to time use forward contracts, options, swaps, caps, collars and floors or pursue other strategies or use other forms of derivative instruments to limit our exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates, currency exchange rates and commodity prices. The scope of risk management activities undertaken by us varies based on the level and volatility of interest rates, prevailing foreign currency exchange rates, the types of investments that are made and other changing market conditions. The use of hedging transactions and other derivative instruments to reduce the effects of a decline in the value of a position does not eliminate the possibility of fluctuations in the value of the position or prevent losses if the value of the position declines. Such transactions may also limit the opportunity for gain if the value of a position increases. Moreover, it may not be possible to limit the exposure to a market development that is so generally anticipated that a hedging or other derivative transaction cannot be entered into at an acceptable price. The success of any hedging or other derivative transaction generally will depend on our ability to correctly predict market changes, the degree of correlation between price movements of a derivative instrument and the position being hedged, the creditworthiness of the counterparty and other factors. As a result, while we may enter into such a transaction in order to reduce our exposure to market risks, the transaction may result in poorer overall firm or investment performance than if it had not been executed. Such transactions may also limit the opportunity for gain if the value of a hedged position increases.

While such hedging arrangements may reduce certain risks, such arrangements themselves may entail certain other risks. These arrangements may require the posting of cash collateral at a time when a fund has insufficient cash or illiquid assets such that the posting of the cash is either impossible or requires the sale of assets at prices that do not reflect their underlying value. Moreover, these hedging arrangements may generate significant transaction costs, including potential tax costs, which may reduce the returns generated by the firm or a fund. See "—Changing regulations regarding derivatives and commodity interest transactions could adversely impact various aspects of our business."

Certain of our fund investments may be concentrated in particular asset types or geographic regions, which could exacerbate any negative performance of those funds to the extent those concentrated investments perform poorly. The governing agreements of our investment funds contain only limited investment restrictions and only limited requirements as to diversification of fund investments, either by geographic region or asset type. For example, we advise funds that invest predominantly in the United States, Europe, Asia, South America, Ireland, Peru, Japan, or Sub-Saharan Africa; and we advise funds that invest in a single industry sector, such as financial services, aviation and power. During periods of difficult market conditions or slowdowns in these sectors or geographic regions, decreased revenue, difficulty in obtaining access to financing and increased funding costs experienced by our funds may be exacerbated by this concentration of investments, which would result in lower investment returns for our funds. Such concentration may increase the risk that events affecting a specific geographic region or asset type will have an adverse or disparate impact on such investment funds, as compared to funds that invest more broadly. Idiosyncratic factors impacting specific companies or securities can materially affect fund performance depending on the size of the position.

Our energy business is involved in oil and gas exploration and development which involves a high degree of risk.

Our energy teams focus on investments in businesses involved in oil and gas exploration and development, which can be a speculative business involving a high degree of risk, including:

- the use of new technologies;
- reliance on estimates of oil and gas reserves in the evaluation of available geological, geophysical, engineering and economic data for each reservoir;
- encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, equipment failures and other accidents in completing wells and otherwise, cratering, sour gas releases, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions, pollution, fires, spills and other environmental risks; and
- the volatility of oil and natural gas prices.

While oil prices generally increased throughout the first three quarters of 2018, global energy prices dropped markedly in the fourth quarter, with Brent crude falling by more than 40% from the beginning of October through the end of December. The drop was largely driven by a reduction in supply pressures due to exemptions to the sanctions re-imposed on Iran, short-term supply excesses, and appreciation of the U.S. dollar, which reduced demand outside of the U.S. Prices for oil and natural gas are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for oil and natural gas as well as numerous additional factors such as market uncertainty, speculation, the level of consumer product demand, the refining capacity of oil purchasers, weather conditions, domestic and non-U.S. governmental regulations, appreciation or depreciation of the U.S. dollar, the price and availability of alternative fuels, political conditions in the Middle East and Africa, actions of the Organization of Petroleum Exporting Countries, the non-U.S. supply of oil and natural gas, the price of non-U.S. imports and overall economic conditions. In addition, changes in commodity prices can vary widely from one location to the next depending upon the characteristics of the production and the availability of gathering, transportation, processing and storage facilities used to transport the oil and gas to markets. In the event that oil prices sustain further declines, or fail to rebound meaningfully in the future, it is possible our portfolio could be adversely impacted.

Our funds may utilize special purpose acquisition companies (SPACs) to make investments in the energy industry.

SPACs are publicly-traded companies that raise funds from public investors through an initial public offering (IPO) of units in order to compete an initial business combination within 24 months from the date of the IPO. If a SPAC does not complete the business combination by December 2019, our investment funds will bear certain sunk costs and the SPAC will dissolve.

Certain of our investment funds may invest in securities of companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Such investments may be subject to a greater risk of poor performance or loss.

Certain of our investment funds, especially our distressed and corporate opportunities funds, may invest in business enterprises involved in work-outs, liquidations, reorganizations, bankruptcies and similar transactions and may purchase high risk receivables. An investment in such business enterprises entails the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the fund of the security or other financial instrument in respect of which such distribution is received. In addition, if an anticipated transaction does not in fact occur, the fund may be required to sell its investment at a loss. Investments in troubled companies may also be adversely affected by U.S. federal and state laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and a bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. Investments in securities and private claims of troubled companies made in connection with an attempt to influence a restructuring proposal or plan of reorganization in a bankruptcy case may also involve substantial litigation, which has the potential to adversely impact us or unrelated funds or portfolio companies. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies, there is a potential risk of loss by a fund of its entire investment in such company.

Our private equity funds' performance, and our performance, may be adversely affected by the financial performance of our portfolio companies and the industries in which our funds invest.
Our performance and the performance of our private equity funds are significantly impacted by the value of the companies in which our funds have invested. Our funds invest in companies in many different industries, each of which is subject to volatility based upon economic and market factors. Since the global financial crisis, we have experienced and subsequent recovery has caused significant fluctuations in the value of securities held by our funds. The concomitant recession and recovery in the real economy subsequent to the global financial crisis also exerted a significant impact on overall performance activity and the demands for many of the goods and services provided by portfolio companies of the funds we advise. Although the U.S. economy has registered nine consecutive years of growth in real GDP, there remain many obstacles to continued growth in the economy such as geopolitical events, an ongoing slowdown in economic growth throughout Asia, a pullback in global trade volumes, weakening credit markets, high levels of public debt, and potential economic crises outside of the U.S. These factors and other general economic trends are likely to impact the performance of portfolio companies in many industries and in particular, industries that anticipated that global GDP would quickly return to its pre-crisis trend. In addition, the value of our investments in portfolio companies in the financial services industry is impacted by the overall health and stability of the credit markets. Continued strength of the U.S. Dollar could also increase default risk on U.S. dollar-denominated loans and bonds issued by businesses domiciled in emerging market economies (EMEs), particularly those where a disproportionate share of liabilities are denominated in U.S. Dollars. An increase in emerging markets corporate or sovereign defaults could further impair funding conditions or depress asset prices in these economies. The performance of our private equity funds, and our performance, may be adversely affected to the extent our fund portfolio companies experience adverse performance or additional pressure due to these downward trends. In addition, the performance of our funds and our portfolio companies may be adversely affected by increasing inflationary pressures and resulting increases in employee wages which may compress profit margins, particularly at our portfolio companies that are unable to increase prices to offset increases costs. With respect to real estate, various factors could have an adverse effect on investment performance, including, but not limited to, deflation in consumer prices, a low level of consumer confidence in the economy and/or the residential real estate market and rising mortgage interest rates. In response to financial difficulties that are currently being experienced or that may be experienced in the future by certain portfolio companies or real estate investments, we may consider legal, regulatory, tax or other factors in determining the steps we may take to support such companies or investments, which may include enhancing the management team or funding additional capital investments from our investment funds, our senior Carlyle professionals and/or us. The actions we may take to support companies or investments experiencing financial difficulties may not be successful in remedying the financial difficulties and our investment funds, our senior Carlyle professionals or we may not recoup some or all of any capital investments made in support of such companies or investments. To the extent we and/or certain of our senior Carlyle professionals fund additional capital into a portfolio company or real estate investment that is experiencing difficulties, we may be required to consolidate such entity into our financial statements under applicable U.S. GAAP. See "—Risks Related to Our Organizational Structure-The consolidation of investment funds, holding companies or operating businesses of our portfolio companies could make it more difficult to understand the operating performance of the Partnership and could create operational risks for the Partnership."

The financial projections of our portfolio companies could prove inaccurate.

Our funds generally establish the capital structure of portfolio companies on the basis of financial projections prepared by the management of such portfolio companies. These projected operating results will normally be based primarily on judgments of the management of the portfolio companies. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. General economic conditions, which are not predictable, along with other factors may cause actual performance to fall short of the financial projections that were used to establish a given portfolio company's capital structure. Because of the leverage that we typically employ in our investments, this could cause a substantial decrease in the value of our equity holdings in the portfolio company. The inaccuracy of financial projections could thus cause our funds' performance to fall short of our expectations.

Contingent liabilities could harm fund performance.

We may cause our funds to acquire an investment that is subject to contingent liabilities. Such contingent liabilities could be unknown to us at the time of acquisition or, if they are known to us, we may not accurately assess or protect against the risks that they present. Acquired contingent liabilities could thus result in unforeseen losses for our funds. In addition, in connection with the disposition of an investment in a portfolio company, a fund may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business. A fund may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities by a fund, even after the disposition of an investment. Accordingly, the inaccuracy of representations and warranties made by a fund could harm such fund's performance.

We and our investment funds are subject to risks in using prime brokers, custodians, administrators and other agents and third-party service providers.

We and many of our investment funds depend on the services of prime brokers, custodians, administrators and other agents and third-party service providers to carry out certain securities transactions and other business functions.

The counterparty to one or more of our or our funds' contractual arrangements could default on its obligations under the contract. If a counterparty defaults, we and our funds may be unable to take action to cover the exposure and we or one or more of our funds could incur material losses. Among other systems, our data security, data privacy, investor reporting and business continuity processes could be impacted by a third party's inability or unwillingness to perform pursuant to our arrangements with them. In addition, we could suffer legal and reputational damage from such failure to perform if we are then unable to satisfy our obligations under our contracts with third parties or otherwise and could suffer losses in the event we are unable to comply with certain other agreements.

The terms of our contracts with third parties surrounding securities transactions are often customized and complex, and many of these arrangements occur in markets or relate to products that are not subject to regulatory oversight. In particular, some of our funds utilize prime brokerage arrangements with a relatively limited number of counterparties, which has the effect of concentrating the transaction volume (and related counterparty default risk) of these funds with these counterparties.

The consolidation and elimination of counterparties resulting from the disruption in the financial markets has increased our concentration of counterparty risk and has decreased the number of potential counterparties. Our carry funds generally are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. In the event of the insolvency of a party that is holding our assets or those of our funds as collateral, we and our funds may not be able to recover equivalent assets in full as we and our funds will rank among the counterparty's unsecured creditors. In addition, our and our funds' cash held with a prime broker, custodian or counterparty may not be segregated from the prime broker's, custodian's or counterparty's own cash, and we and our funds therefore may rank as unsecured creditors in relation thereto. The inability to recover our or our investment funds' assets could have a material impact on us or on the performance of our funds.

Investments in the natural resources industry, including the infrastructure and power industries, involve various operational, construction and regulatory risks.

Investment in infrastructure assets involves certain differentiated risks. Project revenues can be affected by a number of factors. Unanticipated changes in the availability or price of inputs necessary for the operation of infrastructure assets may adversely affect the overall profitability of the investment or related project. Events outside the control of a portfolio company, such as political action, governmental regulation, demographic changes, economic growth, increasing fuel prices, government macroeconomic policies, toll rates, social stability, competition from untolled or other forms of transportation, natural disasters, changes in weather, changes in demand for products or services, bankruptcy or financial difficulty of a major customer and acts of war or terrorism, could significantly reduce the revenues generated or significantly increase the expense of constructing, operating, maintaining or restoring infrastructure facilities. In turn, this may impair a portfolio company's ability to repay its debt, make distributions or even result in termination of an applicable concession or other agreement. Although portfolio companies may maintain insurance to protect against certain risks, where available on reasonable commercial terms (such as business interruption insurance that is intended to offset loss of revenues during an operational interruption), such insurance is subject to customary deductibles and coverage limits and may not be sufficient to recoup all of an investment's losses. Furthermore, once infrastructure assets of investments become operational, they may face competition from other infrastructure assets in the vicinity of the assets they operate, the presence of which depends in part on governmental

plans and policies, over which we have no control.
Infrastructure investments are subject to substantial government regulation and governments have considerable discretion to implement regulations that could affect the business of infrastructure investing. In many instances, the operation or acquisition of infrastructure assets involves an ongoing commitment to or from a governmental agency, and the operation of infrastructure assets often relies on government permits, licenses, concessions, leases or contracts. The nature of these obligations and dependencies expose the owners of infrastructure assets to a higher level of regulatory control than typically imposed on other businesses, resulting in government entities having significant influence over such owners.
Where a portfolio company holds a concession or lease from the government, the concession or lease may restrict the portfolio company's ability to operate the business in a way that maximizes cash flows and profitability. The lease or concession may also contain clauses more favorable to the government counterparty than a typical commercial contract. For instance, the lease or concession may enable the government to terminate the lease or concession in certain circumstances without requiring payment of adequate compensation.

The development, operation and maintenance of power generation facilities involves various operational risks, which can include mechanical and structural failure, accidents, labor issues or the failure of technology to perform as anticipated. Events outside our control, such as economic developments, changes in fuel prices or the price of other feedstocks, governmental policies, demand for energy and similar events, could materially reduce the revenues generated or increase the expenses of constructing, operating, maintaining or restoring power generation businesses. Such developments could impair a portfolio company's ability to repay its debt or conduct its operations. We may also choose to or be required to decommission a power generation facility or other asset. The decommissioning process could be protracted and result in the incurrence of significant financial and/or regulatory obligations or other uncertainties.
Our natural resource portfolio companies may also face construction and operational risks typical for infrastructure and power generation infrastructure businesses, including, without limitation:

- labor disputes, work stoppages or shortages of skilled labor;
- shortages of fuels or materials;
- slower than projected construction progress and the unavailability or late delivery of necessary equipment;
- delays caused by or in obtaining the necessary regulatory approvals or permits;
- adverse weather conditions and unexpected construction conditions;
- accidents or the breakdown or failure of equipment or processes;
- difficulties in obtaining suitable or sufficient financing; and
- force majeure or catastrophic events such as explosions, fires and terrorist activities and other similar events beyond our control.

Such developments could result in substantial unanticipated delays or expenses and, under certain circumstances, and could prevent completion of construction activities once undertaken. Construction costs may exceed estimates for various reasons, including inaccurate engineering and planning, labor and building material costs in excess of expectations and unanticipated problems with project start-up. Such unexpected increases may result in increased debt service costs and funds being insufficient to complete construction. Portfolio investments under development or portfolio investments acquired to be developed may receive little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that make such development less attractive than at the time it was commenced. Any events of this nature could severely delay or prevent the completion of, or significantly increase the cost of, the construction. In addition, there are risks inherent in the construction work which may give rise to claims or demands against one of our portfolio companies from time to time. Delays in the completion of any power project may result in lost revenues or increased expenses, including higher operation and maintenance costs related to such portfolio company.
Investments in electric utility industries both in the United States and abroad continue to experience increasing competitive pressures, primarily in wholesale markets, as a result of consumer demands, technological advances, greater availability of natural gas and other factors. Changes in regulation may support not only consolidation among domestic utilities, but also the disaggregation of vertically integrated utilities into separate generation, transmission and distribution businesses. As a result, additional significant competitors could become active in the independent power industry.

We invest in companies that produce hydrocarbons. Due to concerns over the risks of climate change, a number of countries have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. These include adoption of cap and trade regimes, carbon taxes, restrictive permitting, increased efficiency standards, and incentives or mandates for renewable energy. These requirements could be costly, lengthen project implementation times, and reduce demand for hydrocarbons, as well as shift hydrocarbon demand toward relatively lower-carbon sources such as natural gas. Current and pending greenhouse gas regulations or policies may also increase compliance costs for our portfolio companies, such as for monitoring or sequestering emissions.

The energy, infrastructure, power and natural resource sectors are subject to comprehensive United States and non-U.S. federal, state and local laws and regulations. These regulators include the Federal Energy Regulatory Commission (the “FERC”), which has jurisdiction over the transmission and wholesale sale of electricity in interstate commerce and over the transportation, storage and certain sales of natural gas in interstate commerce, including the rates, charges and other terms and conditions for such services, respectively and the North American Electric Reliability Corporation (“NERC”), the purpose of

which is to establish and enforce reliability standards applicable to all users, owners and operators of the bulk power system. These regulators derive their authority from, among other laws, the Federal Power Act, as amended (the “FPA”), The Energy Policy Act of 2005, the Natural Gas Act, as amended (the “NGA”) and state and local public utility laws. At the state level, some state laws require approval from the state commission before an electric utility operating in the state may divest or transfer electric generation facilities. Most state laws require approval from the state commission before an electric utility company operating in the state may divest or transfer distribution facilities. Failure to comply with applicable laws, rules regulations and standards could result in the prevention of operation of certain facilities or the prevention of the sale of such a facility to a third party, as well as the loss of certain rate authority, refund liability, penalties and other remedies, all of which could result in additional costs to a portfolio company and adversely affect the investment results. In addition, any legislative efforts by the current administration or Congress to overturn or modify policies or regulations enacted by the prior administration that placed limitations on coal and gas electric generation, mining and/or exploration could adversely affect our alternative energy investments. Conversely, any governmental policy changes encouraging resource extraction could have the effect of holding down energy prices, which could have a negative impact on certain of our energy investments.
Investments may not receive the initial regulatory approval or license needed to acquire or otherwise operate an investment, including after substantial costs have been incurred pursuing such investment. Additional or unanticipated regulatory approvals, including, without limitation, renewals, extensions, transfers, assignments, reissuances or similar actions, may be required to acquire or operate infrastructure assets, and additional approvals may become applicable in the future due to a change in laws and regulations, a change in the portfolio company’s customer(s) or for other reasons. Furthermore, permits or special rulings may be required on taxation, financial and regulatory related issues. There can be no assurance that a portfolio company will be able to (i) obtain all required regulatory approvals that it does not yet have or that it may require in the future, (ii) obtain any necessary modifications to existing regulatory approvals, or (iii) maintain required regulatory approvals. Any delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent operation of a facility, sales to third parties or could result in additional costs and adversely impact the returns generated by the investment.

Our Investment Solutions business is subject to additional risks.

Our Investment Solutions business is subject to additional risks, including the following:

- The Investment Solutions business is subject to business and other risks and uncertainties generally consistent with our business as a whole, including without limitation legal, tax and regulatory risks, the avoidance or management of conflicts of interest and the ability to attract and retain investment professionals and other personnel, and risks associated with the acquisition of new investment platforms.

- Pursuant to our current arrangements with the various businesses, we currently restrict our participation in the investment activities undertaken by our Investment Solutions segment (including with respect to AlpInvest and Metropolitan), which may in turn limit our ability to address risks arising from their investment activities. For example, although we maintain ultimate control over AlpInvest and Metropolitan, their management teams (who are our employees) continue to exercise independent investment authority without involvement by other Carlyle personnel. For so long as these arrangements are in place, Carlyle representatives will serve on the management board of AlpInvest and Metropolitan, but we will observe substantial restrictions on our ability to access investment information or engage in day-to-day participation in the AlpInvest and Metropolitan investment businesses, including a restriction that AlpInvest and Metropolitan investment decisions are made and maintained without involvement by other Carlyle personnel and that no specific investment data, other than data on the investment performance of its investment funds and managed accounts, will be shared. Generally, we have a reduced ability to identify or respond to investment and other operational issues that may arise within the Investment Solutions business, relative to other Carlyle investment funds.

- Similar to other parts of our business, Investment Solutions is seeking to broaden its investor base by raising funds and advising separate accounts for investors on an account-by-account basis and the number and complexity of such investor mandates and fund structures has increased as a result of continuing fundraising efforts, and the activation of mandates with existing investors.

- Conflicts may arise between such Investment Solutions funds or separate managed accounts (e.g., competition for investment opportunities), and in some cases conflicts may arise between a managed account and a Carlyle fund. In addition, such managed accounts may have different or heightened standards of care, and if they invest in other investment funds sponsored by us could result in lower management fees and carried interest to us than Carlyle's typical investment funds.

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- Our Investment Solutions business is separated from the rest of the firm by an informational wall designed to prevent certain types of information from flowing from the Investment Solutions platform to the rest of the firm. This information barrier could limit the collaboration between our investment professionals with respect to specific investments.

Tariffs imposed by the current Administration and potential for further regulatory reform may create regulatory uncertainty for our portfolio companies and our investment strategies and adversely affect the profitability of our portfolio companies.

In March 2018, the U.S. imposed an additional 25% tariff under Section 232 of the Trade Expansion Act of 1962, as amended, on steel products, including stainless steel, imported into the U.S. These new tariffs, or other changes in U.S. trade policy, have resulted in, and may continue to trigger, retaliatory actions by affected countries. Certain foreign governments have instituted or are considering imposing trade sanctions on certain U.S. goods. Others are considering the imposition of sanctions that will deny U.S. companies access to critical raw materials. A "trade war" of this nature or other governmental action related to tariffs or international trade agreements or policies has the potential to further increase costs, decrease margins, reduce the competitiveness of products and services offered by current and future portfolio companies and adversely affect the revenues and profitability of companies whose businesses rely on goods imported from outside of the U.S. In addition, tariff increases may have a similar impact to our suppliers and certain other customers of our portfolio companies, which could increase the negative impact on our operating results or future cash flows.

Risks Related to Our Organizational Structure

Our common unitholders do not elect our general partner or, except in limited circumstances, vote on our general partner’s directors and our common unitholders have limited ability to influence decisions regarding our business.

Our general partner, Carlyle Group Management L.L.C., which is owned by our senior Carlyle professionals, manages all of our operations and activities. The limited liability company agreement of Carlyle Group Management L.L.C. establishes a Board of Directors that is responsible for the oversight of our business and operations. Unlike the holders of common stock in a corporation, our common unitholders have only limited voting rights and have no right to remove our general partner or, except in the limited circumstances described below, elect the directors of our general partner. Our common unitholders have no right to elect the directors of our general partner unless, as determined on January 31 of each year, the total voting power held by holders of the special voting units in The Carlyle Group L.P. (including voting units held by our general partner and its affiliates) in their capacity as such, or otherwise held by then-current or former Carlyle personnel (treating voting units deliverable to such persons pursuant to outstanding equity awards as being held by them), collectively, constitutes less than 10% of the voting power of the outstanding voting units of The Carlyle Group L.P. As of December 31, 2018, the percentage of the voting power of The Carlyle Group L.P. limited partners collectively held by those categories of holders and calculated in this manner was approximately 74%. Unless and until the foregoing voting power condition is satisfied, our general partner’s Board of Directors will be elected in accordance with its limited liability company agreement, which provides that directors may be appointed and removed by members of our general partner holding a majority in interest of the voting power of the members, which voting power is allocated to each member ratably according to his or her aggregate relative ownership of our common units and partnership units. As a result, our common unitholders have limited ability to influence decisions regarding our business.

In addition, holders of the preferred units generally have no voting rights and have none of the voting rights given to holders of our common units, subject to certain exceptions. See “Risks Related to Our Preferred Units—Holders of the preferred units have limited voting rights.”

Our senior Carlyle professionals will be able to determine the outcome of those few matters that may be submitted for a vote of the limited partners.

TCG Carlyle Global Partners L.L.C., an entity wholly owned by our senior Carlyle professionals, holds a special voting unit that provides it with a number of votes on any matter that may be submitted for a vote of our common unitholders (voting together as a single class on all such matters) that is equal to the aggregate number of vested and unvested Carlyle Holdings partnership units held by the limited partners of Carlyle Holdings. As of December 31, 2018, the special voting unit held by TCG Carlyle Global Partners L.L.C. provided it with approximately 68% of the total voting power of The Carlyle Group L.P. limited partners. Accordingly, our senior Carlyle professionals generally will have sufficient voting power to determine the outcome of those few matters that may be submitted for a vote of the limited partners of The Carlyle Group L.P.

Our common unitholders' voting rights are further restricted by a provision in our partnership agreement that provides that all common units held by a person that beneficially owns 20% or more of any class of The Carlyle Group L.P. common units then outstanding (other than our general partner and its affiliates, or a direct or subsequently approved transferee of our general partner or its affiliates) cannot be voted on any matter. In addition, our partnership agreement contains provisions limiting the ability of our common unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the ability of our common unitholders to influence the manner or direction of our management. Our partnership agreement also does not restrict our general partner's ability to take actions that may result in our being treated as an entity taxable as a corporation for U.S. federal (and applicable state) income tax purposes. Furthermore, the common unitholders are not entitled to dissenters' rights of appraisal under our partnership agreement or applicable Delaware law in the event of a merger or consolidation, a sale of substantially all of our assets or any other transaction or event.

As a result of these matters and the provisions referred to under "— Our common unitholders do not elect our general partner or, except in limited circumstances, vote on our general partner's directors and our common unitholders have limited ability to influence decisions regarding our business," our common unitholders may be deprived of an opportunity to receive a premium for their common units in the future through a sale of The Carlyle Group L.P., and the trading prices of our common units may be adversely affected by the absence or reduction of a takeover premium in the trading price.

In addition, holders of our preferred units generally have no voting rights and do not have any of the voting rights given to holders of our common units, subject to certain exceptions. See "Risks Related to Our Preferred Units— Holders of the preferred units have limited voting rights."

We are permitted to repurchase all of the outstanding common units under certain circumstances, and this repurchase may occur at an undesirable time or price.

We have the right to acquire all of our then-outstanding common units at the then-current trading price either if 10% or less of our common units is held by persons other than our general partner and its affiliates or if we are required to register as an investment company under the Investment Company Act. As a result of our general partner's right to purchase outstanding common units, a holder of common units may have his common units purchased at an undesirable time or price.

We are a limited partnership and as a result qualify for and intend to continue to rely on exceptions from certain corporate governance and other requirements under the rules of the Nasdaq Global Select Market.

We are a limited partnership and qualify for exceptions from certain corporate governance and other requirements of the rules of the Nasdaq Global Select Market. Pursuant to these exceptions, limited partnerships may elect not to comply with certain corporate governance requirements of the Nasdaq Global Select Market, including the requirements (1) that a majority of the Board of Directors of our general partner consist of independent directors, (2) that we have a compensation committee that is composed entirely of independent directors, (3) that the compensation committee be required to consider certain independence factors when engaging compensation consultants, legal counsel and other committee advisors, (4) that we have independent director oversight of director nominations, and (5) that we obtain unitholder approval for (a) certain private placements of units that equal or exceed 20% of the outstanding common units or voting power, (b) certain acquisitions of stock or assets of another company or (c) a change of control transaction. In addition, we are not required to hold annual meetings of our common unitholders. We intend to continue to avail ourselves of these exceptions. Accordingly, common unitholders generally do not have the same protections afforded to equityholders of entities that are subject to all of the corporate governance requirements of the Nasdaq Global Select Market.

Potential conflicts of interest may arise among our general partner, its affiliates and us. Our general partner and its affiliates have limited fiduciary duties to us and our common and preferred unitholders, which may permit them to favor their own interests to the detriment of us and our common and preferred unitholders.

Conflicts of interest may arise among our general partner and its affiliates, on the one hand, and us and our common unitholders, on the other hand. As a result of these conflicts, our general partner may favor its own interests and the interests of its affiliates over the interests of our common and preferred unitholders. These conflicts include, among others, the following:

- our general partner determines the amount and timing of our investments and dispositions, indebtedness, issuances of additional partnership interests and amounts of reserves, each of which can affect the amount of cash that is available for distribution to common and preferred unitholders;

- our general partner is allowed to take into account the interests of parties other than us and the common and preferred unitholders in resolving conflicts of interest, which has the effect of limiting its duties (including fiduciary duties) to our common and preferred unitholders. For example, our subsidiaries that serve as the general partners of our investment funds have certain duties and obligations to those funds and their investors

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as a result of which we expect to regularly take actions in a manner consistent with such duties and obligations but that might adversely affect our near term results of operations or cash flow;

- because our senior Carlyle professionals hold their Carlyle Holdings partnership units directly or through entities that are not subject to corporate income taxation and The Carlyle Group L.P. holds Carlyle Holdings partnership units through wholly owned subsidiaries, some of which are subject to corporate income taxation, conflicts may arise between our senior Carlyle professionals and The Carlyle Group L.P. relating to the selection, structuring and disposition of investments and other matters. For example, the earlier disposition of assets following an exchange or acquisition transaction by a limited partner of the Carlyle Holdings partnerships generally will accelerate payments under the tax receivable agreement and increase the present value of such payments, and the disposition of assets before an exchange or acquisition transaction will increase the tax liability of a limited partner of the Carlyle Holdings partnerships without giving rise to any rights of a limited partner of the Carlyle Holdings partnerships to receive payments under the tax receivable agreement;

- our partnership agreement does not prohibit affiliates of the general partner, including its owners, from engaging in other businesses or activities, including those that might directly compete with us;

- our general partner has limited its liability and reduced or eliminated its duties (including fiduciary duties) under the partnership agreement, while also restricting the remedies available to our common and preferred unitholders for actions that, without these limitations, might constitute breaches of duty (including fiduciary duty). In addition, we have agreed to indemnify our general partner and its affiliates to the fullest extent permitted by law, except with respect to conduct involving bad faith, fraud or willful misconduct. By purchasing our common and preferred units, common and preferred unitholders have agreed and consented to the provisions set forth in our partnership agreement, including the provisions regarding conflicts of interest situations that, in the absence of such provisions, might constitute a breach of fiduciary or other duties under applicable state law;

- our partnership agreement will not restrict our general partner from causing us to pay it or its affiliates for any services rendered, or from entering into additional contractual arrangements with any of these entities on our behalf, so long as our general partner agrees to the terms of any such additional contractual arrangements in good faith as determined under the partnership agreement;

- our general partner determines how much we pay for acquisition targets and the structure of such consideration, including whether to incur debt to fund the transaction, whether to issue units as consideration and the number of units to be issued and the amount and timing of any earn-out payments;

- our general partner determines whether to waive certain restrictions relating to such units pursuant to the terms of the Exchange Agreement;

- our general partner determines how much debt we incur and whether to issue preferred securities and those decisions may adversely affect our credit ratings;

- our general partner determines which costs incurred by it and its affiliates are reimbursable by us;

- our general partner controls the enforcement of obligations owed to us by it and its affiliates; and

- our general partner decides whether to retain separate counsel, accountants or others to perform services for us.

See "Part III. Item 13. Certain Relationships, Related Transactions and Director Independence" and "Part III. Items 10. Directors, Executive Officers and Corporate Governance—Committees of the Board of Directors—Conflicts Committee."

Our partnership agreement contains provisions that reduce or eliminate duties (including fiduciary duties) of our general partner and limit remedies available to common and preferred unitholders for actions that might otherwise constitute a breach of duty. It will be difficult for a preferred or common unitholder to successfully challenge a resolution of a conflict of interest by our general partner or by its conflicts committee.

Our partnership agreement contains provisions that waive or consent to conduct by our general partner and its affiliates that might otherwise raise issues about compliance with fiduciary duties or applicable law. For example, our partnership agreement provides that when our general partner is acting in its individual capacity, as opposed to in its capacity as our general partner, it may act without any fiduciary obligations to us or our common and preferred unitholders whatsoever. When our general partner, in its capacity as our general partner, is permitted to or required to make a decision in its "sole discretion" or "discretion" or pursuant to any provision of our partnership agreement not subject to an express standard of "good faith," then our general partner is entitled to consider only such interests and factors as it desires, including its own interests, and has no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting us or any limited partners and will not be subject to any different standards imposed by the partnership agreement, otherwise existing at law, in equity or otherwise.

The modifications of fiduciary duties contained in our partnership agreement are expressly permitted by Delaware law. Hence, we and our common and preferred unitholders only have recourse and are able to seek remedies against our general partner if our general partner breaches its obligations pursuant to our partnership agreement. Unless our general partner breaches its obligations pursuant to our partnership agreement, we and our common and preferred unitholders do not have any recourse against our general partner even if our general partner were to act in a manner that was inconsistent with traditional fiduciary duties. Furthermore, even if there has been a breach of the obligations set forth in our partnership agreement, our partnership agreement provides that our general partner and its officers and directors are not be liable to us or our common and preferred unitholders for errors of judgment or for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that the general partner or its officers and directors acted in bad faith or engaged in fraud or willful misconduct. These modifications are detrimental to the common and preferred unitholders because they restrict the remedies available to common and preferred unitholders for actions that without those limitations might constitute breaches of duty (including fiduciary duty).

Whenever a potential conflict of interest exists between us, any of our subsidiaries or any of our partners, and our general partner or its affiliates, our general partner may resolve such conflict of interest. Our general partner's resolution of the conflict of interest will conclusively be deemed approved by the partnership and all of our partners, and not to constitute a breach of the partnership agreement or any duty, unless the general partner subjectively believes such determination or action is opposed to the best interests of the partnership. A preferred or common unitholder seeking to challenge this resolution of the conflict of interest would bear the burden of proving that the general partner subjectively believed that such resolution was opposed to the best interests of the partnership. This is different from the situation with Delaware corporations, where a conflict resolution by an interested party would be presumed to be unfair and the interested party would have the burden of demonstrating that the resolution was fair. Also, if our general partner obtains the approval of the conflicts committee of our general partner, any determination or action by the general partner will be conclusively deemed to be made or taken in good faith and not a breach by our general partner of the partnership agreement or any duties it may owe to us or our common and preferred unitholders. This is different from the situation with Delaware corporations, where a conflict resolution by a committee consisting solely of independent directors may, in certain circumstances, merely shift the burden of demonstrating unfairness to the plaintiff. Common and preferred unitholders, in purchasing our common and preferred units, are deemed as having consented to the provisions set forth in our partnership agreement, including the provisions regarding conflicts of interest situations that, in the absence of such provisions, might constitute a breach of fiduciary or other duties under applicable state law. As a result, common and preferred unitholders will, as a practical matter, not be able to successfully challenge an informed decision by the conflicts committee. See "Part III. Item 13. Certain Relationships, Related Transactions and Director Independence" and "Part III. Items 10. Directors, Executive Officers and Corporate

Governance—Committees of the Board of Directors—Conflicts Committee."

The control of our general partner may be transferred to a third party without common unitholder consent.

Our general partner may transfer its general partner interest to a third party in a merger or consolidation without the consent of our common unitholders. Furthermore, at any time, the members of our general partner may sell or transfer all or part of their limited liability company interests in our general partner without the approval of the common unitholders, subject to certain restrictions as described elsewhere in this annual report. A new general partner may not be willing or able to form new investment funds and could form funds that have investment objectives and governing terms that differ materially from those of our current investment funds. A new owner could also have a different investment philosophy, employ investment professionals who are less experienced, be unsuccessful in identifying investment opportunities or have a track record that is not as successful as Carlyle's track record. If any of the foregoing were to occur, we could experience difficulty in making new investments, and the value of our existing investments, our business, our results of operations and our financial condition could materially suffer.

We intend to pay periodic distributions to our common and preferred unitholders, but our ability to do so may be limited by our cash flow from operations and available liquidity, holding partnership structure, applicable provisions of Delaware law and contractual restrictions and obligations.

The Carlyle Group L.P. is a holding partnership and has no material assets other than the ownership of the partnership units in Carlyle Holdings held through wholly owned subsidiaries. The Carlyle Group L.P. has no independent means of generating revenue. Accordingly, we intend to cause Carlyle Holdings to make distributions to its partners, including The Carlyle Group L.P.'s wholly owned subsidiaries, to fund any distributions The Carlyle Group L.P. may declare on the common units. If Carlyle Holdings makes such distributions, the limited partners of Carlyle Holdings will be entitled to receive equivalent distributions pro rata based on their partnership interests in Carlyle Holdings. Because Carlyle Holdings I GP Inc. must pay taxes and make payments under the tax receivable agreement, the amounts ultimately distributed by The Carlyle Group L.P. to common unitholders are generally expected to be less, on a per unit basis, than the amounts distributed by the Carlyle Holdings partnerships to the limited partners of the Carlyle Holdings partnerships in respect of their Carlyle Holdings partnership units. In addition, each Carlyle Holdings partnership has issued a series of preferred units (the "GP Mirror Units") with economic terms designed to mirror those of the Series A Preferred Units. The GP Mirror Units pay the same 5.875% rate per annum to our wholly-owned subsidiaries, including Carlyle Holdings I GP Inc., that we pay on our Series A Preferred Units. Although income allocated in respect of distributions on the GP Mirror Units made to Carlyle Holdings I GP Inc. is subject to tax, cash distributions to the holders of Series A Preferred Units will not be reduced on account of any income owed by Carlyle Holdings I GP Inc.

The declaration and payment of any distributions is at the sole discretion of our general partner, which may change our distribution policy at any time. There can be no assurance that any distributions, whether quarterly or otherwise, will or can be paid. Our ability to make cash distributions to our common unitholders depends on a number of factors, including among other things, general economic and business conditions, our strategic plans and prospects, our business and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, including fulfilling our current and future capital commitments, legal, tax and regulatory restrictions, restrictions and other implications on the payment of distributions by us to our common unitholders or by our subsidiaries to us, payments required pursuant to the tax receivable agreement and such other factors as our general partner may deem relevant. The declaration and payment of any distributions may cause us to forego otherwise attractive opportunities and investments which could adversely affect the market price of our common units. Conversely, to the extent that we determine to suspend or reduce the amount of distributions paid in order to retain cash for investment purposes, working capital reserves or other purposes, the market price of our common units may also be adversely impacted.

Our preferred units rank senior to our common units with respect to the payment of distributions. Subject to certain exceptions, unless distributions have been declared and paid or declared and set apart for payment on the preferred units for a quarterly distribution period, during the remainder of that distribution period we may not declare or pay or set apart payment for distributions on any units of the Partnership that are junior to the preferred units, including our common units, and we may not repurchase any such junior units. Distributions on the Series A Preferred Units will reduce after-tax Distributable Earnings.

Distributions on the preferred units are discretionary and non-cumulative. See "Risks Related to Our Preferred Units—Distributions on the preferred units are discretionary and non-cumulative."

Under the Delaware Limited Partnership Act, we may not make a distribution to a partner if after the distribution all our liabilities, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of our assets. If we were to make such an impermissible distribution, any limited partner who received a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act would be liable to us for the amount of the distribution for three years. In addition, the terms of our credit facility or other financing arrangements may from time to time include covenants or other restrictions that could constrain our ability to make distributions.

We are required to pay the limited partners of the Carlyle Holdings partnerships for most of the benefits relating to any additional tax depreciation or amortization deductions that we may claim as a result of the tax basis step-up we receive in connection with subsequent sales or exchanges of Carlyle Holdings partnership units and related transactions. In certain cases, payments made under the tax receivable agreement to the limited partners of the Carlyle Holdings partnerships may be accelerated and/or significantly exceed the actual tax benefits we realize and our ability to make payments under the tax receivable agreement may be limited by our structure.

Limited partners of the Carlyle Holdings partnerships, may, subject to the terms of the exchange agreement and the Carlyle Holdings partnership agreements, exchange their Carlyle Holdings partnership units for The Carlyle Group L.P. common units on a one-for-one basis. A Carlyle Holdings limited partner must exchange one partnership unit in each of the three Carlyle Holdings partnerships to effect an exchange for a common unit. The exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Carlyle Holdings. These increases in tax basis may increase (for tax purposes) depreciation and amortization deductions. Such tax deductions are expected to reduce the amount of tax that Carlyle Holdings I GP Inc. and any other entity which may in the future pay taxes and become obligated to make payments under the tax receivable agreement as described below, which we refer to as the "corporate taxpayers," would otherwise be required to pay in the future, although the IRS may challenge all or part of that tax basis increase, and a court could sustain such a challenge.

We have entered into a tax receivable agreement with the limited partners of the Carlyle Holdings partnerships that provides for payment by the corporate taxpayers to such owners of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or foreign or franchise tax that the corporate taxpayers realize (or are deemed to realize in the case of an early termination payment by the corporate taxpayers or a change of control, as discussed below) as a result of these increases in tax basis and of certain other tax benefits related to our entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. This payment obligation is an obligation of the corporate taxpayers and not of Carlyle Holdings. While the actual increase in tax basis, as well as the amount and timing of any payments under this agreement, will vary depending upon a number of factors, we expect that as a result of the size of the increases in the tax basis of the tangible and intangible assets of Carlyle Holdings, the payments that we may make pursuant to the tax receivable agreement will be substantial. The factors include:

- the timing of exchanges — for instance, the increase in any tax deductions will vary depending on the fair value, which may fluctuate over time, of the depreciable or amortizable assets of Carlyle Holdings at the time of each exchange;
- the price of our common units at the time of the exchange — the increase in any tax deductions, as well as the tax basis increase in other assets, of Carlyle Holdings, is directly proportional to the price of our common units at the time of the exchange;
- the extent to which such exchanges are taxable — if an exchange is not taxable for any reason, increased deductions will not be available;
- the amount and timing of our income — the corporate taxpayers will be required to pay 85% of the cash tax savings as and when realized, if any. If the corporate taxpayers do not have taxable income (without the tax receivable agreement related tax deductions), the corporate taxpayers are not required (absent a change of control or other circumstances requiring an early termination payment) to make payments under the tax receivable agreement for that taxable year because no cash tax savings will have been realized. However, any cash tax savings that do not result in realized benefits in a given tax year will likely generate tax attributes that may be utilized to generate benefits in previous or future tax years. The utilization of such tax attributes will result in payments under the tax receivables agreement; and
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tax rate and tax legislation - the impact of changes in tax rates or tax legislation may impact the tax paid, which would modify the amount paid under the agreement. For example the TCJA included permanent reduction in the U.S. federal corporate income tax rate from 35% to 21%, which will likely reduce future amounts to be paid under the agreement with respect to tax years beginning in 2018. In addition, there are numerous other provisions which may also have an impact on the amount of tax to be paid.

The payments under the tax receivable agreement are not conditioned upon the tax receivable agreement counterparties' continued ownership of us. In the event that The Carlyle Group L.P. or any of its wholly owned subsidiaries that are not treated as corporations for U.S. federal income tax purposes become taxable as a corporation for U.S. federal income tax purposes, these entities will also be obligated to make payments under the tax receivable agreement on the same basis and to the same extent as the corporate taxpayers, and could impact future amounts to be paid pursuant to the tax receivable agreement.

The tax receivable agreement provides that upon certain changes of control, or if, at any time, the corporate taxpayers elect an early termination of the tax receivable agreement, the corporate taxpayers' obligations under the tax receivable agreement (with respect to all Carlyle Holdings partnership units whether or not previously exchanged) would be calculated by reference to the value of all future payments that the limited partners of the Carlyle Holdings partnerships would have been entitled to receive under the tax receivable agreement using certain valuation assumptions, including that the corporate taxpayers' will have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement and, in the case of an early termination election, that any Carlyle Holdings partnership units that have not been exchanged are deemed exchanged for the market value of the common units at the time of termination. Assuming that the market value of a common unit was equal to $15.75 per common unit, which was the closing price per common unit on December 31, 2018, and that LIBOR were to be 3.18%, we estimate that the aggregate amount of these termination payments would be approximately $458 million if the corporate taxpayers were to exercise their termination right.

The foregoing number is merely an estimate and the actual payments could differ materially. In addition, the limited partners of the Carlyle Holdings partnerships will not reimburse us for any payments previously made under the tax receivable agreement if such tax basis increase is successfully challenged by the IRS. The corporate taxpayers' ability to achieve benefits from any tax basis increase, and the payments to be made under this agreement, will depend upon a number of factors, including the timing and amount of our future income. As a result, even in the absence of a change of control or an election to terminate the tax receivable agreement, payments to the limited partners of the Carlyle Holdings partnerships under the tax receivable agreement could be in excess of the corporate taxpayers' actual cash tax savings.

Accordingly, it is possible that the actual cash tax savings realized by the corporate taxpayers may be significantly less than the corresponding tax receivable agreement payments. There may be a material negative effect on our liquidity if the payments under the tax receivable agreement exceed the actual cash tax savings that the corporate taxpayers realize in respect of the tax attributes subject to the tax receivable agreement and/or distributions to the corporate taxpayers by Carlyle Holdings are not sufficient to permit the corporate taxpayers to make payments under the tax receivable agreement after they have paid taxes and other expenses. We may need to incur debt to finance payments under the tax receivable agreement to the extent our cash resources are insufficient to meet our obligations under the tax receivable agreement as a result of timing discrepancies or otherwise.

See "Part III. Item 13. Certain Relationships, Related Transactions and Director Independence—Tax Receivable Agreement."

If The Carlyle Group L.P. were deemed to be an "investment company" under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

An entity generally will be deemed to be an "investment company" for purposes of the Investment Company Act if:

- it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or
- absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis.

We believe that we are engaged primarily in the business of providing asset management services and not in the business of investing, reinvesting or trading in securities. We hold ourselves out as an asset management firm and do not propose to engage primarily in the business of investing, reinvesting or trading in securities. Accordingly, we do not believe that The Carlyle Group L.P. is an “orthodox” investment company as defined in section 3(a)(1)(A) of the Investment Company Act and described in the first bullet point above. Furthermore, The Carlyle Group L.P. does not have any material assets other than its interests in certain wholly owned subsidiaries, which in turn have no material assets other than general partner interests in the Carlyle Holdings partnerships. These wholly owned subsidiaries are the sole general partners of the Carlyle Holdings partnerships and are vested with all management and control over the Carlyle Holdings partnerships. We do not believe that the equity interests of The Carlyle Group L.P. in its wholly owned subsidiaries or the general partner interests of these wholly owned subsidiaries in the Carlyle Holdings partnerships are investment securities. Moreover, because we believe that the capital interests of the general partners of our funds in their respective funds are neither securities nor investment securities, we believe

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that less than 40% of The Carlyle Group L.P.'s total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis are composed of assets that could be considered investment securities. Accordingly, we do not believe that The Carlyle Group L.P. is an inadvertent investment company by virtue of the 40% test in section 3(a)(1)(C) of the Investment Company Act as described in the second bullet point above. In addition, we believe that The Carlyle Group L.P. is not an investment company under section 3(b)(1) of the Investment Company Act because it is primarily engaged in a non-investment company business.

The Investment Company Act and the rules thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the Investment Company Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. We intend to conduct our operations so that The Carlyle Group L.P. will not be deemed to be an investment company under the Investment Company Act. If anything were to happen which would cause The Carlyle Group L.P. to be deemed to be an investment company under the Investment Company Act, requirements imposed by the Investment Company Act, including limitations on our capital structure, ability to transact business with affiliates (including us) and ability to compensate key employees, could make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements between and among The Carlyle Group L.P., Carlyle Holdings and our senior Carlyle professionals, or any combination thereof, and materially adversely affect our business, results of operations and financial condition. In addition, we may be required to limit the amount of investments that we make as a principal or otherwise conduct our business in a manner that does not subject us to the registration and other requirements of the Investment Company Act.

Changes in accounting standards issued by the Financial Accounting Standards Board ("FASB") or other standard-setting bodies may adversely affect our financial statements.

Our financial statements are prepared in accordance with U.S. GAAP as defined in the Accounting Standards Codification ("ASC") of the FASB. From time to time, we are required to adopt new or revised accounting standards or guidance that are incorporated into the ASC. It is possible that future accounting standards we are required to adopt could change the current accounting treatment that we apply to our consolidated financial statements and that such changes could have a material adverse effect on our financial condition and results of operations.

For instance, in the last three years, the FASB has issued several accounting standard updates that will change (or have already changed) how we account for and report significant areas of our business. On January 1, 2016, we changed the way we evaluate certain legal entities for consolidation. This accounting standard update reduced the number of funds we consolidate and reduced our total assets, total liabilities and total partners' capital. Further, in May 2014, the FASB issued a final accounting standard that changes the way entities recognize revenue in their financial statements. Upon adoption of the revenue recognition guidance on January 1, 2018, we changed the way we account for performance-based capital allocations to the Partnership. We applied this change on a full retrospective basis, which resulted in the reclassification of amounts related to performance fees on our consolidated financial statements, as discussed in Note 2 to our consolidated financial statements included in this Annual Report on Form 10-K. Additionally, in February 2016, the FASB issued a final accounting standard that will require us to recognize virtually all of our leases on our consolidated balance sheet. This accounting change is effective January 1, 2019 and we expect that our total assets and total liabilities on our consolidated balance sheet to increase upon adoption of this accounting guidance.

The changes to U.S. GAAP will also impose special demands on entities in the areas of governance, employee training, internal controls and disclosure.

The consolidation of investment funds, holding companies or operating businesses of our portfolio companies could make it more difficult to understand the operating performance of the Partnership and could create operational risks for the Partnership.

Under applicable U.S. GAAP standards, we may be required to consolidate certain of our investment funds, holding companies or operating businesses if we determine that these entities are VIEs and that the Partnership is the primary beneficiary of the VIE. The consolidation of such entities could make it difficult for an investor to differentiate the assets, liabilities, and results of operations of the Partnership apart from the assets, liabilities, and results of operations of the consolidated VIEs. The assets of the consolidated VIEs are not available to meet our liquidity requirements and similarly we generally have not guaranteed or assumed any obligation for repayment of the liabilities of the consolidated VIEs.

As of December 31, 2018 (and subsequent to the January 1, 2016, adoption of an accounting standard that changed the way we evaluate certain legal entities for consolidation as discussed in Note 2 to our consolidated financial statements included in this Annual Report on Form 10-K), the total assets and liabilities of the consolidated VIEs reflected in the consolidated balance sheets were $5.7 billion and $5.5 billion, respectively.

As a public entity, we are subject to the reporting requirements of the Exchange Act, as amended, and requirements of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”). The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition, and provide an annual assessment of the effectiveness of our internal control over financial reporting. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal controls over financial reporting as required by the Exchange Act, significant resources and management oversight are required. We have implemented procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. The VIEs that we consolidate as the primary beneficiary are, subject to certain transition guidelines, included in our annual assessment of the effectiveness of our internal control over financial reporting under the Sarbanes-Oxley Act. As a result, we will need to continue to implement and oversee procedures and processes to integrate such operations into our internal control structure. If we are not able to implement or maintain the necessary procedures and processes, we may be unable to report our financial information on a timely or accurate basis and could be subject adverse consequences, including sanctions by the SEC or violations of applicable Nasdaq listing rules, and could result in a breach of the covenants under the agreements governing our financing arrangements. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements.

Risks Related to Our Common Units

The market price of our common units may decline due to the large number of common units eligible for exchange and future sale.

The market price of our common units could decline as a result of sales of a large number of common units in the market in the future or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell common units in the future at a time and at a price that we deem appropriate. Subject to the restrictions described below, we may issue and sell in the future additional common units. Since our initial public offering, we have issued 4,500,000 common units in primary offerings and have granted 64,675,451 deferred restricted common units as of December 31, 2018. The issuance of additional equity securities or securities convertible into equity securities would also result in dilution of our existing unitholders’ equity interest. The issuance of the additional common units, the sale of common units upon the exchange of Carlyle Holdings partnership units and the vesting and sale of the deferred restricted common units could cause the market price of our common units to decline.

As of December 31, 2018, limited partners of the Carlyle Holdings partnerships owned an aggregate of 230,977,836 Carlyle Holdings partnership units. Pursuant to the exchange agreement with the limited partners of the Carlyle Holdings partnerships, the limited partners may, subject to any applicable remaining vesting and minimum retained ownership requirements and other transfer restrictions applicable to such limited partners as set forth in the partnership agreements of the Carlyle Holdings partnerships, on a quarterly basis (subject to the terms of the exchange agreement), exchange their Carlyle Holdings partnership units for our common units on a one-for-one basis, which exchanges began in the second quarter of 2017. Of the total units in the Carlyle Holdings partnerships, entities affiliated with Mubadala Development Company, an Abu Dhabi-based strategic development and investment company (“Mubadala”) owned 23,517,939 Carlyle Holdings partnership units as of December 31, 2018. Mubadala is generally entitled to exchange Carlyle Holdings partnerships units for common units at any time (subject to the terms of the exchange agreement). Common units received upon an exchange of Carlyle Holdings partnership units are eligible for immediate sale.

We have entered into registration rights agreements with the limited partners of Carlyle Holdings that generally require us to register these common units under the Securities Act. See “Part III. Item 13. Certain Relationships, Related Transactions and Director Independence—Registration Rights Agreements.” Provisions of the partnership agreements of the Carlyle Holdings partnerships and related agreements that contractually restrict the limited partners of the Carlyle Holdings partnerships’ ability to transfer the Carlyle Holdings partnership units or The Carlyle Group L.P. common units they hold may lapse over time or be waived, modified or amended at any time.

Under our Equity Incentive Plan, we have granted 64,675,451 deferred restricted common units as of December 31, 2018. Additional common units and Carlyle Holdings partnership units will be available for future grant under our Equity Incentive Plan, which plan provides for automatic annual increases in the number of units available for future issuance. We have filed several registration statements and intend to file additional registration statements on Form S-8 under the Securities Act to register common units or securities convertible into or exchangeable for common units issued or available for future grant under our Equity Incentive Plan (including pursuant to automatic annual increases). Any such Form S-8 registration statement will automatically become effective upon filing. Accordingly, common units registered under such registration statement will be available for sale in the open market. Morgan Stanley, our equity plan service provider, may, from time to time, act as a broker, dealer, or agent for, or otherwise facilitate sales in the open market through block transactions or otherwise of our common units on behalf of, plan participants, including in connection with sales of common units to fund tax obligations payable in connection with the vesting of awards under our Equity Incentive Plan.

In addition, our partnership agreement authorizes us to issue an unlimited number of additional partnership securities and options, rights, warrants and appreciation rights relating to partnership securities for the consideration and on the terms and conditions established by our general partner in its sole discretion without the approval of any limited partners. In accordance with the Delaware Limited Partnership Act and the provisions of our partnership agreement, we may also issue additional partnership interests that have certain designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to common units. Similarly, the Carlyle Holdings partnership agreements authorize the wholly owned subsidiaries of The Carlyle Group L.P. which are the general partners of those partnerships to issue an unlimited number of additional partnership securities of the Carlyle Holdings partnerships with certain designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the Carlyle Holdings partnerships units, and which may be exchangeable for our common units.

If securities or industry analysts do not publish research or reports about our business, or if they downgrade their recommendations regarding our common units, our stock price and trading volume could decline.

The trading market for our common units is influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us downgrades our common units or publishes inaccurate or unfavorable research about our business, our common unit stock price may decline. If analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our common unit stock price or trading volume to decline and our common units to be less liquid.

The market price of our common units may be volatile, which could cause the value of your investment to decline.

Our common units may trade less frequently than those of certain more mature companies due to the limited number of common units outstanding. Due to such limited trading volume, the price of our common units may display abrupt or erratic movements at times. Additionally, it may be more difficult for investors to buy and sell significant amounts of our common units without an unfavorable impact on prevailing market prices.

Even if a trading market develops, the market price of our common units may be highly volatile and could be subject to wide fluctuations. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of common units in spite of our operating performance. In addition, our operating results could be below the expectations of public market analysts and investors due to a number of potential factors, including variations in our quarterly operating results or distributions to unitholders, additions or departures of key management personnel, failure to meet analysts' earnings estimates, publication of research reports about our industry, litigation and government investigations, changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting our business, adverse market reaction to any indebtedness we may incur or securities we may issue in the future, changes in market valuations of similar companies or speculation in the press or investment community, announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments, adverse publicity about the industries in which we participate or individual scandals, and in response the market price of our common units could decrease significantly. You may be unable to resell your common units at or above the price you paid for them.

In the past few years, stock markets have experienced extreme price and volume fluctuations. In the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against public companies. This type of litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

Risks Related to our Preferred Units

The market price of the preferred units could be adversely affected by various factors.

The market price for the preferred units may fluctuate based on a number of factors, including:

- the trading price of our common units;

- the incurrence of additional indebtedness or additional issuances of other series or classes of preferred units;
- whether we declare or fail to declare distributions on the preferred units from time to time and our ability to make distributions under the terms of our indebtedness;
- our creditworthiness, results of operations and financial condition;
- the credit ratings of the preferred units;
- the prevailing interest rates or rates of return being paid by other companies similar to us and the market for similar securities; and
- economic, financial, geopolitical, regulatory or judicial events that affect us or the financial markets generally.

Our performance, market conditions and prevailing interest rates have fluctuated in the past and can be expected to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the price and liquidity of the preferred units. In general, as market interest rates rise, securities with fixed interest rates or fixed distribution rates, such as the preferred units, decline in value. Consequently, if you purchase the preferred units and market interest rates increase, the market price of the preferred units may decline. We cannot predict the future level of market interest rates.

Our ability to pay quarterly distributions on the preferred units will be subject to, among other things, general business conditions, our financial results, restrictions under the terms of our existing and future indebtedness or senior units, and our liquidity needs. Any reduction or discontinuation of quarterly distributions could cause the market price of the preferred units to decline significantly. Accordingly, the preferred units may trade at a discount to their purchase price.

Distributions on the preferred units are discretionary and non-cumulative.
Distributions on the preferred units are discretionary and non-cumulative. Holders of preferred units will only receive distributions when, as, and if declared by the board of directors of our general partner. Consequently, if the board of directors of our general partner does not declare a distribution for a distribution period, holders of the preferred units would not be entitled to receive any distribution for such distribution period, and such unpaid distribution will not be payable in such distribution period or in later distribution periods. We will have no obligation to pay distributions for a distribution period if the board of directors of our general partner does not declare such distribution before the scheduled record date for such period, whether or not distributions are declared or paid for any subsequent distribution period with respect to our Series A Preferred Units or any other preferred units we may issue. This may result in holders of the preferred units not receiving the full amount of distributions that they expect to receive, or any distributions, and may make it more difficult to resell preferred units or to do so at a price that the holder finds attractive.

The board of directors of our general partner may, in its sole discretion, determine to suspend distributions on the preferred units, which may have a material adverse effect on the market price of the preferred units. There can be no assurances that our operations will generate sufficient cash flows to enable us to pay distributions on the preferred units. Our financial and operating performance is subject to prevailing economic and industry conditions and to financial, business and other factors, some of which are beyond our control.

The terms of the preferred units will not restrict our ability to distribute tax distribution amounts to the holders of our common units even in periods when distributions on the preferred units have been suspended.

Although we generally cannot repurchase any common units or junior units and we generally may not declare or pay or set apart payment for distributions on any common units or junior units unless distributions have been declared and paid or declared and set apart for payment on the preferred units, there are exceptions, including for tax distributions. Accordingly, even if the board of directors of our general partner determines, in its sole discretion, to suspend distributions on the preferred units, we may still make distributions to the holders of our common units of amounts equal to the tax distribution amounts received from Carlyle Holdings, which the Carlyle Holdings partnerships distribute in accordance with the terms of their partnership agreements. The holders of the preferred units will have no right to prohibit or participate in, and will have no claim over, any such distributions, which may be material in amount.

Holders of the preferred units have limited voting rights.

Holders of the preferred units generally have no voting rights and have none of the voting rights given to holders of our common units, subject to certain exceptions. In particular, if distributions on the preferred units have not been declared and paid for the equivalent of six or more quarterly distribution periods, whether or not consecutive (a "Nonpayment Event"), holders of the preferred units, together as a class with holders of any other series of parity units then outstanding with like voting rights, will be entitled to vote for the election of two additional directors to the board of directors of our general partner, subject to the terms and to the limited extent provided in our partnership agreement. When quarterly distributions have been declared and paid on the preferred units for four consecutive quarters following a Nonpayment Event, the right of the holders of the preferred units and such parity units to elect these two additional directors will cease, the terms of office of these two additional directors will forthwith terminate, the number of directors constituting the board of directors of our general partner will be reduced accordingly and, for purposes of determining whether a subsequent Nonpayment Event has occurred, the number of quarterly distributions payable on the preferred units that have not been declared and paid shall reset to zero.

There is no limitation on our issuance of debt securities or equity securities that rank equally with the preferred units and we may issue equity securities that rank senior to the preferred units.

The terms of the preferred units do not limit our ability to incur indebtedness or other liabilities. As a result, we and our subsidiaries may incur indebtedness or other liabilities that will rank senior to the preferred units. In addition, while we do not currently have any outstanding equity securities that rank equally with or senior to the preferred units, we may issue additional equity securities that rank equally with the preferred units without limitation and, with the approval of the holders of two-thirds of the Series A Preferred Units and all other series of voting preferred units, acting as a single class, any equity securities that rank senior to the preferred units. The incurrence of indebtedness or other liabilities that will rank senior to the preferred units or the issuance of securities ranking equally with or senior to the preferred units may reduce the amount available for distributions and the amount recoverable by holders of the preferred units in the event of our liquidation, dissolution or winding-up.

Risks Related to U.S. Taxation

Our structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis.

The U.S. federal income tax treatment of common and preferred unitholders depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. You should be aware that the U.S. federal income tax rules are constantly under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations. The IRS pays close attention to the proper application of tax laws to partnerships. The present U.S. federal income tax treatment of an investment in our common and preferred units may be modified by administrative, legislative or judicial interpretation at any time, possibly on a retroactive basis, and any such action may affect investments and commitments previously made. Changes to the U.S. federal income tax laws and interpretations thereof could make it more difficult or impossible to meet the exception that allows us to be treated as a partnership for U.S. federal income tax purposes, referred to as the "Qualifying Income Exception," affect or cause us to change our investments and commitments, affect the tax considerations of an investment in us, change the character or treatment of portions of our income (including, for instance, the treatment of carried interest as ordinary income rather than capital gain) and adversely affect an investment in our common or preferred units. For example, as discussed above under "— Risks Related to Our Company— In past years, the U.S. Congress has considered legislation that would have, in some cases after a ten-year transition period, precluded us from qualifying as a partnership for U.S. federal income tax purposes or required us to hold carried interest through taxable subsidiary corporations. If any similar legislation were to be enacted and apply to us, the after tax income and gain related to our business could be reduced."

Our organizational documents and governing agreements will permit our general partner to modify our limited partnership agreement from time to time, without the consent of the common or preferred unitholders, to address certain changes in U.S. federal income tax regulations, legislation or interpretation. In some circumstances, such revisions could have a material adverse impact on some or all common and preferred unitholders. For instance, our general partner could elect at some point to treat us as an association taxable as a corporation for U.S. federal (and applicable state) income tax purposes. If our general partner were to do this, the U.S. federal income tax consequences of owning our common and preferred units would be materially different (including as a result of all of our future net income being subject to a level of corporate tax).

Moreover, we will apply certain assumptions and conventions in an attempt to comply with applicable rules of the Internal Revenue Code and to report allocations of income, gain, deduction, loss and credit to common unitholders and allocations of gross income and gains to preferred unitholders in a manner that reflects such unitholders' beneficial ownership of partnership items, taking into account variation in ownership interests during each taxable year because of trading activity. As a result, a common unitholder transferring units may be allocated income, gain, loss and deductions and a preferred unitholder may be allocated gross income and gains realized after the date of transfer. However, those assumptions and conventions may not be in compliance with all aspects of applicable tax requirements. It is possible that the IRS will assert successfully that the conventions and assumptions used by us do not satisfy the technical requirements of the Internal Revenue Code and/or Treasury regulations and could require that items of income, gain, deductions, loss or credit, including interest deductions, be adjusted, reallocated or disallowed in a manner that adversely affects common and preferred unitholders.

If we were treated as a corporation for U.S. federal income tax or state tax purposes or otherwise became subject to additional entity level taxation (including as a result of changes to current law), then the amount of cash available for distribution to common and preferred unitholders could be substantially reduced and the value of our units could be adversely affected.

We are currently treated as a partnership for U.S. federal income tax purposes, which requires that 90% or more of our gross income for every taxable year consist of qualifying income, as defined in Section 7704 of the Internal Revenue Code and that our partnership not be registered under the Investment Company Act. Qualifying income generally includes dividends, interest, capital gains from the sale or other disposition of stocks and securities and certain other forms of investment income. We may not meet these requirements or current law may change so as to cause, in either event, us to be treated as a corporation for U.S. federal or state income tax purposes or otherwise subject us to U.S. corporate income tax. Moreover, the anticipated after-tax benefit of an investment in our common or preferred units depends largely on our being treated as a partnership for U.S. federal income tax purposes. We have not requested, and do not plan to request, a ruling from the IRS on this or any other matter affecting us.

Other publicly-traded asset management firms have recently converted their publicly traded partnerships to corporations for U.S. federal income tax purposes. We have considered from time to time potential changes to our organizational structure, including those that would entail the conversion of The Carlyle Group L.P. to a corporation. Although no decision has been taken to effect these or any other changes to our structure, such changes generally may be implemented without the consent or approval of our common unitholders.

If we were treated as a corporation for U.S. federal income tax purposes, we would pay U.S. federal income tax on our net taxable income at the applicable tax rates. The TCJA included permanent reduction in the maximum U.S. federal corporate income tax rate from 35% to 21% effective as of January 1, 2018. In addition, we would likely be liable for state and local income and/or franchise tax on all our income. Distributions to you would generally be taxed again as corporate distributions, and no income, gains, losses, deductions or credits would otherwise flow through to you. Because a tax would be imposed upon us as a corporation, the amount of cash available for distributions to holders of our common and preferred units could be substantially reduced which could cause a reduction in the value of our units. The same changes would result if our general partner caused us to be taxed as a corporation for U.S. federal income tax purposes.

Current law may change, causing us to be treated as a corporation for U.S. federal or state income tax purposes or otherwise subjecting us to additional entity level taxation. See "—Risks Related to Our Company—In past years, the U.S. Congress has considered legislation that would have, in some cases after a ten-year transition period, precluded us from qualifying as a partnership for U.S. federal income tax purposes or required us to hold carried interest through taxable subsidiary corporations. If any similar legislation were to be enacted and apply to us, the after tax income and gain related to our business could be reduced." For example, several states are evaluating ways to subject partnerships to entity level taxation through the imposition of state income, franchise or other forms of taxation, which could cause distributions to you to be reduced. For example, although it would not affect us materially, Connecticut recently

enacted an income tax on pass through entities doing business in Connecticut, and states in which we do business may consider similar tax changes. These and other proposals have recently been under heightened consideration in light of the TCJA. If any state were to impose a tax upon us as an entity, our distributions to you would be reduced.
Comprehensive U.S. federal income tax reform became effective in 2018, which could adversely affect us.
On December 22, 2017, the President signed into law the TCJA, which has resulted in fundamental changes to the Code. Some of the key elements of the TCJA include (i) the reduction of the corporate tax rate from 35% to 21%, (ii) new limitations on the utilization, carryback and carryforward of net operating losses, (iii) partial limitations on the deductibility of business interest expense, (iv) a longer three-year holding period requirement for carried interest to be treated as long-term

capital gain, (v) certain modifications to Section 162(m) of the Code and (vi) general changes to the taxation of corporations and businesses, including modifications to cost recovery rules and changes relating to the scope and timing of U.S. taxation on earnings from international business operations. Although we are continuing to analyze the impact of TCJA on us, we do not expect tax reform to have a material impact to our current taxes. We continue to examine the impact this tax reform legislation may have on our business including our investment funds and portfolio companies. The impact of this tax reform on holders of our common or preferred units is uncertain and could be adverse.

While additional guidance has been issued with respect to the legislation, there are still a number of areas which need additional guidance or technical corrections. There can be no assurance that needed technical clarifications or other legislative changes to provide unintended or unforeseen adverse tax consequences will be enacted by Congress or provided by Treasury and the IRS. We continue to monitor the impacts, but there will likely be additional compliance costs, which may impact the results of our operations and cash flows. Many states and localities may not be in full conformity with the U.S. tax proposals, which may also result in additional costs and tax burden. In addition, these proposals could also have an impact to the unitholders' tax treatment. Each unitholder should consult with its tax advisor regarding the implications of U.S. tax reform on holding on of our units.

Our common and preferred unitholders may be subject to U.S. federal income tax on their share of our taxable income, regardless of whether they receive any cash distributions from us.

As long as 90% of our gross income for each taxable year constitutes qualifying income as defined in Section 7704 of the Internal Revenue Code and we are not required to register as an investment company under the Investment Company Act on a continuing basis, and assuming there is no change in law or relevant change in our structure, we will be treated, for U.S. federal income tax purposes, as a partnership and not as an association or a publicly traded partnership taxable as a corporation. Accordingly, our common unitholders will be required to take into account their allocable share of our items of income, gain, loss and deduction, and our preferred unitholders will be required to take into account their allocable share of our gross income and gain. Distributions to our common and preferred unitholders generally will be taxable for U.S. federal income tax purposes only to the extent the amount distributed exceeds their tax basis in the units. That treatment contrasts with the treatment of a shareholder in a corporation. For example, a shareholder in a corporation who receives a distribution of earnings from the corporation generally will report the distribution as dividend income for U.S. federal income tax purposes. In contrast, a holder of our common and preferred units who receives a distribution of earnings from us will not report the distribution as dividend income (and will treat the distribution as taxable only to the extent the amount distributed exceeds the unitholder’s tax basis in the units), but will instead report the holder’s allocable share of items of our income for U.S. federal income tax purposes. As a result, you may be subject to U.S. federal, state, local and possibly, in some cases, foreign income taxation on your allocable share of our items of income, gain, loss, deduction and credit (including our allocable share of those items of any entity in which we invest that is treated as a partnership or is otherwise subject to tax on a flow through basis) for each of our taxable years ending with or within your taxable years, regardless of whether or not you receive cash distributions from us. See “—Risks Related to Our Company—In past years, the U.S. Congress has considered legislation that would have, in some cases after a ten-year transition period, precluded us from qualifying as a partnership for U.S. federal income tax purposes or required us to hold carried interest through taxable subsidiary corporations. If any similar legislation were to be enacted and apply to us, the after tax income and gain related to our business could be reduced.”

Our common and preferred unitholders may not receive cash distributions equal to their allocable share of our net taxable income or even the tax liability that results from that income. In addition, certain of our holdings, including holdings, if any, in a controlled foreign corporation (“CFC”) and a passive foreign investment company (“PFIC”) may produce taxable income prior to the receipt of cash relating to such income, and common and preferred unitholders that are U.S. taxpayers will be required to take such income into account in determining their taxable income. In the event of an inadvertent termination of our partnership status for which the IRS has granted us limited relief, each holder of our common and preferred units may be obligated to make such adjustments as the IRS may require in order to maintain our status as a partnership. Such adjustments may require persons holding our common and preferred units to recognize additional amounts in income during the years in which they hold such units.

Amounts distributed in respect of the Series A Preferred Units could be treated as “guaranteed payments” for U.S. federal income tax purposes.

The treatment of interests in a partnership such as the Series A Preferred Units and the payments received in respect of such interests is uncertain. The IRS may contend that payments on the Series A Preferred Units represent “guaranteed payments,” which would generally be treated as ordinary income but may not have the same character when received by a holder as our gross income had when earned by us. If distributions on the Series A Preferred Units are treated as “guaranteed payments,” a holder would always be treated as receiving income equal to the amount distributed or accrued, regardless of the amount of our gross income. Our partnership agreement provides that all holders agree to treat payments made in respect of the Series A Preferred Units as other than guaranteed payments.

The Carlyle Group L.P.'s interest in certain of our businesses will be held through Carlyle Holdings I GP Inc. and Carlyle Holdings III GP L.P., which will be treated as corporations for U.S. federal income tax purposes; such corporations may be liable for significant taxes and may create other adverse tax consequences, which could potentially adversely affect the value of your investment.

In light of the publicly traded partnership rules under U.S. federal income tax law and other requirements, The Carlyle Group L.P. holds its interest in certain of our businesses through Carlyle Holdings I GP Inc. and Carlyle Holdings III GP L.P., which are treated as corporations for U.S. federal income tax purposes. Carlyle Holdings I GP Inc. and Carlyle Holdings III GP L.P. could be liable for significant U.S. federal income taxes and applicable state, local and other taxes that would not otherwise be incurred, which could adversely affect the value of your investment.

Complying with certain tax-related requirements may cause us to invest through foreign or domestic corporations subject to corporate income tax or enter into acquisitions, borrowings, financings or arrangements we may not have otherwise entered into.

In order for us to be treated as a partnership for U.S. federal income tax purposes and not as an association or publicly traded partnership taxable as a corporation, we must meet the Qualifying Income Exception discussed above on a continuing basis and we must not be required to register as an investment company under the Investment Company Act. In order to effect such treatment, we (or our subsidiaries) may be required to invest through foreign or domestic corporations subject to corporate income tax, forgo attractive investment opportunities or enter into acquisitions, borrowings, financings or other transactions we may not have otherwise entered into. This may adversely affect our ability to operate solely to maximize our cash flow.

Our structure also may impede our ability to engage in certain corporate acquisitive transactions because we generally intend to hold all of our assets through the Carlyle Holdings partnerships. In addition, we may be unable to participate in certain corporate reorganization transactions that would be tax-free to our common and preferred unit holders if we were a corporation.

Tax gain or loss on disposition of our common or preferred units could be more or less than expected.

If you sell your common or preferred units, you will recognize a gain or loss equal to the difference between the amount realized and the adjusted tax basis in those units. Prior distributions to you in excess of the total net taxable income allocated to you, which decreased the tax basis in your units, will in effect become taxable income to you if the units are sold at a price greater than your tax basis in those units, even if the price is less than the original cost. A portion of the amount realized, whether or not representing gain, may be ordinary income to you.

Because we do not intend to make, or cause to be made, an otherwise available election under Section 754 of the Internal Revenue Code to adjust our asset basis or the asset basis of certain of the Carlyle Holdings partnerships, a holder of common units could be allocated more taxable income in respect of those common units prior to disposition than if we had made such an election.

We have not made and currently do not intend to make, or cause to be made, an election to adjust asset basis under Section 754 of the Internal Revenue Code with respect to us or Carlyle Holdings II L.P. If no such election is made, there generally will be no adjustment to the basis of the assets of Carlyle Holdings II L.P. upon our acquisition of interests in Carlyle Holdings II L.P. in connection with our initial public offering, or subsequent offerings, or to our assets or to the assets of Carlyle Holdings II L.P. upon a subsequent transferee's acquisition of common units from a prior holder of such common units, even if the purchase price for those interests or units, as applicable, is greater than the share of the aggregate tax basis of our assets or the assets of Carlyle Holdings II L.P. attributable to those interests or units immediately prior to the acquisition. Consequently, upon a sale of an asset by us or Carlyle Holdings II L.P. gain allocable to a holder of common units could include built-in gain in the asset existing at the time we acquired those interests, or such holder acquired such units, which built-in gain would otherwise generally be eliminated if we had made a Section 754 election.

Non-U.S. persons face unique U.S. tax issues from owning common and preferred units that may result in adverse tax consequences to them.

In light of our intended investment activities, we generally do not expect to be treated as engaged in a U.S. trade or business or to generate significant amounts of income treated as effectively connected income with respect to non-U.S. holders of our common and preferred units ("ECI"). However, there can be no assurance that we will not generate ECI currently or in the future and, subject to the qualifying income rules, we are under no obligation to minimize ECI. To the extent our income is treated as ECI, non-U.S. holders generally would be subject to withholding tax on their allocable shares of such income, would be required to file a U.S. federal income tax return for such year reporting their allocable shares of income effectively connected with such trade or business and any other income treated as ECI, and would be subject to U.S. federal income tax at regular U.S. tax rates on any such income (state and local income taxes and filings may also apply in that event). In addition, certain income of non-U.S. holders from U.S. sources not connected to any such U.S. trade or business conducted by us could be treated as ECI. Non-U.S. holders that are corporations may also be subject to a 30% branch profits tax on their allocable share of such income. In addition, certain income from U.S. sources that is not ECI allocable to non-U.S. holders will be reduced by withholding taxes imposed at the highest effective applicable tax rate.

Any gain recognized by a non-U.S. holder on the sale or exchange of common or preferred units that is deemed to be effectively connected with a U.S. trade or business will also be treated as ECI. The TCJA includes a provision which treats gain or loss from the sale, exchange or disposition of a partnership interest by a non-U.S. holder as ECI to the extent that the non-U.S. holder would have recognized ECI had the partnership sold all its assets for their fair market value on the date of the sale or exchange. In addition, the TCJA requires the transferee of an interest in a partnership that is engaged in a U.S. trade or business to deduct and withhold 10 percent of the transferor’s amount realized (gross purchase price) on the sale, exchange or other disposition of such partnership interest, unless an applicable non-foreign person affidavit is furnished by the transferor or another exception applies. Pursuant to Notice 2018-08, the Department of the Treasury and the IRS have temporarily suspended the application of the 10 percent withholding obligation in the case of the sale, exchange or other disposition of certain publicly traded partnership interests pending further guidance. While we generally do not expect to directly or indirectly own ECI producing assets in light of our intended investment activities, there can be no assurance that we will not hold ECI assets currently or in the future and subject to the qualifying income rules, we are under no obligation to minimize ECI. Many issues and the overall effect of this legislation on us are uncertain and still evolving, and we will continue to assess the impact of this legislation. Such withholding tax provisions, if effective for publicly traded partnerships, could impose material tax and administrative burdens on us and our unitholders.

Generally, under the Foreign Investment in Real Property Tax Act of 1980 (“FIRPTA”) provisions of the Internal Revenue Code, certain non-U.S. persons are subject to U.S. federal income tax in the same manner as U.S. persons on any gain realized on the disposition of an interest, other than an interest solely as a creditor, in U.S. real property. In December 2015, the Protecting Americans from Tax Hikes Act of 2015 was signed into law providing some exemptions from FIRPTA tax for certain types of non-U.S. persons. An interest in U.S. real property includes stock in a U.S. corporation (except for certain stock of publicly traded U.S. corporations) if interests in U.S. real property constitute 50% or more by value of the sum of the corporation’s assets used in a trade or business, its U.S. real property interests and its interests in real property located outside the United States (a “United States Real Property Holding Corporation” or “USRPHC”). The FIRPTA tax applies to certain non-U.S. holders holding an interest in a partnership that realizes gain in respect of an interest in U.S. real property or an interest in a USRPHC. We may, from time to time, make certain investments (other than direct investments in U.S. real property), for example, through one of our investment funds held by Carlyle Holdings II GP L.L.C. that could constitute investments in U.S. real property or USRPHCs. If we make such investments certain non-U.S. holders will be subject to U.S. federal income tax under FIRPTA on such holder’s allocable share of any gain we realize on the disposition of a FIRPTA interest and will be subject to the tax return filing requirements regarding ECI discussed above. Certain foreign pension funds (“Qualified Foreign Pension Funds”) are exempt from FIRPTA on their disposition of U.S. real property interests held directly or indirectly through one or more partnerships. A Qualified Foreign Pension Fund is a corporation, trust or other organization or arrangement which (1) is created or organized outside of the United States, (2) is established to provide retirement or pension benefits to current or former employees (or persons designated by such employees) as a result of, or in consideration for, services rendered, (3) does not have any single participant or beneficiary with a right to more than 5% of the fund’s assets or income, (4) is subject to government regulation and provides annual information reporting about its beneficiaries to the relevant tax authorities in the country in which it is established or operates and (5) with respect to which, under the laws of the country in which it is established or operates,

contributions to it are deductible or excluded from gross income or taxed at a reduced rate, or taxation of its investment income is deferred, or such income is excluded from gross income or taxed at a reduced rate.
Tax-exempt entities face unique tax issues from owning common or preferred units that may result in adverse tax consequences to them.
In light of our intended investment activities, we generally do not expect to make investments directly in operating businesses that generate significant amounts of unrelated business taxable income for tax-exempt holders of our common units ("UBTI"). However, certain of our investments may be treated as debt-financed investments, which may give rise to debt-financed UBTI. Accordingly, no assurance can be given that we will not generate UBTI currently or in the future and, subject to the qualifying income rules, we are under no obligation to minimize UBTI. Consequently, a holder of common or preferred units that is a tax-exempt organization may be subject to "unrelated business income tax" to the extent that its allocable share of our income consists of UBTI. A tax-exempt partner of a partnership could be treated as earning UBTI if the partnership regularly engages in a trade or business that is unrelated to the exempt function of the tax-exempt partner, if the partnership derives income from debt-financed property or if the partnership interest itself is debt-financed. Under the TCJA, tax-exempt

entities may be restricted in their ability to offset provided that losses from one unrelated trade or business cannot be used to offset against the income from another trade or business for purposes of calculating their UBTI.

We cannot match transferors and transferees of common or preferred units, and we will therefore adopt certain income tax accounting positions that may not conform to all aspects of applicable tax requirements. The IRS may challenge this treatment, which could adversely affect the value of our units.

Because we cannot match transferors and transferees of common or preferred units, we will adopt depreciation, amortization and other tax accounting positions that may not conform to all aspects of existing Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to our common and preferred unitholders. It also could affect the timing of these tax benefits or the amount of gain on the sale of common or preferred units and could have a negative impact on the value of our common and preferred units or result in audits of and adjustments to our unitholders' tax returns.

In addition, our taxable income and losses will be determined and apportioned among investors using conventions we regard as consistent with applicable law. As a result, a common unitholder transferring units, may be allocated income, gain, loss and deductions, and a preferred unitholder may be allocated gross income and gains realized by us after the date of transfer. Similarly, a transferee of common units may be allocated income, gain, loss and deduction and a transferee of preferred units may be allocated gross income and gains realized by us prior to the date of the transferee's acquisition of our units. A transferee may also bear the cost of withholding tax imposed with respect to income allocated to a transferor through a reduction in the cash distributed to the transferee.

Pursuant to the TCJA, the sale or exchange of 50% or more of our capital and profit interests will no longer result in the termination of our partnership for U.S. federal income tax purposes. We will instead be treated as continuing to exist for U.S. federal income tax purposes even if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period.

We may be liable for adjustments to our tax returns as a result of partnership audit legislation.

Legislation was enacted in 2015 that significantly changed the rules for U.S. federal income tax audits of partnerships. Such audits will be conducted at the partnership level, but unless a partnership qualifies for and affirmatively elects an alternative procedure, any adjustments to the amount of tax due (including interest and penalties) will be payable by the partnership. Under an elective alternative procedure, a partnership would issue information returns to persons who were partners in the audited year, who would then be required to take the adjustments into account in calculating their own tax liability, and the partnership would not be liable for the adjustments. If a partnership elects the alternative procedure for a given adjustment, the amount of taxes for which its partners would be liable would be increased by any applicable penalties and a special interest charge. There can be no assurance that we will be eligible to make such an election or that we will, in fact, make such an election for any given adjustment. If we do not or are not able to make such an election, then (1) our then-current common and preferred unitholders, in the aggregate, could indirectly bear income tax liabilities in excess of the aggregate amount of taxes that would have been due had we elected the alternative procedure, and (2) a given common or preferred unitholder may indirectly bear taxes attributable to income allocable to other common and preferred unitholders or former common and preferred unitholders, including taxes (as well as interest and penalties) with respect to periods prior to such holder's ownership of common or preferred units. Amounts available for distribution to our common and preferred unitholders may be reduced as a result of our obligation to pay any taxes associated with an adjustment. We will continue to assess the impact of this legislation.

Certain U.S. holders of common and preferred units are subject to additional tax on "net investment income."

U.S. holders that are individuals, estates or trusts are currently subject to a Medicare tax of 3.8% on "net investment income" (or undistributed "net investment income," in the case of estates and trusts) for each taxable year, with such tax applying to the lesser of such income or the excess of such person's adjusted gross income (with certain adjustments) over a specified amount. Net investment income includes net income from interest, dividends, annuities, royalties and rents and net gain attributable to the disposition of investment property. Net income and gain attributable to an investment in the Partnership will be included in a U.S. holder's "net investment income" subject to this Medicare tax.

Common and preferred unitholders may be subject to state and local taxes and return filing requirements as a result of investing in our units.
In addition to U.S. federal income taxes, our common and preferred unitholders may be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property now or in the future, even if our common and preferred unitholders do not reside in any of those jurisdictions. Our common and preferred unitholders may also be required to file state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions. Further, common and preferred unitholders may be subject to penalties for failure to comply with those requirements. It is the responsibility of each common and preferred unitholder to file all U.S. federal, state and local tax returns that may be required of such unitholder. Our counsel has not rendered an opinion on the state or local tax consequences of an investment in our common or preferred units.
We may not be able to furnish to each unitholder specific tax information within 90 days after the close of each calendar year, which means that holders of common and preferred units who are U.S. taxpayers should anticipate the need to file annually a request for an extension of the due date of their income tax return. In addition, it is possible that common and preferred unitholders may be required to file amended income tax returns.
As a publicly traded partnership, our operating results, including distributions of income, dividends, gains, losses or deductions and adjustments to carrying basis, will be reported on Schedule K-1 and distributed to each unitholder annually. Although we currently intend to distribute Schedule K-1s on or around 90 days after the end of our fiscal year, it may require longer than 90 days after the end of our fiscal year to obtain the requisite information from all lower-tier entities so that K-1s may be prepared for us. For this reason, holders of common and preferred units who are U.S. taxpayers should anticipate that they may need to file annually with the IRS (and certain states) a request for an extension past April 15 or the otherwise applicable due date of their income tax return for the taxable year.

In addition, it is possible that holders of common and preferred units will be required to file amended income tax returns as a result of adjustments to items on the corresponding income tax returns of the partnership. Any obligation for holders of common and preferred units to file amended income tax returns for that or any other reason, including any costs incurred in the preparation or filing of such returns, is the responsibility of each unitholder.
We may hold or acquire certain investments through an entity classified as a PFIC or CFC for U.S. federal income tax purposes.
Certain of our investments may be in foreign corporations or may be acquired through a foreign subsidiary that would be classified as a corporation for U.S. federal income tax purposes and may be treated as a PFIC or a CFC. The TCJA imposes a deemed repatriation toll charge, as part of a move to a territorial system, on a U.S. person's pro-rata share of a CFC's previously untaxed foreign earnings. In addition, the TCJA expanded the definition of companies that could be CFCs which could have adverse implications to U.S. unitholders. U.S. holders of common and preferred units indirectly owning an interest in a PFIC or a CFC may experience adverse U.S. tax consequences, including the recognition of taxable income prior to the receipt of cash relating to such income. In addition, gain on the sale of a PFIC or CFC may be taxable at ordinary income tax rates.
Changes in U.S. and foreign tax regulations could adversely affect our ability to raise funds from certain foreign investors.
Under the U.S. Foreign Account Tax Compliance Act (“FATCA”), U.S. withholding agents and all entities in a broadly defined class of foreign financial institutions, ("FFIs") are required to comply with a complicated and expansive reporting regime or be subject to certain U.S. withholding taxes. In connection with this regulation, various foreign governments have entered into intergovernmental agreements, ("IGAs") with the U.S. government. The reporting obligations imposed under FATCA require foreign financial institutions to enter into agreements with the IRS to obtain and disclose information about certain account holders and investors to the IRS (or in the case of certain foreign financial institutions that are resident in a jurisdiction that has entered into an IGA to implement this legislation, the foreign financial institutions may comply with revised diligence and reporting obligations of such

IGA). Additionally, certain non-U.S. entities that are not foreign financial institutions are required to either certify they have no substantial U.S. beneficial ownership or report certain information with respect to their substantial U.S. beneficial ownership. Failure to comply with these requirements could expose us and/or our investors to a 30% withholding tax on certain U.S. payments and possibly limit our ability to open bank accounts and secure funding in the global capital markets. The administrative and economic costs of compliance with FATCA may discourage some foreign investors from investing in U.S. funds, which could adversely affect our ability to raise funds from these investors. Other countries, such as Luxembourg, United Kingdom and the Cayman Islands, have implemented and are participating in a multi-jurisdictional regime known as the Common Reporting Standard, ("CRS") which is similar to that of FATCA and in some cases, have imposed penalties for non-compliance.

Compliance under such regulations as described above could result in increased administrative and compliance costs for our investment entities and, in some cases, could subject our investment entities to increased withholding taxes.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located in leased office space at 1001 Pennsylvania Avenue, NW, Washington, D.C. We also lease the space for our other 30 offices, including our office in Arlington, Virginia, which currently houses our Finance (inclusive of accounting, tax and treasury) and GTS functions. At the end of 2019, we intend to close our office in Arlington, Virginia and relocate our employees to our Washington, D.C. headquarters. We do not own any real property. We consider these facilities to be suitable and adequate for the management and operation of our business.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business, the Partnership is a party to litigation, investigations, inquiries, employment-related matters, disputes and other potential claims. Certain of these matters are described below. The Partnership is not currently able to estimate the reasonably possible amount of loss or range of loss, in excess of amounts accrued, for the matters that have not been resolved. The Partnership does not believe it is probable that the outcome of any existing litigation, investigations, disputes or other potential claims will materially affect the Partnership or these financial statements in excess of amounts accrued. The Partnership believes that the matters described below are without merit.

Along with many other companies and individuals in the financial sector, the Partnership and Carlyle Mezzanine Partners, L.P. (“CMP”) are named as defendants in Foy v. Austin Capital, a case filed in June 2009 in state court in New Mexico, which purports to be a qui tam suit on behalf of the State of New Mexico under the state Fraud Against Taxpayers Act (“FATA”). The suit alleges that investment decisions by New Mexico public investment funds were improperly influenced by campaign contributions and payments to politically connected placement agents. The plaintiffs seek, among other things, actual damages for lost income, rescission of the investment transactions described in the complaint and disgorgement of all fees received. In September 2017, the Court dismissed the lawsuit and the plaintiffs then filed an appeal seeking to reverse that decision. That appeal is pending. The Attorney General may also pursue its own recovery from the defendants in the action.

Carlyle Capital Corporation Limited (“CCC”) was a fund sponsored by the Partnership that invested in AAA-rated residential mortgage backed securities on a highly leveraged basis. In March of 2008, amidst turmoil throughout the mortgage markets and money markets, CCC filed for insolvency protection in Guernsey. The Guernsey liquidators who took control of CCC in March 2008 filed a suit on July 7, 2010 against the Partnership, certain of its affiliates and the former directors of CCC in the Royal Court of Guernsey seeking more than $1.0 billion in damages in a case styled Carlyle Capital Corporation Limited v. Conway et al. On September 4, 2017, the Royal Court of Guernsey ruled that the Partnership and Directors of CCC acted reasonably and appropriately in the management and governance of CCC and that none of the Partnership, its affiliates or former directors of CCC had any liability. In December 2017, the plaintiff filed a notice of appeal of the trial court decision.A hearing before the Guernsey appellate court took place from October 8 through October 18, 2018. It is unclear whether the appellate court will affirm or reverse the trial court decision. In December 2017, the Partnership received approximately $29.8 million from the plaintiff as a deposit towards its obligations to reimburse the Partnership for legal fees and expenses incurred to defend against the claims, but such amount is subject to adjustment pending a final determination of the correct reimbursement amount and the ultimate outcome of the appeal process.

Cobalt International Energy, Inc. ("Cobalt") was a portfolio company owned by two of our Legacy Energy funds and funds advised by certain other private equity sponsors. Cobalt filed for bankruptcy protection on December 14, 2017.

A federal securities class action against Cobalt (In re Cobalt International Energy, Inc. Securities Litigation) was filed in November 2014 in the U.S. District Court for the Southern District of Texas, seeking monetary damages and alleging that Cobalt and its directors made misrepresentations in certain of Cobalt's securities offering filings relating to: (i) the value of oil reserves in Angola for which Cobalt had acquired drilling concessions, and (ii) its compliance with the Foreign Corrupt Practices Act regarding its operations in Angola and a U.S. government investigation regarding the same. The securities class action also named as co-defendants certain securities underwriters and the five private equity sponsors of Cobalt, including Riverstone and the Partnership. The class action alleged that the Partnership has liability as a "control person" for the alleged misrepresentations in Cobalt's securities offerings as well as insider trading liability. The federal court dismissed the insider trading claim against the Partnership. On February 13, 2019, the district court approved a settlement between the lead plaintiffs in the securities class action and various parties, including the Partnership, under which all claims against the Partnership were released without any requirement for the Partnership to make any financial contribution towards the settlement. In addition to the class action in federal court, a class action claim was also filed in Texas state court in Houston (Ira Gaines v. Joseph Bryant, et al.) on similar grounds, alleging derivative claims that Cobalt and the private equity sponsors breached their fiduciary duties by engaging in insider trading. On May 9, 2018, the Plan Administrator for Cobalt filed a Notice of Nonsuit with Prejudice, dismissing all claims in the case (including the claim against the Partnership) with prejudice. The court ordered the nonsuit of all claims in an order entered the same day.

A Luxembourg subsidiary of CEREP I, a real estate fund, has been involved since 2010 in a tax dispute with the French authorities relating to whether gain from the sale of an investment was taxable in France. In April 2015, the French tax court issued an opinion in this matter adverse to CEREP I, holding the Luxembourg subsidiary of CEREP I liable for approximately €105 million (including interest accrued since the beginning of the tax dispute). CEREP I paid approximately €30 million of the tax obligations and the Partnership paid the remaining approximately €75 million in its capacity as a guarantor. The Partnership appealed the decision of the French tax court. In December 2017, the French appellate court reversed the earlier tax court opinion and awarded the Partnership a refund of the full €105 million of tax and penalties (inclusive of amounts paid by CEREP I) and awarded interest on the refund of €12.5 million, before tax. On February 22, 2018 the French tax authorities appealed the appellate court decision and on October 2, 2018, CEREP I filed its appellate brief. The parties are awaiting a hearing on the appeal. The Partnership has not recognized income in respect of the refund as of December 31, 2018, pending a final determination on the current appeal. The full amount of the refund is held at CEREP I and its subsidiaries. As CEREP I is a consolidated fund, the refund of €117.5 million is recorded in our assets and liabilities of consolidated funds as of December 31, 2018.

The Partnership currently is and expects to continue to be, from time to time, subject to examinations, formal and informal inquiries and investigations by various U.S. and non-U.S. governmental and regulatory agencies, including but not limited to, the SEC, Department of Justice, state attorneys general, FINRA, National Futures Association and the U.K. Financial Conduct Authority. The Partnership routinely cooperates with such examinations, inquiries and investigations, and they may result in the commencement of civil, criminal, or administrative or other proceedings against the Partnership or its personnel. For example, among various other requests for information, the SEC has requested information about: (i) the Partnership's historical practices relating to the acceleration of monitoring fees received from certain of the Partnership's funds' portfolio companies, and (ii) the Partnership's relationship with a third-party investment adviser to a registered investment company that has invested in various investment funds sponsored by the Partnership. The Partnership is cooperating fully with the SEC's inquiries.

During 2017, the Partnership entered into settlement and purchase agreements with investors in a hedge fund and two structured finance vehicles managed by Vermillion related to investments of approximately $400 million in petroleum commodities that the Partnership believes were misappropriated by third parties outside the U.S. In total, the Partnership paid $265 million ($165 million of which was paid in 2017 with the remaining $100 million paid in 2016) to fully resolve all claims related to these matters, and issued promissory notes in the aggregate amount of $54 million to repurchase the investors’ interests in the two structured finance vehicles. In connection with these settlements, the Partnership acquired certain rights to recoveries from certain marine cargo insurance policies and is continuing to undertake efforts to obtain reimbursement for the misappropriation of petroleum. There is no assurance that the Partnership will be successful in any of its ongoing recovery efforts and the Partnership will not recognize any amounts in respect of such recoveries until such amounts are probable of payment. However, during the fourth quarter 2018, we reached an agreement with the primary underwriters in the marine cargo insurance policies for $55 million, of which the Partnership recognized approximately $32 million in insurance proceeds during the year ended December 31, 2018, with the remaining proceeds to be distributed to former investors. In total, the Partnership has recognized approximately $209 million in insurance proceeds related to these settlements ($177 million of which was recognized in 2017).

It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings and employment-related matters, and some of the matters discussed above involve claims for potentially large and/or indeterminate amounts of damages. Based on information known by management, management does not believe that as of the date of this filing the final resolutions of the matters above will have a material effect upon the Partnership's consolidated financial statements. However, given the potentially large and/or indeterminate amounts of damages sought in certain of these matters and the inherent unpredictability of investigations and litigations, it is possible that an adverse outcome in certain matters could, from time to time, have a material effect on the Partnership's financial results in any particular period.

The Partnership accrues an estimated loss contingency liability when it is probable that such a liability has been incurred and the amount of the loss can be reasonably estimated. As of December 31, 2018, the Partnership had recorded liabilities aggregating to approximately $35 million for litigation-related contingencies, regulatory examinations and inquiries, and other matters. The Partnership evaluates its outstanding legal and regulatory proceedings and other matters each quarter to assess its loss contingency accruals, and makes adjustments in such accruals, upwards or downward, as appropriate, based on management's best judgment after consultation with counsel. There is no assurance that the Partnership's accruals for loss contingencies will not need to be adjusted in the future or that, in light of the uncertainties involved in such matters, the ultimate resolution of these matters will not significantly exceed the accruals that the Partnership has recorded.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common units representing limited partner interests in The Carlyle Group L.P. are traded on the Nasdaq Global Select Market under the symbol “CG.” Our common units began trading on the Nasdaq Global Select Market Exchange on May 3, 2012.

The number of holders of record of our common units as of February 7, 2019 was 26. This does not include the number of unitholders that hold shares in “street name” through banks or broker-dealers.

Cash Distribution Policy for Common Units

It is Carlyle’s intention to cause Carlyle Holdings to make quarterly distributions to its partners, including The Carlyle Group L.P.’s wholly owned subsidiaries, that will enable The Carlyle Group L.P. to pay a quarterly distribution of approximately 75% of Distributable Earnings Attributable to Common Unitholders for the quarter. “Distributable Earnings Attributable to Common Unitholders” refers to The Carlyle Group L.P.'s share of Distributable Earnings, after an implied provision for current corporate income taxes (other than corporate income taxes attributable to The Carlyle Group L.P.) and preferred unit distributions, net of corporate income taxes attributable to The Carlyle Group L.P. and amounts payable under the tax receivable agreement. Carlyle’s general partner may adjust the distribution for amounts determined to be necessary or appropriate to provide for the conduct of its business, to make appropriate investments in its business and its funds or to comply with applicable law or any of its financing agreements, or to provide for future cash requirements such as tax-related payments, giveback obligations and distributions to unitholders for any ensuing quarter. The amount to be distributed could also be adjusted upward in any one quarter. Notwithstanding the foregoing, the declaration and payment of any distributions will be at the sole discretion of our general partner, which may change our distribution policy at any time.

Because The Carlyle Group L.P. is a holding partnership and has no material assets other than its ownership of partnership units in Carlyle Holdings held through wholly owned subsidiaries, we will fund distributions by The Carlyle Group L.P. to common unitholders, if any, in three steps:

- first, we will cause Carlyle Holdings to make distributions to its partners, including The Carlyle Group L.P.’s wholly owned subsidiaries. If Carlyle Holdings makes such distributions, the limited partners of Carlyle Holdings will be entitled to receive equivalent distributions pro rata based on their partnership interests in Carlyle Holdings;

- second, we will cause The Carlyle Group L.P.’s wholly owned subsidiaries to distribute to The Carlyle Group L.P. their share of such distributions, net of taxes and amounts payable under the tax receivable agreement by such wholly owned subsidiaries; and

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third, The Carlyle Group L.P. will distribute its net share of such distributions to our common unitholders on a pro rata basis.

Certain wholly-owned subsidiaries of The Carlyle Group L.P. through which it holds Carlyle Holdings Units are corporate taxpayers for U.S. Federal income tax purposes and also must make payments under the tax receivable agreement. These corporate subsidiaries of The Carlyle Group L.P. fund these obligations with a portion of the distributions they receive in respect of the Carlyle Holdings Units that they hold. As a result, the amounts ultimately distributed by The Carlyle Group L.P. in respect of the common units are expected to be less, on a per unit basis, than the amounts distributed by the Carlyle

Holdings partnerships in respect of the Carlyle Holdings Partnership units. Accordingly, limited partners of the Carlyle Holdings partnerships who hold Carlyle Holdings partnership units are expected to receive distributions that are higher, on a per unit basis, that common unitholders of The Carlyle Group L.P. in respect of their common units. In addition, the partnership agreements of the Carlyle Holdings partnerships will provide for cash distributions, which we refer to as "tax distributions," to the partners of such partnerships if the wholly owned subsidiaries of The Carlyle Group L.P. which are the general partners of the Carlyle Holdings partnerships determine that the taxable income of the relevant partnership will give rise to taxable income for its partners. Generally, these tax distributions will be computed based on our estimate of the net taxable income of the relevant partnership allocable to a partner multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for an individual or corporate resident in New York, New York (taking into account the non-deductibility of certain expenses and the character of our income). The Carlyle Holdings partnerships will make tax distributions only to the extent distributions from such partnerships for the relevant year were otherwise insufficient to cover such tax liabilities. The Carlyle Group L.P. is not required to distribute to its common unitholders any of the cash that its wholly owned subsidiaries may receive as a result of tax distributions by the Carlyle Holdings partnerships.

Issuer Purchases of Equity Securities

The following table sets forth repurchases of our common units during the three months ended December 31, 2018 for the periods indicated:

Period	Total number of units purchased	Average price paid per unit	Total number of units purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of units that may yet be purchased under the plans or programs
	(Dollars in million, except unit and per unit data)			
October 1, 2018 to October 31, 2018 (1)	—	$—	—	$59.2
November 1, 2018 to November 31, 2018 (1)(2)	750,518	$18.85	750,518	$39.2
December 1, 2018 to December 31, 2018 (1)(2)(3)	325,902	$17.97	325,902	$33.4
Total	1,076,420		1,076,420	

(1) In February 2016, the Board of Directors of the general partner of the Partnership authorized the repurchase of up to $200 million of common units and/or Carlyle Holdings units. Under this unit repurchase program, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. We expect that the majority of repurchases under this program will be done via open market and brokered transactions. The timing and actual number of common units and/or Carlyle Holdings units repurchased will depend on a variety of

factors, including legal requirements, price, and economic and market conditions. This unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date.

(2) For the periods from November 1, 2018 to November 31, 2018 and December 1, 2018 to December 31, 2018 all of the units purchased were common units purchased in open market and brokered transactions. All units purchased during these periods were subsequently retired.

(3) In December 2018, the Board of Directors of the general partner of the Partnership authorized the repurchase of up to $200 million of common units and/or Carlyle Holdings units, inclusive of amounts remaining under the February 2016 repurchase program. Under this new unit repurchase program, which is effective January 1, 2019, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. We expect that the majority of repurchases under this program will be done via open market and brokered transactions. The timing and actual number of common units and/or Carlyle Holdings units repurchased will depend on a variety of factors,

including legal requirements, price, and economic and market conditions. This unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date.

Sales of Unregistered Securities

None.

Rule 10b5-1 Trading Plans

As permitted by our policies and procedures governing transactions in our securities by our directors, executive officers and other employees, from time to time some of these persons may establish plans or arrangements complying with Rule 10b5-1 under the Exchange Act, and similar plans and arrangements relating to our common units and Carlyle Holdings partnership units.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data presents selected data on the financial condition and results of operations of The Carlyle Group L.P. This financial data should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements and related notes included in this Annual Report on Form 10-K.

We derived the following selected consolidated financial data of The Carlyle Group L.P. as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017, and 2016 from the audited consolidated financial statements included in this Annual Report on Form 10-K. The selected consolidated financial data as of December 31, 2016, 2015 and 2014 were derived from the audited consolidated financial statements of The Carlyle Group L.P. which are not included in this Annual Report on Form 10-K. Historical results are not necessarily indicative of results for any future period.

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(Dollars in millions, except per unit data)				
Statement of Operations Data					
Revenues[1][2]					
Fund management fees	$1,272.0	$1,026.9	$1,076.1	$1,085.2	$1,166.3
Incentive fees	30.2	35.3	36.4	22.7	4.1
Investment income, including performance allocations	809.2	2,290.6	875.9	817.4	1,663.1
Interest and other income and revenues	315.8	323.4	285.9	1,080.9	1,046.8
Total Revenues	2,427.2	3,676.2	2,274.3	3,006.2	3,880.3
Total Expenses	2,071.5	2,632.3	2,242.1	3,468.4	3,775.4
Other Income	4.5	88.4	13.1	864.4	887.0
Income before provision for income taxes	360.2	1,132.3	45.3	402.2	991.9
Provision for income taxes	31.3	124.9	30.0	2.1	76.8
Net income	328.9	1,007.4	15.3	400.1	915.1
Net income attributable to non-controlling interests in consolidated entities	33.9	72.5	41.0	537.9	485.5
Net income (loss) attributable to Carlyle Holdings	295.0	934.9	(25.7)	(137.8)	$429.6
Net income (loss) attributable to non-controlling interests in Carlyle Holdings	178.5	690.8	(32.1)	(119.4)	343.8
Net income (loss) attributable to The Carlyle Group L.P.	$116.5	$244.1	$6.4	$(18.4)	85.8
Net income attributable to Series A Preferred Unitholders	23.6	6.0	—	—	—
Net income (loss) attributable to The Carlyle Group L.P. Common Unitholders	$92.9	$238.1	$6.4	$(18.4)	$85.8
Net income (loss) attributable to The Carlyle Group L.P. per common unit					
Basic	$0.89	$2.58	$0.08	$(0.24)	$1.35
Diluted	$0.82	$2.38	$(0.08)	$(0.30)	$1.23
Distributions declared per common unit	$1.24	$1.24	$1.68	$3.39	$1.88

	As of December 31,				
	2018	2017	2016	2015	2014
	(Dollars in millions)				
Balance Sheet Data					
Cash and cash equivalents	$629.6	$1,000.1	$670.9	$991.5	$1,242.0
Corporate treasury investments	$51.7	$376.3	$190.2	$—	$—
Investments and accrued performance allocations	$5,697.5	$5,294.9	$3,588.1	$3,874.5	$4,727.2
Investments of Consolidated Funds(3)	$5,286.6	$4,534.3	$3,893.7	$23,998.8	$26,028.8
Total assets	$12,914.2	$12,280.6	$9,973.0	$32,181.6	$35,994.3
Debt obligations	$1,550.4	$1,573.6	$1,265.2	$1,135.7	$1,146.9
Loans payable of Consolidated Funds	$4,840.1	$4,303.8	$3,866.3	$17,064.7	$16,052.2
Total liabilities	$10,077.9	$9,331.6	$8,519.0	$23,258.1	$23,138.3
Redeemable non-controlling interests in consolidated entities	$—	$—	$—	$2,845.9	$3,761.5
Series A Preferred Units	$387.5	$387.5	$—	$—	$—
Total partners' capital	$2,836.3	$2,949.0	$1,454.0	$6,077.6	$9,094.5

(1) On January 1, 2018, The Carlyle Group L.P. adopted ASU 2014-9, Revenue from Contracts with Customers (Topic 606), and related amendments, which provide comprehensive guidance for recognizing revenue from contracts with customers. Consistent with the adoption of ASU 2014-9 on a modified retrospective basis, revenue presented for periods prior to 2018 have not been adjusted to reflect the new revenue recognition guidance.

(2) Upon adoption of ASU 2014-9, performance allocations that represent a performance-based capital allocation from fund limited partners to The Carlyle Group L.P. (commonly known as "carried interest") are accounted for as earnings from financial assets within the scope of ASC 323, Investments - Equity Method and Joint Ventures, and therefore are not in the scope of ASU 2014-9. The Carlyle Group L.P. applied this change in accounting principle on a full retrospective basis, which resulted in a reclassification of amounts previously reported as performance fees to performance allocations within investment income (loss) in the statement of operations. Amounts previously reported as performance fees that do not meet the definition of performance-based capital allocations are in the scope of ASU 2014-9 and are included in incentive fees in the statement of operations. Revenue for all periods presented reflect this reclassification.

(3) The entities comprising our Consolidated Funds are not the same entities for all periods presented. On January 1, 2016, The Carlyle Group L.P. adopted ASU 2015-2, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which provides a revised consolidation model to use in evaluating whether to consolidate certain types of legal entities. As a result, The Carlyle Group L.P. deconsolidated a majority of its consolidated funds on January 1, 2016. The consolidation or deconsolidation of funds generally has the effect of grossing up or down, respectively, reported assets, liabilities, and cash flows, and has no effect on net income attributable to The Carlyle Group L.P. or partners' capital.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Carlyle Group L.P. (the “Partnership”) is a Delaware limited partnership formed on July 18, 2011. The Partnership is a holding partnership and its sole material assets are equity interests through wholly owned subsidiary entities representing partnership units in Carlyle Holdings I L.P., Carlyle Holdings II L.P. and Carlyle Holdings III L.P. (collectively,” Carlyle Holdings”). Through wholly owned subsidiary entities, the Partnership is the sole general partner of Carlyle Holdings and operates and controls all of the business and affairs of Carlyle Holdings and, through Carlyle Holdings and its subsidiaries, continues to conduct the business now conducted by these subsidiaries. Carlyle Group Management L.L.C. is the general partner of the Partnership.

As the sole general partner of Carlyle Holdings, the Partnership consolidates the financial position and results of operations of Carlyle Holdings into its financial statements, and the ownership interests of the limited partners of the Carlyle Holdings partnerships are reflected as a non-controlling interest in the Partnership’s financial statements.

The following discussion should be read in conjunction with the consolidated financial statements and the related notes included in this Annual Report on Form 10-K.

Overview

We conduct our operations through four reportable segments: Corporate Private Equity, Real Assets, Global Credit (formerly known as Global Market Strategies), and Investment Solutions.

- Corporate Private Equity — Our Corporate Private Equity segment advises our 23 buyout and 10 middle market and growth capital funds, which seek a wide variety of investments of different sizes and growth potentials. As of December 31, 2018, our Corporate Private Equity segment had approximately $81 billion in AUM and approximately $62 billion in Fee-earning AUM.

- Real Assets — Our Real Assets segment advises our 10 U.S. and internationally focused real estate funds, our two infrastructure funds, our two power funds, our international energy fund, as well as our three Legacy Energy funds (funds that we jointly advise with Riverstone). The segment also includes three NGP Predecessor Funds and four NGP Carry Funds advised by NGP. As of December 31, 2018, our Real Assets segment had approximately $46 billion in AUM and approximately $33 billion in Fee-earning AUM.

- Global Credit — Our Global Credit segment advises a group of 59 funds that pursue investment strategies including loans and structured credit, direct lending, opportunistic credit, energy credit, distressed credit, and aircraft financing and servicing. As of December 31, 2018, our Global Credit segment had approximately $44 billion in AUM and approximately $35 billion in Fee-earning AUM.

- Investment Solutions — Our Investment Solutions segment advises global private equity and real estate fund of funds programs and related co-investment and secondary activities across 225 fund vehicles. As of December 31, 2018, our Investment Solutions segment had approximately $46 billion in AUM and approximately $29 billion in Fee-earning AUM.

We earn management fees pursuant to contractual arrangements with the investment funds that we manage and fees for transaction advisory and oversight services provided to portfolio companies of these funds. We also typically receive a performance fee from an investment fund, which may be either an incentive fee or a special residual allocation of income, which we refer to as a carried interest, in the event that specified investment returns are achieved by the fund. Under U.S. generally accepted accounting principles (“U.S. GAAP”), we are required to consolidate some of the investment funds that we advise. However, for segment reporting purposes, we present revenues and expenses on a basis that deconsolidates these investment funds. Accordingly, our segment revenues primarily consist of fund management and related advisory fees and other income, realized performance revenues (consisting of incentive fees and carried interest allocations), realized principal investment income, including realized gains on our investments in our funds and other trading securities, as well as interest income. Our segment expenses primarily consist of cash compensation and benefits expenses, including salaries, bonuses, and realized performance payment arrangements, and general and administrative expenses. While our segment expenses include depreciation and interest expense, our segment expenses exclude acquisition-related charges and amortization of intangibles and impairment. Refer to Note 17 to the consolidated financial statements included in this Annual Report on Form 10-K for more information on the differences between our financial results reported pursuant to U.S. GAAP and our financial results for segment reporting purposes.

Trends Affecting our Business

Expectations for global economic growth have moderated significantly since the beginning of 2018. U.S. growth has slowed from the 3.3% pace seen in the first three quarters of 2018, but our proprietary portfolio company data is predicting growth of more than 2% entering 2019 primarily due to strong U.S. household consumption. Corporate fixed investment slowed in the fourth quarter of 2018 and industrial orders seem likely to weaken further due to the drop in energy development spending resulting from the collapse in energy prices since October 2018. Tax refunds are anticipated to exceed $100 billion in the U.S. in the first four months of 2019, which we expect will further propel U.S. consumer spending. Thereafter, the Federal Reserve's U.S. fiscal stimulus is anticipated to decline, subtracting 0.4% of U.S. gross domestic product (GDP) from growth in 2020.

Throughout 2018, the recently enacted tariffs and ongoing trade disputes appeared to be having a larger impact on China than on the U.S., particularly in terms of consumer and business confidence. Our proprietary portfolio data gauges trends for GDP growth in China which remain near multi-year lows, with our estimate consistent with a roughly 5% annualized rate, though recent data suggest that the economy may have bottomed at the end of 2018. To date, the policy response in China to the slowdown has been muted. Chinese real estate activity, which is generally the sector where countercyclical stimulus becomes most evident, remains lackluster with property prices roughly flat over the past 15 months. China's slowdown has inevitably spilled over to other parts of Asia, with visible declines in manufacturing activity, especially across the countries that are most exposed to trade value chains.

Growth in Europe is twice as dependent on exports and Emerging Market (EM) demand than the U.S. The weakness in Asia and slowing global trade volumes have therefore had a larger quantitative impact on European corporate revenues than those of their U.S. counterparts. Industrial orders across Europe have been especially hard hit. Concerns about Brexit, Italian budget difficulties, and political volatility in France have also combined to depress business and consumer sentiment, resulting in slower domestic demand growth. The slowdown has been substantial enough to cause the European Central Bank to change its tone at the end of January, less than a month after concluding its asset-purchasing program in December, opening up the possibility for a resumption of easing in the near- to medium-term.

Global stock market volatility was significant in the fourth quarter of 2018 and erased any prior gains during the year, with the S&P 500, MSCI ACWI, EuroStoxx 600, and Shanghai Composite indices down 6%, 12%, 13%, and 26% for the year, respectively. In contrast, advanced economy government bonds rallied at the end of 2018 as investors sought out lower-risk assets. As of January 31, 2019, the U.S. 10-year Treasury yield was 2.6%, down nearly 60 basis points from its peak at the beginning of November 2018. In the U.S., the stock market correction in the fourth quarter of 2018 appears to be the outcome of taking U.S. long term dollar cash rates up to near 3%, making future expected stock returns less appealing on a risk-adjusted basis given concerns around pressures on corporate margins and slowing global growth. Indeed, as of end of January 2019, 3-month Treasury bills exceeded average U.S. dividend yields for the first time in a decade.

Our private portfolio continues to perform well, while our public investments have been negatively impacted by the market depreciation. Since the beginning of 2018, our overall carry portfolio has appreciated by 9%, while the MSCI ACWI was down 12% and the S&P was down 6%. Our overall carry fund portfolio depreciated by 2% in the fourth quarter of 2018, reflecting volatile global markets as well as particular weakness in public energy investments. In the fourth quarter, our Corporate Private Equity funds depreciated by 2% as our three large buyout fund families (U.S., Europe and Asia) generally were negatively impacted by volatile markets and softening macro-economic conditions. Our Real Asset funds depreciated by 7% during the fourth quarter primarily due to our investments in the energy and natural resources industry. Our real estate funds depreciated 1% primarily due to losses from a large public position held by several of the U.S. opportunistic real estate funds. Global Credit carry funds depreciated by 2% in the fourth quarter but appreciated 5% for the year. Investment Solutions appreciation was 2% in the fourth quarter and 19% for the year. While slowing global growth and volatile market conditions could impact valuations in the short-term, we believe our existing portfolio of assets is high-quality and well-diversified by fund, industry sector, asset class, and region.

We raised $7.1 billion of new capital in the fourth quarter, reaching 90% of our four-year $100 billion fundraising target, which we expect to exceed during 2019. Overall, this fundraising success fuels our investment activities, de-risks our management fee streams going forward, and drives our fee related earnings and margin expansion. While we expect additional funds to launch over the next several quarters, we also expect that our overall fundraising pace will decelerate given the mix of products in the market.
During the fourth quarter, our carry funds invested $11.5 billion in new or follow-on transactions that we have been working on for several months and have invested approximately $22.4 billion over the last twelve months. This high-level of

capital deployment is partially attributable to a few large buyout transactions. We generated $4.9 billion in realized proceeds from our carry funds in the fourth quarter, and $24.0 billion over the last twelve months. Overall, the investment environment remains challenging and competitive. High levels of dry powder in our industry combined with slowing global growth and volatile markets could affect both investment pace and realizations in 2019. At this time, we expect that net realized performance revenues in 2019 will generally be comparable to 2018 levels, with growth positioned thereafter, depending on market conditions.

Recent Transactions

Distributions

In February 2019, the Board of Directors of our general partner declared a quarterly distribution of $0.43 per common unit to common unitholders of record at the close of business on February 19, 2019, payable on February 26, 2019. The Board of Directors of our general partner declared a quarterly distribution of $0.367188 per Preferred Unit to holders of record at the close of business on March 1, 2019, payable on March 15, 2019. Distributions on the Preferred Units are discretionary and non-cumulative. See Note 14 to the consolidated financial statements for more information on these units.

Acquisition of Carlyle Aviation Partners

On December 19, 2018, we closed on our acquisition of Apollo Aviation Group, a global commercial aviation investment and servicing firm with $5.8 billion in assets under management. Apollo Aviation Group was renamed Carlyle Aviation Partners, Ltd. ("Carlyle Aviation Partners") and is included within our Global Credit segment. See Note 3 of our consolidated financial statements for more information.

Investment in Fortitude Re

In November 2018 we closed on our 19.9% investment in Fortitude Re. See Note 5 of our consolidated financial statements for more information on this transaction.

Key Financial Measures

Our key financial measures are discussed in the following pages. Additional information regarding these key financial measures and our other significant accounting policies can be found in Note 2 to the consolidated financial statements included in this Annual Report on Form 10-K.

Revenues

On January 1, 2018, we adopted ASU 2014-9, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-9”). Upon adoption, certain performance revenues that represent a performance-based capital allocation from fund limited partners to us are now accounted for as earnings from financial assets and included as a component of investment income (loss). We also are entitled to receive performance-based incentive fees pursuant to management contracts from certain of our Global Credit funds when the return on assets under management exceeds certain benchmark returns or other performance targets. These fees are recorded as incentive fees in our unaudited condensed consolidated statements of operations. See Note 2 to the financial statements for more information on our adoption of ASU 2014-9.

Revenues primarily consist of fund management fees, incentive fees, investment income (including performance allocations), realized and unrealized gains of our investments in our funds and other principal investments, as well as interest and other income.

Fund Management Fees. Fund management fees include management fees and transaction and portfolio advisory fees. We earn management fees for advisory services we provide to funds in which we hold a general partner interest or with which we have an investment advisory or investment management agreement. Additionally, management fees include catch-up management fees, which are episodic in nature and represent management fees charged to fund investors in subsequent closings of a fund which apply to the time period between the fee initiation date and the subsequent closing date.

Management fees attributable to Carlyle Partners VI, L.P. ("CP VI"), our sixth U.S. buyout fund with approximately $10.0 billion of Fee-earning AUM as of December 31, 2018, were approximately 8%, 16%, and 15% of total management fees

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recognized during the years ended December 31, 2018, 2017, and 2016, respectively. Management fees attributable to Carlyle Partners VII, L.P. ("CP VII"), our seventh U.S. buyout fund with approximately $17.5 billion of Fee-earning AUM as of December 31, 2018, was 13% of total management fees recognized during the year ended December 31, 2018. No other fund generated over 10% of total management fees in the periods presented.

Fund management fees exclude the reimbursement of any partnership expenses paid by the Partnership on behalf of the Carlyle funds pursuant to the limited partnership agreements, including amounts related to the pursuit of actual, proposed, or unconsummated investments, professional fees, expenses associated with the acquisition, holding and disposition of investments, and other fund administrative expenses.

Transaction and Portfolio Advisory Fees. Transaction and portfolio advisory fees are fees we receive for the transaction and portfolio advisory services we provide to our portfolio companies. When covered by separate contractual agreements, we recognize transaction and portfolio advisory fees for these services when the service has been provided and collection is reasonably assured. We are required to offset our fund management fees earned by a percentage of the transaction and advisory fees earned, which we refer to as the “rebate offsets.” Historically, such rebate offset percentages generally approximated 80% of the fund's portion of the transaction and advisory fees earned. However, the percentage of transaction and portfolio advisory fees we share with our investors on our recent vintage funds has generally increased, and as such the rebate offset percentages generally range from 80% to 100% of the fund's portion of the transaction and portfolio advisory fees earned. The recognition of transaction fees and portfolio advisory fees can be volatile as they are primarily generated by investment activity within our funds, and therefore are impacted by our investment pace.

Incentive Fees. Incentive fees consist of performance-based incentive arrangements pursuant to management contracts, primarily from certain of our Global Credit funds, when the return on assets under management exceeds certain benchmark returns or other performance targets. In such arrangements, incentive fees are recognized when the performance benchmark has been achieved.

Investment Income. Investment income consists of our performance allocations as well as the realized and unrealized gains and losses resulting from our equity method investments and other principal investments.

Performance allocations consist principally of the performance-based capital allocation from fund limited partners to us, commonly referred to as carried interest, from certain of our investment funds, which we refer to as the “carry funds.” Carried interest revenue is recognized by Carlyle upon appreciation of the valuation of our funds’ investments above certain return hurdles as set forth in each respective partnership agreement and is based on the amount that would be due to us pursuant to the fund partnership agreement at each period end as if the funds were liquidated at such date. Accordingly, the amount of carried interest recognized as performance allocations reflects our share of the fair value gains and losses of the associated funds’ underlying investments measured at their then-current fair values relative to the fair values as of the end of the prior period. As a result, the performance allocations earned in an applicable reporting period are not indicative of any future period, as fair values are based on conditions prevalent as of the reporting date. Refer to “ — Trends Affecting our Business” for further discussion.

In addition to the performance allocations from our Corporate Private Equity and Real Assets funds and closed-end carry funds in the Global Credit segment, we are also entitled to receive performance allocations from our Investment Solutions and NGP Carry Funds. The timing of performance allocations realizations for these funds is typically later than in our other carry funds based on the terms of such arrangements.

Our performance allocations are generated by a diverse set of funds with different vintages, geographic concentration, investment strategies and industry specialties. For an explanation of the fund acronyms used throughout this Management’s Discussion and Analysis of Financial Condition and Results of Operations section, see “Item 1. Business — Our Family of Funds.”

Performance allocations in excess of 10% of the total for the years ended December 31, 2018, 2017 and 2016 were generated from the following funds:

Year Ended December 31,					
2018		2017		2016	
(Dollars in millions)					
CP VI	$162.5	CP VI	$649.1	CP V	$124.8
CRP VII	131.8	CAP IV	312.7	CRP VII	89.4
CEP IV	77.9	CP V	311.4		
CIEP I	74.5				
CP V	68.4				
CAP IV	(245.7)				
CRP V	(67.7)				

No other fund generated over 10% of performance allocations in the periods presented above.

Under our arrangements with the historical owners and management team of AlpInvest, we generally do not retain any carried interest in respect of the historical investments and commitments to our fund vehicles that existed as of July 1, 2011 (including any options to increase any such commitments exercised after such date). We are entitled to 15% of the carried interest in respect of commitments from the historical owners of AlpInvest for the period between 2011 and 2020 and 40% of the carried interest in respect of all other commitments (including all future commitments from third parties). In certain instances, carried interest associated with the AlpInvest fund vehicles is subject to entity level income taxes in the Netherlands.

Realized carried interest may be clawed back or given back to the fund if the fund’s investment values decline below certain return hurdles, which vary from fund to fund. When the fair value of a fund’s investments remains constant or falls below certain return hurdles, previously recognized performance allocations are reversed. In all cases, each investment fund is considered separately in evaluating carried interest and potential giveback obligations. For any given period, performance allocations revenue on our statement of operations may include reversals of previously recognized performance allocations due to a decrease in the value of a particular fund that results in a decrease of cumulative performance allocations earned to date. Since fund return hurdles are cumulative, previously recognized performance allocations also may be reversed in a period of appreciation that is lower than the particular fund’s hurdle rate. For the years ended December 31, 2018, 2017, and 2016, the reversals of performance allocations were $364.4 million, $74.2 million and $109.6 million, respectively. Additionally, unrealized performance allocations reverse when performance allocations are realized, and unrealized performance allocations can be negative if the amount of realized performance allocations exceed total performance allocations generated in the period.

As of December 31, 2018, accrued performance allocations and accrued giveback obligations were approximately $3.5 billion and $63.2 million, respectively. Each balance assumes a hypothetical liquidation of the funds’ investments at December 31, 2018 at their then current fair values. These assets and liabilities will continue to fluctuate in accordance with the fair values of the fund investments until they are realized. As of December 31, 2018, approximately $36.0 million of the accrued giveback obligation is the responsibility of various current and former senior Carlyle professionals and other limited partners of the Carlyle Holdings partnerships, and the net accrued giveback obligation attributable to Carlyle Holdings is $27.2 million. The Partnership uses “net accrued performance revenues” to refer to the aggregation of the accrued performance allocations and incentive fees net of (i) accrued giveback obligations, (ii) accrued performance allocations and incentive fee-related compensation, (iii) performance allocations and incentive fee-related tax obligations, and (iv) accrued performance allocations and incentive fees attributable to non-controlling interests and excludes any net accrued performance allocations and incentive fees that have been realized but will be collected in subsequent periods. The net accrued performance revenues as of December 31, 2018 are $1.7 billion.

In addition, realized performance allocations may be reversed in future periods to the extent that such amounts become subject to a giveback obligation. If at December 31, 2018, all investments held by our carry funds were deemed worthless, the amount of realized and previously distributed performance allocations subject to potential giveback would be approximately $0.5 billion, on an after-tax basis where applicable. See the related discussion of “Contingent Obligations (Giveback)” within “— Liquidity and Capital Resources.” Since Carlyle's inception, we have realized a total of approximately $172.6 million in aggregate giveback obligations. Approximately $36.5 million of the $172.6 million in aggregate realized giveback obligations was attributable to Carlyle Holdings. The funding for employee obligations and givebacks related to carry realized pre-IPO is primarily through a collection of employee receivables related to giveback obligations and from non-controlling interests for

their portion of the obligation. The realization of giveback obligations for the Partnership's portion of such obligations reduces Distributable Earnings in the period realized and negatively impacts earnings available for distributions to unitholders in the period realized. Further, each individual recipient of realized carried interest typically signs a guarantee agreement or partnership agreement that personally obligates such person to return his/her pro rata share of any amounts of realized carried interest previously distributed that are later clawed back. Accordingly, carried interest as performance allocation compensation is subject to return to the Partnership in the event a giveback obligation is funded. Generally, the actual giveback liability, if any, does not become due until the end of a fund's life.
Each investment fund is considered separately in evaluating carried interest and potential giveback obligations. As a result, performance allocations within funds will continue to fluctuate primarily due to certain investments within each fund constituting a material portion of the carry in that fund. Additionally, the fair value of investments in our funds may have substantial fluctuations from period to period.
In addition, in our discussion of our non-GAAP results, we use the term "realized net performance revenues" to refer to realized performance allocations and incentive fees from our funds, net of the portion allocated to our investment professionals, if any, and certain tax expenses associated with carried interest attributable to certain partners and employees, which are reflected as realized performance allocations and incentive fees related compensation expense. See "— Non-GAAP Financial Measures" for the amount of realized performance revenues recognized each period. See "— Segment Analysis" for the realized performance revenues by segment and related discussion for each period.
Investment income also represents the unrealized and realized gains and losses on our principal investments, including our investments in Carlyle funds that are not consolidated, as well as any interest and other income. Investment income (loss) also includes the related amortization of the basis difference between the carrying value of our investment and our share of the underlying net assets of the investee, as well as the compensation expense associated with compensatory arrangements provided by us to employees of our equity method investee, as it relates to our investments in NGP. Principal investment income also includes our share of earnings from our strategic investment in Fortitude Re. Realized principal investment income (loss) is recorded when we redeem all or a portion of our investment or when we receive or are due cash income, such as dividends or distributions. A realized principal investment loss is also recorded when an investment is deemed to be worthless. Unrealized principal investment income (loss) results from changes in the fair value of the underlying investment, as well as the reversal of previously recognized unrealized gains (losses) at the time an investment is realized.
Fair Value Measurement. U.S. GAAP establishes a hierarchal disclosure framework which ranks the observability of market price inputs used in measuring financial instruments at fair value. The observability of inputs is impacted by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices, or for which fair value can be measured from quoted prices in active markets, will generally have a higher degree of market price observability and a lesser degree of judgment applied in determining fair value.
The table below summarizes the valuation of investments and other financial instruments included within our AUM, by segment and fair value hierarchy levels, as of December 31, 2018 (amounts in millions):

	As of December 31, 2018				
	Corporate Private Equity	Real Assets	Global Credit	Investment Solutions	Total
Consolidated Results					
Level I	$2,244	$2,888	$253	$ 929	$6,314
Level II	111	66	983	141	1,301
Level III	44,542	25,754	35,224	28,797	134,317
Fair Value of Investments	46,897	28,708	36,460	29,867	141,932
Available Capital	33,862	16,932	7,957	15,787	74,538

Total AUM	$80,759	$45,640	$44,417	$ 45,654	$216,470

Interest and Other Income of Consolidated Funds. Interest and other income of Consolidated Funds primarily represents the interest earned on CLO assets. The Consolidated Funds are not the same entities in all periods presented. The Consolidated Funds in future periods may change due to changes in fund terms, formation of new funds, and terminations of funds.

Revenue of a Real Estate VIE. Revenue of a real estate VIE consists of revenue generated by Urbplan, which primarily is revenue earned for land development services using the completed contract method and investment income earned on Urbplan's investments. Under the completed contract method of revenue recognition, revenue is not recognized until the period in which the land development services contract is completed, which can cause volatility from period to period based on which contracts are completed. Urbplan was deconsolidated from the Partnership's financial results during 2017 as a result of the Partnership disposing of its interests in Urbplan in a transaction in which a third party acquired operational control and all of the economic interests in Urbplan (see Note 16 to the consolidated financial statements).

Net Investment Gains of Consolidated Funds. Net investment gains of Consolidated Funds measures the change in the difference in fair value between the assets and the liabilities of the Consolidated Funds. A gain (loss) indicates that the fair value of the assets of the Consolidated Funds appreciated more (less), or depreciated less (more), than the fair value of the liabilities of the Consolidated Funds. A gain or loss is not necessarily indicative of the investment performance of the Consolidated Funds and does not impact the management or incentive fees received by Carlyle for its management of the Consolidated Funds. The portion of the net investment gains (losses) of Consolidated Funds attributable to the limited partner investors is allocated to non-controlling interests. Therefore a gain or loss is not expected to have a material impact on the revenues or profitability of the Partnership. Moreover, although the assets of the Consolidated Funds are consolidated onto our balance sheet pursuant to U.S. GAAP, ultimately we do not have recourse to such assets and such liabilities are generally non-recourse to us. Therefore, a gain or loss from the Consolidated Funds generally does not impact the assets available to our equity holders.

Expenses

Compensation and Benefits. Compensation includes salaries, bonuses, equity-based compensation, and performance payment arrangements. Bonuses are accrued over the service period to which they relate.

We recognize as compensation expense the portion of performance allocations and incentive fees that are due to our employees, senior Carlyle professionals, and operating executives in a manner consistent with how we recognize the performance allocations and incentive fee revenue. These amounts are accounted for as compensation expense in conjunction with the related performance allocations and incentive fee revenue and, until paid, are recognized as a component of the accrued compensation and benefits liability. Compensation in respect of performance allocations and incentive fees is paid when the related performance allocations and incentive fees are realized, and not when such performance allocations and incentive fees are accrued. The funds do not have a uniform allocation of performance allocations and incentive fees to our employees, senior Carlyle professionals and operating executives. Therefore, for any given period, the ratio of performance allocations and incentive fee compensation to performance allocations and incentive fee revenue may vary based on the funds generating the performance allocations and incentive fee revenue for that period and their particular allocation percentages.

In addition, we have implemented various equity-based compensation arrangements that require senior Carlyle professionals and other employees to vest ownership of a portion of their equity interests over a service period of up to 60 months, which under U.S. GAAP will result in compensation charges over current and future periods. Further, in order to recruit and retain existing and future senior Carlyle professionals and other employees, we have implemented additional equity-based compensation programs that have resulted in increases to our equity-based compensation expenses in 2017 and 2018. However, we intend to grant fewer equity awards to employees than we have previously. For example, in February 2018 and 2019, we granted approximately 11.3 million and 5.3 million, respectively, deferred restricted common units across a significant number of our employees; these awards vest over a period of 12 to 60 months. Compensation charges associated with all equity-based compensation grants are excluded from Fee Related Earnings and Distributable Earnings.

We may hire additional individuals and overall compensation levels may correspondingly increase, which could result in an increase in compensation and benefits expense. As a result of acquisitions, we have charges associated with contingent consideration taking the form of earn-outs and profit participation, some of which are reflected as compensation expense.

General, Administrative and Other Expenses. General, administrative, and other expenses include occupancy and equipment expenses and other expenses, which consist principally of professional fees, including those related to our global regulatory compliance program, external costs of fundraising, travel and related expenses, communications and information services, depreciation and amortization (including intangible asset amortization and impairment) and foreign currency transactions. We expect that general, administrative and other expenses will vary due to infrequently occurring or unusual items, such as impairment of intangible assets and expenses or insurance recoveries associated with litigation and contingencies. Also, in periods of significant fundraising, to the extent that we use third parties to assist in our fundraising efforts, our general, administrative and other expenses may increase accordingly. Additionally, we anticipate that general, administrative and other expenses will fluctuate from period to period due to the impact of foreign exchange transactions.

We also could incur additional expenses in the future related to our acquisitions including amortization of acquired intangibles and earn-outs to equity holders. As discussed in Note 6 to the consolidated financial statements, we evaluate our intangible assets (including goodwill) for impairment and could record additional impairment losses in future periods.

Interest and Other Expenses of Consolidated Funds. The interest and other expenses of Consolidated Funds consist primarily of interest expenses related primarily to our CLO loans, professional fees and other third-party expenses.

Interest and Other Expenses of a Real Estate VIE and Loss on Deconsolidation. Interest and other expenses of a real estate VIE and loss on deconsolidation reflects the loss recognized in 2017 as a result of the Partnership disposing of its interests in Urbplan in a transaction in which a third party acquired operational control and all of the economic interests in Urbplan, which resulted in the deconsolidation of Urbplan from the Partnership's financial results (see Note 16 to the consolidated financial statements). This line item also includes expenses incurred by Urbplan prior to deconsolidation, consisting primarily of interest expense, general and administrative expenses, impairment charges, compensation and benefits, and costs associated with land development services. Also included in this caption is the change in our estimate of the fair value of Urbplan’s loans payable.

Income Taxes. The Carlyle Holdings partnerships and their subsidiaries primarily operate as pass-through entities for U.S. income tax purposes and record a provision for state and local income taxes for certain entities based on applicable laws and a provision for foreign income taxes for certain foreign entities. In addition, Carlyle Holdings I GP Inc. is subject to U.S. income taxes on only a portion of our income or loss. Depending on the sources of our taxable income or loss, our income tax provision or benefit can vary significantly from period to period.

Income taxes for foreign entities are accounted for using the asset and liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period in which the change is enacted. For instance, in December 2017, new corporate federal income tax rates were enacted, which impacted the Partnership's deferred tax assets and liabilities. See Note 11 of the consolidated financial statements for more information on the newly enacted corporate federal income tax rates. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some or all of the deferred tax assets will not be realized.

In the normal course of business, we are subject to examination by federal and certain state, local and foreign tax regulators. As of December 31, 2018, our U.S. federal income tax returns for the years 2015 through 2017 are open under the normal three-year statute of limitations and therefore subject to examination. State and local tax returns are generally subject to audit from 2013 to 2017. Foreign tax returns are generally subject to audit from 2011 to 2017. Certain of our affiliates are currently under audit by federal, state and foreign tax authorities.

Non-controlling Interests in Consolidated Entities. Non-controlling interests in consolidated entities represent the component of equity in consolidated entities not held by us. These interests are adjusted for general partner allocations.

We record significant non-controlling interests in Carlyle Holdings relating to the ownership interests of the limited partners of the Carlyle Holdings partnerships. The Partnership, through wholly owned subsidiaries, is the sole general partner of Carlyle Holdings. Accordingly, the Partnership consolidates the financial position and results of operations of Carlyle Holdings into its financial statements, and the other ownership interests in Carlyle Holdings are reflected as a non-controlling interest in the Partnership’s financial statements.

Non-GAAP Financial Measures

In connection with a change to the Partnership’s chief operating decision makers, management has reevaluated the manner in which it makes operational and resource deployment decisions and assesses the overall performance of the Partnership’s business. Effective with the three months ended December 31, 2018, Distributable Earnings and Fee Related Earnings are the performance measures for the Partnership’s profitability used by management in making operational and resource deployment decisions. Previously, Economic Income was also a key performance measure.

The key distinction between Distributable Earnings and Economic Income is that Distributable Earnings reflects the earnings of the Partnership excluding unrealized performance revenues and related compensation expense, and unrealized principal investment income.

In connection with this modification, segment information as of and for the years ended December 31, 2017 and 2016 has been presented in this Annual Report on Form 10-K to conform to the Partnership’s current presentation of segment results for comparability purposes. Consequently, this information will be different from the historical segment financial results reporting by the Partnership in its reports filed with the SEC.

Distributable Earnings. Distributable Earnings, or "DE", is a key performance benchmark used in our industry and is evaluated regularly by management in making resource deployment and compensation decisions, and in assessing the performance of our four segments. We also use DE in our budgeting, forecasting, and the overall management of our segments. We believe that reporting DE is helpful to understanding our business and that investors should review the same supplemental financial measure that management uses to analyze our segment performance. DE is intended to show the amount of net realized earnings without the effects of consolidation of the Consolidated Funds. DE is derived from our segment reported results and is an additional measure to assess performance and determine amounts potentially available for distribution from Carlyle Holdings to its unitholders.

Distributable Earnings differs from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that it includes certain tax expenses associated with performance revenues (comprised of performance allocations and incentive fees), and does not include unrealized performance allocations and related compensation expense, unrealized principal investment income, equity-based compensation expense, net income (loss) attributable to non-Carlyle interest in consolidated entities, or charges (credits) related to Carlyle corporate actions and non-recurring items. Charges (credits) related to Carlyle corporate actions and non-recurring items include: charges associated with acquisitions or strategic investments, changes in the tax receivable agreement liability, amortization and any impairment charges associated with acquired intangible assets, transaction costs associated with acquisitions, charges associated with earnouts and contingent consideration including gains and losses associated with the estimated fair value of contingent consideration issued in conjunction with acquisitions or strategic investments, gains and losses from the retirement of debt, charges associated with contract terminations and employee severance. We believe the inclusion or exclusion of these items provides investors with a meaningful indication of our core operating performance. This measure supplements and should be considered in addition to and not in lieu of the results of operations discussed further under "Consolidated Results of Operations" prepared in accordance with U.S. GAAP.

Fee Related Earnings. Fee Related Earnings, or “FRE”, is a component of DE and is used to assess the ability of the business to cover direct base compensation and operating expenses from total fee revenues. FRE differs from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that it adjusts for the items included in the calculation of DE and also adjusts DE to exclude net realized performance revenues, realized principal investment income from investments in Carlyle funds, net interest (interest income less interest expense), and certain general, administrative and other expenses when the timing of any future payment is uncertain.

Operating Metrics

We monitor certain operating metrics that are common to the asset management industry.

Fee-earning Assets under Management

Fee-earning assets under management or Fee-earning AUM refers to the assets we manage or advise from which we derive recurring fund management fees. Our Fee-earning AUM is generally based on one of the following, once fees have been activated:

(a) the amount of limited partner capital commitments, generally for carry funds where the original investment period has not expired, for AlpInvest carry funds during the commitment fee period and for Metropolitan carry funds during the weighted-average investment period of the underlying funds (see “Fee-earning AUM based on capital commitments” in the table below for the amount of this component at each period);

(b) the remaining amount of limited partner invested capital at cost, generally for carry funds and certain co-investment vehicles where the original investment period has expired, Metropolitan carry funds after the expiration of the weighted-average investment period of the underlying funds, and one of our business development companies (see “Fee-earning AUM based on invested capital” in the table below for the amount of this component at each period);

(c) the amount of aggregate fee-earning collateral balance at par of our CLOs and other securitization vehicles, as defined in the fund indentures (typically exclusive of equities and defaulted positions) as of the quarterly cut-off date;

(d) the external investor portion of the net asset value of our hedge fund and fund of hedge funds vehicles (pre redemptions and subscriptions), as well as certain carry funds (see “Fee-earning AUM based on net asset value” in the table below for the amount of this component at each period);

(e) the gross assets (including assets acquired with leverage), excluding cash and cash equivalents, of one of our business development companies and certain carry funds (see "Fee-earning AUM based on lower of cost or fair value and other" in the table below for the amount of this component at each period); and

(f) the lower of cost or fair value of invested capital, generally for AlpInvest carry funds where the commitment fee period has expired and certain carry funds where the investment period has expired, (see "Fee-earning AUM based on lower of cost or fair value and other" in the table below for the amount of this component at each period).

The table below details Fee-earning AUM by its respective components at each period.

	As of December 31,		
	2018	2017	2016
Consolidated Results	(Dollars in millions)		
Components of Fee-earning AUM			
Fee-earning AUM based on capital commitments (1)	$70,032	$58,618	$51,455
Fee-earning AUM based on invested capital (2)	43,369	24,263	25,976
Fee-earning AUM based on collateral balances, at par (3)	22,921	18,625	16,999
Fee-earning AUM based on net asset value (4)	3,288	1,776	977
Fee-earning AUM based on lower of cost or fair value and other (5)	19,942	21,313	19,587
Balance, End of Period (6) (7)	$159,552	$124,595	$114,994

(1) Reflects limited partner capital commitments where the original investment period, weighted-average investment period, or commitment fee period has not expired.

(2) Reflects limited partner invested capital at cost and includes amounts committed to or reserved for investments for certain Real Assets and Investment Solutions funds.

(3) Represents the amount of aggregate Fee-earning collateral balances and principal balances, at par, for our CLOs/structured products.

(4) Reflects the net asset value (pre-redemptions and subscriptions) of our hedge funds, mutual fund and fund of hedge funds vehicles, as well as certain other carry funds.

(5) Includes funds with fees based on gross asset value.

(6) Energy III, Energy IV, and Renew II (collectively, the "Legacy Energy Funds") are managed with Riverstone Holdings LLC and its affiliates. Affiliates of both Carlyle and Riverstone act as investment advisers to each of the Legacy Energy Funds. Carlyle has a minority representation on the management committees of Energy IV and Renew II. Carlyle and Riverstone each hold half of the seats on the management committees of Energy III, but the investment period for this fund has expired and the remaining investments in such fund are being disposed of in the ordinary course of business. As of December 31, 2018, the Legacy Energy Funds had, in the aggregate, approximately $4.1 billion in AUM and $3.4 billion in Fee-earning AUM. We are no longer raising capital for the Legacy Energy Funds and expect these balances to continue to decrease over time as the funds wind down.

(7) Ending balance excludes $6.5 billion of pending Fee-earning AUM for which fees have not yet been activated.

The table below provides the period to period rollforward of Fee-earning AUM.

	Year Ended December 31,		
	2018	2017	2016
Consolidated Results	(Dollars in millions)		
Fee-earning AUM Rollforward			
Balance, Beginning of Period	$124,595	$114,994	$130,994
Acquisitions/(Divestments) (1)	4,093	—	(4,356)
Inflows, including Commitments (2)	46,071	22,679	14,625
Outflows, including Distributions (3)	(13,486)	(17,949)	(20,678)
Subscriptions, net of Redemptions (4)	—	—	(4,930)
Market Appreciation/(Depreciation) (5)	30	(90)	(73)
Foreign Exchange and other (6)	(1,751)	4,961	(588)
Balance, End of Period	$159,552	$124,595	$114,994

(1) Acquisition activity represents Carlyle Aviation Partners assets which were acquired in a transaction that closed in December 2018. Divestment activity in 2016 represents ESG assets which were transferred to the ESG founders in a transaction that closed in October 2016 and Claren Road assets which were transferred to the Claren Road founders in a transaction that closed in January 2017.

(2) Inflows represents limited partner capital raised by our carry funds or separately managed accounts for which management fees based on commitments were activated during the period, the fee-earning commitments invested in vehicles for which management fees are based on invested capital, as well as the fee-earning collateral balance of new CLO issuance. Inflows exclude fundraising amounts during the period for which fees have not yet been activated, which are referenced as Pending Fee-earning AUM.

(3) Outflows represents the impact of limited partner distributions from vehicles with management fees based on remaining invested capital at cost or fair value, changes in basis for funds where the investment period, weighted-average investment period or commitment fee period has expired during the period, reductions for funds that are no longer calling for fees, and runoff of CLO collateral balances. Distributions for funds earning management fees based on commitments during the period do not affect Fee-earning AUM.

(4) Represents the net result of subscriptions to and redemptions from our hedge funds, mutual fund and fund of hedge funds vehicles.

(5) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments in our carry funds based on the lower of cost or fair value and net asset value.

(6) Includes activity of funds with fees based on gross asset value. Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Refer to "— Segment Analysis" for a detailed discussion by segment of the activity affecting Fee-earning AUM for each of the periods presented by segment.

Assets under Management

"Assets under management" or "AUM" refers to the assets we manage or advise. Our AUM equals the sum of the following:

(a) the aggregate fair value of our carry funds and related co-investment vehicles, NGP Predecessor Funds and separately managed accounts, plus the capital that Carlyle is entitled to call from investors in those funds and vehicles (including Carlyle commitments to those funds and vehicles and those of senior Carlyle professionals and employees) pursuant to the terms of their capital commitments to those funds and vehicles;

(b) the amount of aggregate collateral balance and principal cash at par or aggregate principal amount of the notes of our CLOs and other structured products (inclusive of all positions);

(c)

the net asset value (pre-redemptions and subscriptions) of our long/short credit, emerging markets, multi-product macroeconomic, fund of hedge funds vehicles, mutual fund and other hedge funds; and

(d) the gross assets (including assets acquired with leverage) of our business development companies, plus the capital that Carlyle is entitled to call from investors in those vehicles pursuant to the terms of their capital commitments to those vehicles.

We include in our calculation of AUM and Fee-earning AUM certain energy and renewable resources funds that we jointly advise with Riverstone Holdings L.L.C. (“Riverstone”) and the NGP Energy Funds that are advised by NGP. For most of our carry funds, total AUM includes the fair value of the capital invested, whereas Fee-earning AUM includes the amount of capital commitments or the remaining amount of invested capital, depending on whether the original investment period for the fund has expired. As such, Fee-earning AUM may be greater than total AUM when the aggregate fair value of the remaining investments is less than the cost of those investments.
Our calculations of AUM and Fee-earning AUM may differ from the calculations of other asset managers. As a result, these measures may not be comparable to similar measures presented by other asset managers. In addition, our calculation of AUM (but not Fee-earning AUM) includes uncalled commitments to, and the fair value of invested capital in, our investment funds from Carlyle and our personnel, regardless of whether such commitments or invested capital are subject to management fees or performance allocations. Our calculations of AUM or Fee-earning AUM are not based on any definition of AUM or Fee-earning AUM that is set forth in the agreements governing the investment funds that we manage or advise.
We generally use Fee-earning AUM as a metric to measure changes in the assets from which we earn recurring management fees. Total AUM tends to be a better measure of our investment and fundraising performance as it reflects investments at fair value plus available capital.
Available Capital
"Available Capital" refers to the amount of capital commitments available to be called for investments, which may be reduced for equity invested that is funded via a fund credit facility and expected to be called from investors at a later date, plus any additional assets/liabilities at the fund level other than active investments. Amounts previously called may be added back to available capital following certain distributions. “Expired Available Capital” occurs when a fund has passed the investment and follow-on periods and can no longer invest capital into new or existing deals. Any remaining Available Capital, typically a result of either recycled distributions or specific reserves established for the follow-on period that are not drawn, can only be called for fees and expenses and is therefore removed from the Total AUM calculation.

The table below provides the period to period rollforward of Total AUM.

	Year Ended December 31,		
	2018	2017	2016
	(Dollars in millions)		
Consolidated Results			
Total AUM Rollforward			
Balance, Beginning of Period	$195,061	$157,607	$182,595
Acquisitions/(Divestments) (1)	5,791	—	(4,707)
New Commitments (2)	32,911	42,846	13,216
Outflows (3)	(23,396)	(27,409)	(37,692)
Market Appreciation/(Depreciation) (4)	10,743	17,104	10,148
Foreign Exchange Gain/(Loss) (5)	(2,878)	6,493	(1,195)
Other (6)	(1,762)	(1,580)	(4,758)
Balance, End of Period	$216,470	$195,061	$157,607

(1) Acquisition activity represents Carlyle Aviation Partners assets which were acquired in a transaction that closed in December 2018. Divestment activity represents ESG assets which were transferred to the ESG founders in a transaction that closed in October 2016 and Claren Road assets which were transferred to the Claren Road founders in a transaction that closed in January 2017.

(2) New Commitments reflects the impact of gross fundraising during the period. For funds or vehicles denominated in foreign currencies, this reflects translation at the average quarterly rate, while the separately reported Fundraising metric is translated at the spot rate for each individual closing.

(3) Outflows include distributions in our carry funds and related co-investment vehicles, NGP Predecessor Funds and separately managed accounts, as well as runoff of CLO collateral balances and redemptions in our hedge funds and fund of hedge funds vehicles.

(4) Market Appreciation/(Depreciation) generally represents realized and unrealized gains (losses) on portfolio investments in our carry funds and related co-investment vehicles, NGP Predecessor Funds, separately managed accounts, hedge funds and fund of hedge funds vehicles. Appreciation for 2018 was driven by 9% appreciation ($4.9 billion) in the private portfolio, offset by 19% depreciation ($1.7 billion) in the public portfolio of our Corporate Private Equity, Real Assets, and Global Credit carry funds, in addition to $6.8 billion of appreciation in our Investment Solutions carry funds.

(5) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

(6) Includes expiring available capital, the impact of capital calls for fees and expenses, change in gross asset value for our business development companies and other changes in AUM.

The table below presents the change in appreciation on portfolio investments of our carry funds. Please refer to "—Segment Analysis" for a detailed discussion by segment of the activity affecting Total AUM for each of the periods presented.

Carlyle Portfolio Appreciation [1,2] vs. Major Equity Indices

(1) Corporate Private Equity, Real Assets, and Global Credit carry funds only, excluding external co-investment.

(2) For Carlyle returns, "Appreciation/Depreciation" represents realized and unrealized gain / loss for the period on a total return basis before fees and expenses. The percentage of return is calculated as the sum of ending remaining investment fair market value ("FMV") and net investment outflow (sales proceeds less net purchases) less beginning remaining investment FMV divided by beginning remaining investment FMV.

(3) In the Corporate Private Equity, Real Assets, and Global Credit carry funds, public investments made up 7% of remaining fair value at December 31, 2018 and 14% of remaining fair value at December 31, 2017. For Q4 2018, public investments depreciated 27% while private investments depreciated 1%, compared to 9% public appreciation and 6% private appreciation for Q4 2017. For YTD 2018, public investments depreciated 19% while private investments appreciated 9%, compared to 29% public appreciation and 26% private appreciation for the comparable prior YTD period. Public portfolio includes initial public offerings ("IPO") that occurred in the quarter. Investments may be reported as private in quarters prior to the IPO quarter.

(4) The MSCI ACWI - All Cap Index represents the performance of the MSCI All Country World Index across all market capitalization sizes of the global equity market. There are significant differences between the types of securities and assets typically acquired by our carry funds and the investments covered by the MSCI All Country World Index. Specifically, our carry funds may make investments in securities and other assets that have a greater degree of risk and volatility, and less liquidity, than those securities included in the MSCI All Country World Index. Moreover, investors in the securities included in the MSCI All Country World Index may not be subject to the management fees, carried interest or expenses to which investors in our carry funds are typically subject. Comparisons between the our carry fund appreciation and the MSCI All Country World Index are included for informational purposes only.

Consolidation of Certain Carlyle Funds

The Partnership consolidates all entities that it controls either through a majority voting interest or as the primary beneficiary of variable interest entities. On January 1, 2016, the Partnership adopted ASU 2015-2, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which provides a revised consolidation model for all reporting entities to use in evaluating whether to consolidate certain types of legal entities. As a result, the Partnership deconsolidated the majority of the Partnership's consolidated funds on January 1, 2016. The entities we consolidate are referred to collectively as the Consolidated Funds in our consolidated financial statements.

As of December 31, 2018, our Consolidated Funds represent approximately 2% of our AUM; 2% of our fund management fees; and less than 1% of our investment income for the year ended December 31, 2018.

We are not required under the revised consolidation guidance to consolidate in our financial statements most of the investment funds we advise. However, we consolidate certain CLOs that we advise. As of December 31, 2018, our consolidated CLOs held approximately $5.5 billion of total assets and comprised substantially all of the assets and loans payable of the Consolidated Funds. The assets and liabilities of the Consolidated Funds are generally held within separate legal entities and, as a result, the liabilities of the Consolidated Funds are non-recourse to us.

Generally, the consolidation of the Consolidated Funds has a gross-up effect on our assets, liabilities and cash flows but has no net effect on the net income attributable to the Partnership and partners' capital. The majority of the net economic ownership interests of the Consolidated Funds are reflected as non-controlling interests in consolidated entities in the consolidated financial statements. Because only a small portion of our funds are consolidated, the performance of the Consolidated Funds is not necessarily consistent with or representative of the combined performance trends of all of our funds.

For further information on our consolidation policy and the consolidation of certain funds, see Note 2 to the consolidated financial statements included in this Annual Report on Form 10-K.

Consolidated Results of Operations

The following table and discussion sets forth information regarding our consolidated results of operations for the years ended December 31, 2018, 2017 and 2016. Our consolidated financial statements have been prepared on substantially the same basis for all historical periods presented; however, the consolidated funds are not the same entities in all periods shown due to changes in U.S. GAAP, changes in fund terms and the creation and termination of funds. As further described above, the consolidation of these funds primarily had the impact of increasing interest and other income of Consolidated Funds, interest and other expenses of Consolidated Funds, and net investment gains of Consolidated Funds in the year that the fund is initially consolidated. The consolidation of these funds had no effect on net income attributable to the Partnership for the periods presented.

	Year Ended December 31,		
	2018	2017	2016
	(Dollars in millions, except unit and per unit data)		
Revenues			
Fund management fees	$1,272.0	$ 1,026.9	$ 1,076.1
Incentive fees	30.2	35.3	36.4
Investment income (loss)			
Performance allocations	622.9	2,058.6	715.4
Principal investment income	186.3	232.0	160.5
Total investment income	809.2	2,290.6	875.9
Interest and other income	101.3	36.7	23.9
Interest and other income of Consolidated Funds	214.5	177.7	166.9
Revenue of a real estate VIE	—	109.0	95.1
Total revenues	2,427.2	3,676.2	2,274.3
Expenses			
Compensation and benefits			
Cash-based compensation	746.7	652.7	647.1
Equity-based compensation	239.9	320.3	334.6
Performance allocations and incentive fee related compensation	376.3	988.3	353.1
Total compensation and benefits	1,362.9	1,961.3	1,334.8
General, administrative, and other expenses	460.7	276.8	521.1
Interest	82.2	65.5	61.3
Interest and other expenses of Consolidated Funds	164.6	197.6	128.5
Interest and other expenses of a real estate VIE and loss on deconsolidation	—	202.5	207.6
Other non-operating expenses (income)	1.1	(71.4)	(11.2)
Total expenses	2,071.5	2,632.3	2,242.1
Other income			
Net investment gains of Consolidated Funds	4.5	88.4	13.1
Income before provision for income taxes	360.2	1,132.3	45.3
Provision for income taxes	31.3	124.9	30.0
Net income	328.9	1,007.4	15.3
Net income attributable to non-controlling interests in consolidated entities	33.9	72.5	41.0
Net income (loss) attributable to Carlyle Holdings	295.0	934.9	(25.7)
Net income (loss) attributable to non-controlling interests in Carlyle Holdings	178.5	690.8	(32.1)
Net income attributable to The Carlyle Group L.P.	116.5	244.1	6.4
Net income attributable to Series A Preferred Unitholders	23.6	6.0	—
Net income attributable to The Carlyle Group L.P. common unitholders	$92.9	$ 238.1	$ 6.4
Net income (loss) attributable to The Carlyle Group L.P. per common unit			
Basic	$0.89	$ 2.58	$ 0.08
Diluted	$0.82	$ 2.38	$ (0.08)
Weighted-average common units			
Basic	104,198,089	92,136,959	82,714,178
Diluted	113,389,443	100,082,548	308,522,990

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017 and Year Ended December 31, 2017 Compared to Year Ended December 31, 2016.

Revenues

Total revenues decreased $1.2 billion, or 34%, for the year ended December 31, 2018 as compared to 2017 and increased $1.4 billion, or 62%, for the year ended December 31, 2017 as compared to 2016. The following table provides the components of the changes in total revenues for the years ended December 31, 2018 and 2017:

	Year Ended December 31,	
	2018	2017
	(Dollars in millions)	
Total Revenues, prior year	$3,676.2	$2,274.3
Increases (decreases):		
Increase (decrease) in fund management fees	245.1	(49.2)
Decrease in incentive fees	(5.1)	(1.1)
(Decrease) increase in investment income, including performance allocations	(1,481.4)	1,414.7
Increase in interest and other income of Consolidated Funds	36.8	10.8
(Decrease) increase in revenue of a real estate VIE	(109.0)	13.9
Increase in interest and other income	64.6	12.8
Total (decrease) increase	(1,249.0)	1,401.9
Total Revenues, current year	$2,427.2	$3,676.2

Fund Management Fees. Fund management fees increased $245.1 million, or 24%, for the year ended December 31, 2018 as compared to 2017, and decreased $49.2 million, or 5%, for the year ended December 31, 2017 as compared to 2016, primarily due to the following:

	Year Ended December 31,	
	2018	2017
	(Dollars in millions)	
Higher management fees from the commencement of the investment period for certain newly raised funds	$344.3	$99.0
Lower management fees resulting from the change in basis for earning management fees from commitments to invested capital for certain funds and from distributions from funds whose management fees are based on invested capital	(117.3)	(63.0)
Increase (decrease) in catch-up management fees from subsequent closes of funds that are in the fundraising period	13.9	(6.6)
Lower management fees from lower assets under management in our former hedge funds	—	(66.4)
Higher (lower) transaction and portfolio advisory fees	10.2	(4.2)
All other changes	(6.0)	(8.0)
Total increase (decrease) in fund management fees	$245.1	$(49.2)

Fund management fees include transaction and portfolio advisory fees, net of rebate offsets, of $50.5 million, $43.6 million, and $47.8 million for the years ended December 31, 2018, 2017 and 2016, respectively. The increase in transaction and portfolio advisory fees for the year ended December 31, 2018 as compared to 2017 was driven by certain significant transactions in our Corporate Private Equity funds which closed in the fourth quarter of 2018. The decrease for the year ended December 31, 2017 as compared to 2016 resulted primarily from a significant transaction related to one of our U.S. buyout funds in 2016.

Investment Income. Investment income decreased $1.5 billion for the year ended December 31, 2018 as compared to 2017, and increased $1.4 billion for the year ended December 31, 2017 as compared to 2016, primarily due to the following:

	Year Ended December 31,	
	2018	2017
	(Dollars in millions)	
(Decrease) increase in performance allocations, excluding NGP	$(1,435.7)	$1,343.2
(Decrease) increase in investment income from NGP, which includes performance allocations from the investments in NGP	(44.8)	103.1
Investment loss related to NGP contingent consideration	—	(37.6)
(Decrease) increase in investment income from our buyout and growth funds	(45.7)	10.8
Increase in gains on foreign currency hedges	9.4	4.6
Decrease in investment income from our real assets funds, excluding NGP	(5.3)	(14.9)
(Decrease) increase in investment income from our distressed debt funds, former hedge funds, and energy mezzanine funds	(11.0)	4.0
Decrease in investment income from our CLOs	(6.2)	(6.7)
Investment income from Fortitude Re	57.9	—
All other changes	—	8.2
Total (decrease) increase in investment income	$(1,481.4)	$1,414.7

Performance Allocations. Performance allocations decreased $1.4 billion for the year ended December 31, 2018 compared to 2017 and increased $1.3 billion for the year ended December 31, 2017 as compared to 2016.

Performance allocations by segment for the years ended December 31, 2018, 2017 and 2016 comprised the following:

	Year Ended December 31,		
	2018	2017	2016
	(Dollars in millions)		
Corporate Private Equity	$291.4	$1,629.6	$289.6
Real Assets	148.4	265.2	321.1
Global Credit	9.1	21.3	1.0
Investment Solutions	174.0	142.5	103.7
Total performance allocations	$622.9	$2,058.6	$715.4
Total carry fund appreciation	9%	20%	12%

Approximately $201.7 million of our performance allocations for the year ended December 31, 2018 were related to CP VI, CRP VII, CEP IV, CIEP I, CP V, CAP IV and CRP V while approximately $1,273.2 million of our performance allocations for the year ended December 31, 2017 were related to CP VI, CAP IV and CP V, and approximately $214.2 million of our performance allocations for the year ended December 31, 2016 were related to CP V and CRP VII.

Expectations for global economic growth have moderated significantly since the beginning of 2018. U.S. growth has slowed from the 3.3% pace seen in the first three quarters of 2018, but our proprietary portfolio company data is pointing to growth of more than 2% entering 2019. Our private portfolio continues to perform well, while our public investments have been negatively impacted by market depreciation. Since the beginning of 2018, our overall carry fund portfolio has appreciated by 9% but depreciated by 2% in the fourth quarter of 2018, reflecting volatile global markets as well as particular weakness in public energy investments. Overall, the investment environment remains challenging and competitive. High levels of dry powder in our industry combined with slowing global growth and volatile markets could affect both investment pace and realizations in 2019.

In addition, incentive fees from Consolidated Funds increased $1.3 million for the year ended December 31, 2018 as compared to 2017, and increased $2.2 million for the year ended December 31, 2017 as compared to 2016. These fees eliminate upon consolidation.

Interest and Other Income. Interest and other income increased $64.6 million and $12.8 million for the year ended December 31, 2018 as compared to the years ended December 31, 2017 and 2016, respectively. Increases for both periods reflect an increase in interest income related to our CLOs and certain money market accounts. In addition, contributing to the 2018 increase was the Partnership's adoption of the revenue recognition standard, ASU 2014-09, on January 1, 2018. As part of the adoption, the reimbursement of certain costs incurred on behalf of Carlyle funds, primarily travel and entertainment costs, that were previously presented net in our audited consolidated statements of operations are presented gross beginning on January 1, 2018. For the year ended December 31, 2018, these costs were approximately $29.3 million and are presented in interest and other income and general, administrative and other expenses in our audited consolidated statements of operations. See Note 2 to our audited consolidated financial statements for more information on the adoption of the revenue recognition standard.
Interest and Other Income of Consolidated Funds. Our CLOs generate interest income primarily from investments in bonds and loans inclusive of amortization of discounts and generate other income from consent and amendment fees. Substantially all interest and other income of the CLOs and other consolidated funds together with interest expense of our CLOs and net investment gains of Consolidated Funds is attributable to the related funds' limited partners or CLO investors. Accordingly, such amounts have no material impact on net income attributable to the Partnership.
Interest and other income of consolidated funds increased $36.8 million for the year ended December 31, 2018 as compared to 2017, and increased $10.8 million for the year ended December 31, 2017 as compared to 2016. Substantially all of the increase in interest and other income of Consolidated Funds for both periods relates to increased interest income from CLOs.

Revenue of a Real Estate VIE. Revenue of a real estate VIE was $109.0 million in 2017 and $95.1 million in 2016. The increase in revenue of the real estate VIE for the year ended December 31, 2017 as compared to 2016 is primarily due to an increase in the number of land development projects completed in 2017, prior to deconsolidation. See Note 16 for more information on the deconsolidation of the real estate VIE.

Expenses

Total expenses decreased $560.8 million for the year ended December 31, 2018 as compared to 2017, and increased $390.2 million for the year ended December 31, 2017 as compared to 2016. The following table provides the components of the changes in total expenses for the year ended December 31, 2018 and 2017:

	Year Ended December 31,	
	2018	2017
	(Dollars in millions)	
Total Expenses, prior year	$2,632.3	$2,242.1
Increases (Decreases):		
(Decrease) increase in total compensation and benefits	(598.4)	626.5
Increase (decrease) in general, administrative and other expenses	183.9	(244.3)
(Decrease) increase in interest and other expenses of Consolidated Funds	(33.0)	69.1
Decrease in interest and other expenses of a real estate VIE and loss on deconsolidation	(202.5)	(5.1)
Decrease (increase) in other non-operating income	72.5	(60.2)
All other changes	16.7	4.2
Total (decrease) increase	(560.8)	390.2
Total Expenses, current year	$2,071.5	$2,632.3

Total Compensation and Benefits. Total compensation and benefits decreased $598.4 million for the year ended December 31, 2018 as compared to 2017, and increased $626.5 million for the year ended December 31, 2017 as compared to 2016, due to the following:

	Year Ended December 31,	
	2018	2017
	(Dollars in millions)	
Increase in cash-based compensation and benefits	$94.0	$5.6
Decrease in equity-based compensation	(80.4)	(14.3)
(Decrease) increase in performance allocations and incentive fee related compensation	(612.0)	635.2
Total (decrease) increase in total compensation and benefits	$(598.4)	$626.5

Cash-based compensation and benefits. Cash-based compensation and benefits increased $94.0 million, or 14%, for the year ended December 31, 2018 as compared to 2017, and increased $5.6 million, or 1%, for the year ended December 31, 2017 as compared to 2016, primarily due to the following:

	Year Ended December 31,	
	2018	2017
	(Dollars in millions)	
Decrease in hedge fund headcount and bonuses	$—	$(24.9)
Increase (decrease) in all other headcount and bonuses	112.5	(14.7)
(Decrease) increase in compensation costs associated with fundraising activities	(18.5)	30.4
Absence in 2017 of prior year net write-down of acquisition-related compensatory arrangements	—	14.8
Total increase in base compensation and benefits	$94.0	$5.6

Equity-based compensation. Equity-based compensation decreased $80.4 million, or 25%, for the year ended December 31, 2018 as compared to 2017. The decrease in equity-based compensation from 2018 to 2017 was due primarily to the timing of the last vesting of awards in May 2018 related to our initial public offering in 2012. This decrease was partially offset by the ongoing grants of deferred restricted common units to new and existing employees during 2017 and 2018.

Equity-based compensation decreased $14.3 million, or 4%, for the year ended December 31, 2017 as compared to 2016. The decrease in equity-based compensation from 2016 to 2017 was due primarily to the forfeiture of equity-based awards due to employee terminations occurring in 2016 and the accounting policy change on January 1, 2017 to account for forfeitures as they occur instead of estimating an expense at the grant date. These decreases were partially offset by the settlement of the DGAM earnout agreement due to the commencement of the wind down of DGAM in 2016 in which a reduction of expense was incurred in 2016 and by the ongoing grants of deferred restricted common units to new and existing employees during 2016 and 2017.

Performance allocations and incentive fee related compensation expense. Performance allocations and incentive fee related compensation expense decreased $612.0 million for the year ended December 31, 2018 as compared to 2017 and increased $635.2 million for the year ended December 31, 2017 as compared to 2016. Performance allocations and incentive fee related compensation expense as a percentage of performance allocations and incentive fee was 58%, 48%, and 47% in the years ended December 31, 2018, 2017 and 2016, respectively. For our largest segment, Corporate Private Equity, our performance allocations and incentive fee related compensation expense as a percentage of performance allocations is generally around 45%. Performance allocations from our Investment Solutions segment pay a higher ratio of performance allocations as compensation. Conversely, performance allocations from the Legacy Energy funds in our Real Assets segment are primarily allocated to Carlyle because the investment teams for the Legacy Energy funds are employed by Riverstone and not Carlyle.

General, Administrative and Other Expenses. General, administrative and other expenses increased $183.9 million for the year ended December 31, 2018 as compared to 2017, and decreased $244.3 million for the year ended December 31, 2017 as compared to 2016, primarily due to:

	Year Ended December 31,	
	2018	2017
	(Dollars in millions)	
Certain costs incurred on behalf of Carlyle funds, primarily travel and entertainment costs, that are now presented on a gross basis as a result of the adoption of the new revenue recognition standard (See Note 2 to the consolidated financial statements)	$29.3	$—
Lease assignment and termination costs	66.9	—
Lower expenses for litigation and contingencies*	(119.2)	(56.2)
Decrease (increase) in net insurance proceeds recognized for certain legal matters	180.8	(187.6)
Lower intangible asset amortization	(0.2)	(32.3)
Higher (lower) professional fees	7.0	(7.5)
Higher external fundraising costs	22.6	6.0
Foreign exchange adjustments and other changes	(3.3)	33.3
Total increase (decrease) in general, administrative and other expenses	$183.9	$(244.3)

* For the year ended December 31, 2018 compared to the year ended December 31, 2017, this reflects the $144 million of commodities charges in 2017 as well as the $25 million reversal of the CCC litigation. For the year ended December 31, 2017 compared to the year ended December 31, 2016, this reflects the $175 million 2016 commodities charges as compared to the $25 million reversal of the CCC litigation reserve and $144 million of commodities charges in 2017. See Note 9 to the consolidated financial statements for more information on our legal matters.

Interest and Other Expenses of Consolidated Funds. Interest and other expenses of Consolidated Funds decreased $33.0 million for the year ended December 31, 2018 as compared to 2017 and increased $69.1 million for the year ended December 31, 2017 as compared to 2016. The decrease for the year ended December 31, 2018 as compared to 2017 was primarily due to lower interest expense on the consolidated CLOs. The increase for the year ended December 31, 2017 as compared to 2016 due to higher interest expense on the consolidated CLOs.

The CLOs incur interest expense on their loans payable and incur other expenses consisting of trustee fees, rating agency fees and professional fees. Substantially all interest and other income of our CLOs together with interest expense of our CLOs and net investment gains of Consolidated Funds is attributable to the related funds' limited partners or CLO investors. Accordingly, such amounts have no material impact on net income attributable to the Partnership.

Interest and Other Expenses of a Real Estate VIE and Loss on Deconsolidation. Interest and other expenses of a real estate VIE and loss on deconsolidation decreased $202.5 million for the year ended December 31, 2018 as compared to 2017, due to the deconsolidation of the VIE in the third quarter of 2017 when the Partnership disposed of its interest in Urbplan. See Note 16 to the consolidated financial statements for more information on the disposal transaction.

Interest and other expenses of a real estate VIE and loss on deconsolidation decreased $5.1 million for the year ended December 31, 2017 as compared to 2016, primarily due to:

	Year Ended December 31, 2017 (Dollars in millions)
Higher expenses associated with land development services	$ 33.1
Higher expenses related to fair market value adjustment for Urbplan loans	11.0
Lower interest expense	(32.9)
Lower compensation and benefits	(5.7)
Lower general, administrative and other expenses, primarily due to asset impairments and litigation reserves	(75.1)
Loss on deconsolidation *	64.5
Total decrease in interest and other expenses of a real estate VIE and loss on deconsolidation	$ (5.1)

* During the year ended December 31, 2017, the Partnership recognized a loss of approximately $65 million as a result of the Partnership disposing of its interests in Urbplan in a transaction in which a third party acquired operational control and all of the economic interests in Urbplan. With this transaction, Urbplan was deconsolidated from the Partnership's financial results (see Note 16 to the consolidated financial statements).

Other Non-operating Expenses (Income). For the year ended December 31, 2017, this caption includes the impact of the enacted tax reform legislation on our tax receivable agreement liability, which was reduced by $71.5 million. See Note 11 to the consolidated financial statements for more information on the enacted tax reform legislation. In addition, for the years ended December 31, 2018, 2017 and 2016, this caption primarily represents the change in the fair value of contingent consideration associated with the Partnership's acquisitions.

The increase in other non-operating income for the year ended December 31, 2017 as compared to 2016 was primarily due to the $71.5 million reduction in the tax receivable agreement liability as mentioned above, the result of the separation from ESG and Claren Road and the associated termination of their respective earnout arrangements, and the change in fair value of contingent consideration associated with the Partnership's other acquisitions. During the year ended December 31, 2016, the overall estimated fair value of the contingent consideration associated with the Partnership's acquisitions decreased based on management's assumptions in the probability-weighted discounted cash flow models used to estimate the fair value of these contingent consideration arrangements at December 31, 2016.

Net Investment Gains of Consolidated Funds.

For the years ended December 31, 2018, 2017 and 2016 net investment gains of Consolidated Funds was $4.5 million, $88.4 million, and $13.1 million, respectively, comprised of the activity of the consolidated CLOs and certain other funds. For the consolidated CLOs, the amount reflects the net gain or loss on the fair value adjustment of both the assets and liabilities. The components of net investment gains of consolidated funds for the respective periods are:

	Year Ended December 31,		
	2018	2017	2016
	(Dollars in millions)		
Realized losses	$ (4.9)	$ (54.0)	$ (33.4)
Net change in unrealized (losses) gains	(103.9)	81.0	85.1
Total (losses) gains	(108.8)	27.0	51.7
Gains (losses) on liabilities of CLOs	113.3	61.4	(40.5)
Gains on other assets of CLOs	—	—	1.9
Total net investment gains of Consolidated Funds	$ 4.5	$ 88.4	$ 13.1

The gains/losses on the liabilities of the CLOs reflect the fair value adjustment on the debt of the CLOs. For the years ended December 31, 2018, 2017 and 2016, the unrealized investment gains/losses primarily include the appreciation/depreciation of consolidated CLO investments in loans and bonds.

The net investment gains for the years ended December 31, 2018, 2017 and 2016 were due to the following:

	Year Ended December 31,		
	2018	2017	2016
	(Dollars in millions)		
Gains (losses) attributable to other consolidated funds	$ 0.1	$ 19.9	$ (0.1)
Net appreciation of CLOs	4.4	68.5	13.2
Total net investment gains	$ 4.5	$ 88.4	$ 13.1

Net Income Attributable to Non-controlling Interests in Consolidated Entities

Net income attributable to non-controlling interests in consolidated entities was $33.9 million, $72.5 million, and $41.0 million for the years ended December 31, 2018, 2017 and 2016, respectively. These amounts are primarily attributable to the net earnings of the Consolidated Funds for each period, which are substantially all allocated to the related funds' limited partners or CLO investors. The net income (loss) of our Consolidated Funds, after eliminations, was $(5.3) million, $12.0 million, and $17.1 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Net income attributable to non-controlling interests in consolidated entities also includes net income attributable to non-controlling interests in carried interest, giveback obligations, and cash held for carried interest distributions, as well as the allocation of Urbplan's net losses that are attributable to non-controlling interests (for the years ended December 31, 2017 and 2016 only).

Net Income (Loss) Attributable to The Carlyle Group L.P. Common Unitholders

The net income attributable to the The Carlyle Group L.P. common unitholders was $92.9 million, $238.1 million, and $6.4 million for the years ended December 31, 2018, 2017 and 2016, respectively. The Partnership is allocated a portion of the monthly net income (loss) attributable to Carlyle Holdings based on the Partnership's ownership in Carlyle Holdings (which was approximately 32%, 30%, and 26% as of December 31, 2018, 2017 and 2016, respectively). Net income or loss attributable to the Partnership also includes 100% of the net income or loss attributable to the Partnership's wholly owned taxable subsidiary, Carlyle Holdings I GP Inc., which was $15.8 million, $(30.3) million, and $17.8 million for the years ended December 31, 2018, 2017 and 2016, respectively. As a result, the total net income or loss attributable to the Partnership will vary as a percentage of the net income or loss attributable to Carlyle Holdings.

Net income attributable to The Carlyle Group L.P. common unitholders per basic common unit was $0.89, $2.58, and $0.08 for the years ended December 31, 2018, 2017 and 2016, respectively. Net income (loss) attributable to The Carlyle

Group L.P. common unitholders per diluted common unit was $0.82, $2.38, and $(0.08) for the years ended December 31, 2018, 2017 and 2016, respectively. For purposes of the diluted earnings per common unit calculation, for the year ended December 31, 2016, Carlyle Holdings partnership units are assumed to have converted to common units of the Partnership and therefore, substantially all of the net income (loss) attributable to Carlyle Holdings is attributable to the Partnership resulting in a diluted loss per common unit.

Non-GAAP Financial Measures

The following tables set forth information in the format used by management when making resource deployment decisions and in assessing performance of our segments. These non-GAAP financial measures are presented for the years ended December 31, 2018, 2017 and 2016. Our Non-GAAP financial measures exclude the effects of unrealized performance allocations net of related compensation expense, unrealized principal investment income, consolidated funds, acquisition-related items including amortization and any impairment charges of acquired intangible assets and contingent consideration taking the form of earn-outs, charges associated with equity-based compensation, changes in the tax receivable agreement liability, corporate actions and infrequently occurring or unusual events.

The following table shows our total segment Distributable Earnings, or "DE", and Fee Related Earnings, or "FRE", for the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,		
	2018	2017	2016
	(Dollars in millions)		
Total Segment Revenues	$2,185.9	$2,216.2	$2,417.3
Total Segment Expenses	1,512.0	1,546.2	1,765.6
(=) Distributable Earnings	$673.9	$670.0	$651.7
(-) Realized Net Performance Revenues	319.7	552.6	625.3
(-) Realized Principal Investment Income (Loss)	48.1	(25.8)	44.9
(+) Net Interest	44.3	48.8	51.1
(=) Fee Related Earnings	$350.4	$192.0	$32.6

The following table sets forth our total segment revenues for the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,		
	2018	2017	2016
	(Dollars in millions)		
Segment Revenues			
Fund level fee revenues			
Fund management fees	$1,361.8	$1,081.0	$1,085.8
Portfolio advisory fees, net and other	31.1	32.1	29.4
Transaction fees, net	32.1	26.9	31.2
Total fund level fee revenues	1,425.0	1,140.0	1,146.4
Realized performance revenues	682.4	1,085.3	1,215.8
Realized principal investment income	48.1	(25.8)	44.9
Interest income	30.4	16.7	10.2
Total Segment Revenues	$2,185.9	$2,216.2	$2,417.3

The following table sets forth our total segment expenses for the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,		
	2018	2017	2016
	(Dollars in millions)		
Segment Expenses			
Compensation and benefits			
Cash-based compensation and benefits	$740.7	$658.0	$601.3
Realized performance revenues related compensation	362.7	532.7	590.5
Total compensation and benefits	1,103.4	1,190.7	1,191.8
General, administrative, and other indirect expenses	298.8	258.9	483.5
Depreciation and amortization expense	35.1	31.1	29.0
Interest expense	74.7	65.5	61.3
Total Segment Expenses	$1,512.0	$1,546.2	$1,765.6

Income before provision for income taxes is the GAAP financial measure most comparable to distributable earnings and fee related earnings. The following table is a reconciliation of income before provision for income taxes to distributable earnings and to fee related earnings.

	Year Ended December 31,		
	2018	2017	2016
	(Dollars in millions)		
Income before provision for income taxes	$360.2	$1,132.3	$45.3
Adjustments:			
Net unrealized performance revenues(2)	50.2	(625.2)	231.6
Unrealized principal investment income(2)	(48.8)	(73.0)	(5.4)
Adjusted unrealized principal investment income from investment in Fortitude Re	(11.7)	—	—
Equity-based compensation	252.2	365.1	343.0
Acquisition related charges and amortization of intangibles and impairment	22.3	35.7	94.2
Other non-operating (income) expense(1)	1.1	(71.4)	(11.2)
Tax expense associated with performance revenues	(1.5)	(9.2)	(15.1)
Net income attributable to non-controlling interests in Consolidated entities	(33.9)	(72.5)	(41.0)
Reserve for litigation and contingencies	—	(25.0)	—
Lease assignment and termination costs	66.9	—	—
Debt extinguishment costs	7.8	—	—
Severance and other adjustments	9.1	13.2	10.3
Distributable Earnings	673.9	670.0	651.7
Realized net performance revenues, net of related compensation(2)	319.7	552.6	625.3
Realized principal investment income (loss)(2)	48.1	(25.8)	44.9
Net interest	44.3	48.8	51.1
Fee Related Earnings	$350.4	$192.0	$32.6

(1) Included in other non-operating (income) expense for the year ended December 31, 2017 is a $71.5 million adjustment for the revaluation of the tax receivable agreement liability as result of the passage of the Tax Cuts and Jobs Act of 2017.

(2) See reconciliation to most directly comparable U.S. GAAP measure below:

	Year Ended December 31, 2018		
	Carlyle Consolidated	Adjustments(3)	Total Reportable Segments
	(Dollars in millions)		
Performance revenues	622.9	59.5	682.4
Performance revenues related compensation expense	376.3	(13.6)	362.7
Net performance revenues	$246.6	$ 73.1	$ 319.7
Principal investment income (loss)	$186.3	$ (138.2)	$ 48.1

	Year Ended December 31, 2017		
	Carlyle Consolidated	Adjustments(3)	Total Reportable Segments
	(Dollars in millions)		
Performance revenues	2,058.6	(973.3)	1,085.3
Performance revenues related compensation expense	988.3	(455.6)	532.7
Net performance revenues	$1,070.3	$ (517.7)	$ 552.6
Principal investment income (loss)	$232.0	$ (257.8)	$ (25.8)

	Year Ended December 31, 2016		
	Carlyle Consolidated	Adjustments(3)	Total Reportable Segments
	(Dollars in millions)		
Performance revenues	715.4	500.4	1,215.8
Performance revenues related compensation expense	353.1	237.4	590.5
Net performance revenues	$362.3	$ 263.0	$ 625.3
Principal investment income (loss)	$160.5	$ (115.6)	$ 44.9

(3) Adjustments to performance revenues and principal investment income (loss) relate to (i) unrealized performance allocations net of related compensation expense and unrealized principal investment income, which are excluded from our Non-GAAP results, (ii) amounts earned from the Consolidated Funds, which were eliminated in the U.S. GAAP consolidation but were included in the Non-GAAP results, (iii) amounts attributable to non-controlling interests in consolidated entities, which were excluded from the Non-GAAP results, (iv) the reclassification of NGP performance revenues, which are included in investment income in the U.S. GAAP financial statements, (v) the reclassification of certain incentive fees from business development companies, which are included in fund management fees in the segment results, and (vi) the reclassification of certain tax expenses associated with performance revenues. Adjustments to principal investment income (loss) also include the reclassification of earnings for the investment in NGP Management and its affiliates to the appropriate operating captions for the Non-GAAP results, the exclusion of charges associated with the investment in NGP Management and its affiliates that are excluded from the Non-GAAP results (see Note 5 to our consolidated financial statements), adjustments to reflect the Partnership's share of Urbplan net losses, until Urbplan was deconsolidated during 2017, as investment losses for the Non-GAAP results. Adjustments are also included in these financial statement captions to reflect the Partnership's economic interests in Claren Road (through January 2017) and ESG (through June 2016).

Distributable Earnings for our reportable segments is as follows:

	Year Ended December 31,		
	2018	2017	2016
	(Dollars in millions)		
Corporate Private Equity	$350.4	$487.9	$739.4
Real Assets	207.1	24.8	49.3
Global Credit	77.5	126.9	(157.4)
Investment Solutions	38.9	30.4	20.4
Distributable Earnings	$673.9	$670.0	$651.7

Segment Analysis

Discussed below is our DE and FRE for our segments for the periods presented. Our segment information is reflected in the manner used by our senior management to make operating and compensation decisions, assess performance and allocate resources.

For segment reporting purposes, revenues and expenses are presented on a basis that deconsolidates our Consolidated Funds. As a result, segment revenues from management fees, realized performance revenues and realized principal investment income (loss) are different than those presented on a consolidated U.S. GAAP basis because these revenues recognized in certain segments are received from Consolidated Funds and are eliminated in consolidation when presented on a consolidated U.S. GAAP basis. Furthermore, segment expenses are different than related amounts presented on a consolidated U.S. GAAP basis due to the exclusion of fund expenses that are paid by the Consolidated Funds. Segment revenues and expenses are also different than those presented on a consolidated U.S. GAAP basis because we present our segment revenues and expenses related to Claren Road and ESG based on our economic interest in those entities. Effective January 1, 2016 and through January 31, 2017 (the date we transferred our ownership interests to its principals), our segment revenues and expenses related to Claren Road are based on our approximate 63% economic interest in that entity as a result of a reallocation of interest from a departing founder. Further, our economic interest in ESG was 55% through June 30, 2016.

Corporate Private Equity

The following table presents our results of operations for our Corporate Private Equity segment:

	Year Ended December 31,		
	2018	2017	2016
	(Dollars in millions)		
Segment Revenues			
Fund level fee revenues			
Fund management fees	$634.1	$471.0	$498.9
Portfolio advisory fees, net and other	21.1	21.2	20.5
Transaction fees, net	26.7	22.4	31.2
Total fund level fee revenues	681.9	514.6	550.6
Realized performance revenues	415.9	831.5	1,060.5
Realized principal investment income	26.6	25.4	60.3
Interest income	9.3	5.5	3.4
Total revenues	1,133.7	1,377.0	1,674.8
Segment Expenses			
Compensation and benefits			
Cash-based compensation and benefits	373.2	340.7	289.6
Realized performance revenues related compensation	195.3	372.9	472.1
Total compensation and benefits	568.5	713.6	761.7
General, administrative, and other indirect expenses	167.6	132.3	131.9
Depreciation and amortization expense	17.3	15.3	13.6
Interest expense	29.9	27.9	28.2
Total expenses	783.3	889.1	935.4
(=) Distributable Earnings	$350.4	$487.9	$739.4
(-) Realized Net Performance Revenues	220.6	458.6	588.4
(-) Realized Principal Investment Income	26.6	25.4	60.3
(+) Net Interest	20.6	22.4	24.8
(=) Fee Related Earnings	$123.8	$26.3	$115.5

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017 and Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Distributable Earnings

Distributable earnings decreased $137.5 million for the year ended December 31, 2018 as compared to 2017, and decreased $251.5 million for the year ended December 31, 2017 as compared to the same period in 2016. The following table provides the components of the changes in distributable earnings for the years ended December 31, 2018 and 2017:

	Year Ended December 31,	
	2018	2017
	(Dollars in millions)	
Distributable earnings, prior year	$487.9	$739.4
Increases (decreases):		
Increase (decrease) in fee related earnings	97.5	(89.2)
Decrease in realized net performance revenues	(238.0)	(129.8)
Increase (decrease) in realized principal investment income	1.2	(34.9)
Decrease in net interest	1.8	2.4
Total decrease	(137.5)	(251.5)
Distributable earnings, current year	$350.4	$487.9

Realized Net Performance Revenues. Realized net performance revenues decreased $238.0 million for the year ended December 31, 2018 as compared to 2017, and decreased $129.8 million for the year ended December 31, 2017 as compared to 2016. Our prior generations of carry funds have exited substantial parts of their portfolios, and our newer funds, while accruing carry, are not yet producing cash carry. Realized net performance revenues declined in 2018 as realized proceeds from our funds declined to $8.8 billion from $11.2 billion in 2017. Specifically, the decrease in realized net performance revenues for the year ended December 31, 2018 as compared to 2017 was due to lower performance revenue realizations from our U.S. buyout funds in carry in 2018 compared to 2017, partially offset by higher realizations from our Europe and Asia buyout funds in 2018 compared to 2017. We expect net realized performance revenues in 2019 will generally be comparable to 2018 levels, with growth positioned to resume thereafter, though market conditions could drive a variance.

The decrease in realized net performance revenues for the year ended December 31, 2017 as compared to 2016 was primarily due to lower performance revenue realizations from our Europe buyout funds, and to a lesser extent our U.S. buyout funds, partially offset by larger realizations from our Asia buyout funds in 2017 as compared to 2016. Realized net performance revenues were primarily generated by the following funds for the years ended December 31, 2018, 2017 and 2016, respectively:

Year Ended December 31,		
2018	2017	2016
CP V	CP V	CP V
CEP III	CGFSP I	CEP III
CAP III	CAP III	CP IV
CETP III	CEP III	CEP II
	CETP II	CGFSP I
		CETP II
		CAP III

Realized Principal Investment Income. Realized principal investment income increased $1.2 million for the year ended December 31, 2018 as compared to 2017 and decreased $34.9 million for the year ended December 31, 2017 as compared to 2016. The decrease in realized principal investment income for the year ended December 31, 2017 as compared to 2016 was primarily due to lower realized gains in our investments in U.S. and Europe buyout funds, partially offset by realized gains on U.S. growth funds in 2017 as compared to realized losses on these funds in 2016.

Fee Related Earnings

Fee related earnings increased $97.5 million for the year ended December 31, 2018 as compared to 2017, and decreased $89.2 million for the year ended December 31, 2017 as compared to 2016. The following table provides the components of the change in fee related earnings for the years ended December 31, 2018 and 2017:

	Year Ended December 31,	
	2018	2017
	(Dollars in millions)	
Fee related earnings, prior year	$26.3	$115.5
Increases (decreases):		
Increase (decrease) in fee revenues	167.3	(36.0)
Increase in cash-based compensation	(32.5)	(51.1)
Increase in general, administrative and other indirect expenses	(35.3)	(0.4)
All other changes	(2.0)	(1.7)
Total increase (decrease)	97.5	(89.2)
Fee related earnings, current year	$123.8	$26.3

Fee Revenues. Total fee revenues increased $167.3 million for the year ended December 31, 2018 as compared to 2017 and decreased $36 million for the year ended December 31, 2017 as compared to 2016, due to the following:

	Year Ended December 31,	
	2018	2017
	(Dollars in millions)	
Higher (lower) fund management fees	$163.1	$(27.9)
Higher (lower) transaction fees	4.3	(8.8)
(Lower) higher portfolio advisory fees, net and other	(0.1)	0.7
Total increase (decrease) in fee revenues	$167.3	$(36.0)

The increase in fund management fees for the year ended December 31, 2018 as compared to 2017 was primarily due to the activation of management fees during the fourth quarter of 2018 on our fifth Europe buyout fund ("CEP V") as well as activation of management fees during the second quarter of 2018 on our seventh U.S. buyout fund ("CP VII") and our fifth Asia buyout fund ("CAP V"). These increases were partially offset by lower fee rate and lower assets under management from sale of investments for CP V, and CP VI and CAP IV stepping down effective fee rates as they exit the investment period.

The decrease in fund management fees for the year ended December 31, 2017 as compared to 2016 was primarily due to lower assets under management from sales of investments during 2017 for CP V, our first financial services fund (“CGFSP I”), our third Europe buyout fund (“CEP III”), and our second Asia buyout fund (“CAP II”).

The weighted average management fee rate decreased from 1.31% at December 31, 2017 to 1.22% at December 31, 2018. The decrease in the weighted average management fee rate was driven by the step-down of effective fee rates for our funds outside the investment period. This was partially offset by the activation of newly raised Fee-earning AUM primarily in our buyout funds which earn higher rates. Fee-earning AUM was $62.4 billion and $35.6 billion as of December 31, 2018 and 2017, respectively, reflecting an increase of $26.8 billion.

The weighted average management fee rate increased from 1.28% at December 31, 2016 to 1.31% at December 31, 2017. The increase in the weighted average management fee rate was driven by significant exit activity in funds outside the investment period, which typically earn lower effective fee rates, while Fee-earning AUM for funds inside the investment period ticked up slightly. Fee-earning AUM was $35.6 billion and $36.3 billion as of December 31, 2017 and 2016, respectively, reflecting a decrease of $0.7 billion.

The increase in transaction fees for the year ended December 31, 2018 as compared to 2017 and the decrease in transaction fees for the year ended December 31, 2017 as compared to 2016 was primarily from significant investments by our U.S. buyout funds in 2018 and 2016.

Cash-based compensation and benefits expense. Cash-based compensation and benefits expense increased $32.5 million, or 10%, for the year ended December 31, 2018 as compared to 2017, primarily due to increased headcount and higher cash bonuses in 2018, partially offset by lower compensation costs related to fundraising activities.

Cash-based compensation and benefits expense increased $51.1 million, or 18%, for the year ended December 31, 2017 as compared to 2016, primarily due to higher compensation costs related to fundraising activities for CP VII and CAP V of approximately $30.1 million, increased headcount and an increase in 2017 cash bonuses.

General, administrative and other indirect expenses. General, administrative and other indirect expenses increased $35.3 million for the year ended December 31, 2018 as compared to 2017 primarily due to higher professional fees and a higher external costs associated with fundraising activities, partially offset by positive foreign currency adjustments in the year ended December 31, 2018 as compared to 2017.

General, administrative and other indirect expenses increased $0.4 million for the year ended December 31, 2017 as compared to 2016 primarily due to higher negative foreign currency adjustments and real estate costs, partially offset by lower professional fees and a $1.7 million decrease in external costs associated with fundraising activities in the year ended December 31, 2017 as compared to 2016.

Fee-earning AUM as of and for each of the Three Years in the Period Ended December 31, 2018

Fee-earning AUM is presented below for each period together with the components of change during each respective period.

The table below breaks out Fee-earning AUM by its respective components at each period.

	As of December 31,		
	2018	2017	2016
	(Dollars in millions)		
Corporate Private Equity			
Components of Fee-earning AUM (1)			
Fee-earning AUM based on capital commitments	$36,222	$25,809	$25,390
Fee-earning AUM based on invested capital	23,737	7,675	9,377
Fee-earning AUM based on lower of cost or fair value and other	2,399	2,100	1,560
Total Fee-earning AUM	$62,358	$35,584	$36,327
Weighted Average Management Fee Rates (2)			
All Funds	1.22 %	1.31 %	1.28 %
Funds in Investment Period	1.46 %	1.44 %	1.41 %

(1) For additional information concerning the components of Fee-earning AUM, see "—Fee-earning Assets under Management."

(2) Represents the aggregate effective management fee rate of each fund in the segment, weighted by each fund's Fee-earning AUM, as of the end of each period presented.

The table below provides the period to period rollforward of Fee-earning AUM.

	Twelve Months Ended December 31,		
	2018	2017	2016
	(Dollars in millions)		
Corporate Private Equity			
Fee-earning AUM Rollforward			
Balance, Beginning of Period	$35,584	$36,327	$40,926
Inflows, including Fee-paying Commitments (1)	31,485	2,086	1,171
Outflows, including Distributions (2)	(4,405)	(3,692)	(5,460)
Market Appreciation/(Depreciation) (3)	11	31	(220)
Foreign Exchange and other (4)	(317)	832	(90)
Balance, End of Period	$62,358	$35,584	$36,327

(1) Inflows represent limited partner capital raised and capital invested by carry funds outside the original investment period.

(2) Outflows represent distributions from funds outside the investment period and changes in fee basis for our carry funds where the original investment period has expired.

(3) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments in our carry funds based on the lower of cost or fair value.

(4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of period end.

Fee-earning AUM was $62.4 billion at December 31, 2018, an increase of $26.8 billion, or 75%, compared to $35.6 billion at December 31, 2017. This was driven by inflows of $31.5 billion primarily related to the activation of management fees in CP VII and new fee-paying commitments raised in CEP V and CAP V. Partially offsetting the increase were outflows of $4.4 billion which were principally a result of basis step-downs in CP VI and CEP IV, as well as distributions in other funds outside of their investment period. Investment and distribution activity by funds still in the investment period does not impact Fee-earning AUM as these funds are based on commitments.

Fee-earning AUM was $35.6 billion at December 31, 2017, a decrease of $0.7 billion, or 2%, compared to $36.3 billion at December 31, 2016. This was driven by outflows of $3.7 billion which were principally a result of distributions from CP V and other buyout funds outside of their investment period. This decrease was partially offset by inflows of $2.1 billion primarily related to equity invested by CGP which charges management fees based on invested capital, as well well as new fee-paying commitments raised in CGFSP III. Also offsetting the decrease were $0.8 billion of foreign exchange gains from the translation of our Euro-denominated Europe buyout and growth funds to USD for reporting purposes.

Fee-earning AUM was $36.3 billion at December 31, 2016, a decrease of $4.6 billion, or 11%, compared to $40.9 billion at December 31, 2015. This was driven by outflows of $5.5 billion which were principally a result of distributions from CP V, CEP III, and other buyout funds outside of their investment period. This decrease was partially offset by inflows of $1.2 billion primarily related to equity invested by CGP which charges management fees based on invested capital.

Total AUM as of and for each of the Three Years in the Period Ended December 31, 2018
The table below provides the period to period rollforward of Total AUM.

	Twelve Months Ended December 31,		
	2018	2017	2016
	(Dollars in millions)		
Corporate Private Equity			
Total AUM Rollforward			
Balance, Beginning of Period	$72,558	$50,864	$63,144
New Commitments (1)	16,878	20,544	818
Outflows (2)	(8,709)	(9,377)	(12,910)
Market Appreciation/(Depreciation) (3)	2,050	9,668	3,226
Foreign Exchange Gain/(Loss) (4)	(682)	1,145	(25)
Other (5)	(1,336)	(286)	(3,389)
Balance, End of Period	$80,759	$72,558	$50,864

(1) New Commitments reflects the impact of gross fundraising during the period. For funds or vehicles denominated in foreign currencies, this reflects translation at the average quarterly rate, while the separately reported Fundraising metric is translated at the spot rate for each individual closing.
(2) Outflows include distributions in our carry funds, related co-investment vehicles and separately managed accounts.
(3) Market Appreciation/(Depreciation) generally represents realized and unrealized gains (losses) on portfolio investments in our carry funds, related co-investment vehicles and separately managed accounts.
(4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.
(5) Includes expiring available capital, the impact of capital calls for fees and expenses and other changes in AUM.

Total AUM was $80.8 billion at December 31, 2018, an increase of $8.2 billion, or 11%, compared to $72.6 billion at December 31, 2017. This increase was driven by $16.9 billion of new commitments primarily due to fundraising in CP VII, CEP V, and CAP V. Also contributing to this increase was market appreciation of $2.1 billion. The carry funds driving appreciation for the period included $1.0 billion attributable to CP VI, $0.5 billion attributable to CEP IV, and $0.4 billion attributable to CP V. Partially offsetting the increase were $8.7 billion of outflows driven primarily by distributions in our U.S., Asia, and Europe buyout funds.

Total AUM was $72.6 billion at December 31, 2017, an increase of $21.7 billion, or 43%, compared to $50.9 billion at December 31, 2016. This increase was driven by $20.5 billion of new commitments primarily due to fundraising in CP VII, CAP V, and CGFSP III. Also contributing to this increase was market appreciation of $9.7 billion. The carry funds driving appreciation for the period included $2.8 billion attributable to CP VI, $1.7 billion attributable to CP V, and $1.5 billion attributable to CAP IV. Partially offsetting this increase were $9.4 billion of outflows driven primarily by distributions in CP V, CEP III, and various other buyout funds.

Total AUM was $50.9 billion at December 31, 2016, a decrease of $12.2 billion, or 19%, compared to $63.1 billion at December 31, 2015. This decrease was driven by $12.9 billion of outflows primarily in our large prior vintage buyout funds and $3.4 billion of other activity, primarily related to the expiration of available capital in CP V, CJP II, and CEP III. Partially offsetting this decrease was market appreciation of $3.2 billion. The carry funds driving appreciation for the period included $1.4 billion attributable to CP VI, $0.7 billion attributable to CP V, and $0.5 billion attributable to CAP IV.

Fund Performance Metrics

Fund performance information for our investment funds that generally have at least $1.0 billion in capital commitments, cumulative equity invested or total value as of December 31, 2018, which we refer to as our “significant funds," is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns. See "Item 1A. Risk Factors — Risks Related to Our Business

Operations — The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.”

The following tables reflect the performance of our significant funds in our Corporate Private Equity business. See “Item 1. Business — Our Family of Funds” for a legend of the fund acronyms listed below.

			TOTAL INVESTMENTS					REALIZED/PARTIALLY REALIZED INVESTMENTS(5)			
			As of December 31, 2018					As of December 31, 2018			
	Fund Vintage (1)	Committed Capital	Cumulative Invested Capital (2)	Total Fair Value (3)	MOIC(4)	Gross IRR (7)(12)	Net IRR (8)(12)	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR(7)
Corporate Private Equity	(Reported in Local Currency, in Millions)							(Reported in Local Currency, in Millions)			
Fully Invested/Committed Funds (6)											
CP II	1995	$1,331.1	$1,362.4	$4,072.2	3.0x	34%	25%	$1,362.4	$4,072.2	3.0x	34%
CP III	2000	$3,912.7	$4,031.6	$10,146.9	2.5x	27%	21%	$4,031.6	$10,146.9	2.5x	27%
CP IV	2005	$7,850.0	$7,612.6	$17,954.5	2.4x	16%	13%	$7,612.6	$17,954.5	2.4x	16%
CP V	2007	$13,719.7	$13,190.9	$27,724.5	2.1x	18%	14%	$9,836.1	$25,330.5	2.6x	25%
CP VI	2014	$13,000.0	$12,703.0	$18,180.3	1.4x	17%	11%	$1,972.9	$4,885.9	2.5x	36%
CEP I	1998	€1,003.6	€981.6	€2,126.5	2.2x	18%	11%	€981.6	€2,126.5	2.2x	18%
CEP II	2003	€1,805.4	€2,048.4	€4,126.6	2.0x	36%	20%	€1,883.8	€4,106.8	2.2x	43%
CEP III	2007	€5,294.9	€5,138.0	€11,662.2	2.3x	19%	14%	€4,389.9	€11,253.3	2.6x	21%
CEP IV	2014	€3,669.5	€3,693.1	€4,798.0	1.3x	18%	9%	€243.7	€637.5	2.6x	65%
CAP I	1998	$750.0	$627.7	$2,521.8	4.0x	25%	18%	$627.7	$2,521.8	4.0x	25%
CAP II	2006	$1,810.0	$1,628.2	$3,081.4	1.9x	11%	8%	$1,628.2	$3,081.4	1.9x	11%
CAP III	2008	$2,551.6	$2,543.2	$4,667.4	1.8x	17%	11%	$2,071.8	$4,301.4	2.1x	20%
CAP IV	2014	$3,880.4	$3,855.0	$5,080.2	1.3x	13%	8%	$469.1	$899.0	1.9x	23%
CJP I	2001	¥50,000.0	¥47,291.4	¥138,902.1	2.9x	61%	37%	¥47,291.4	¥138,902.1	2.9x	61%
CJP II	2006	¥165,600.0	¥141,866.7	¥211,061.1	1.5x	7%	4%	¥134,666.7	¥203,831.2	1.5x	7%
CGFSP I	2008	$1,100.2	$1,080.7	$2,476.0	2.3x	20%	14%	$1,080.7	$2,476.0	2.3x	20%
CGFSP II	2013	$1,000.0	$942.7	$1,459.9	1.5x	22%	14%	$283.1	$580.6	2.1x	33%
CEOF I	2011	$1,119.1	$1,168.2	$1,718.8	1.5x	13%	9%	$346.9	$846.3	2.4x	38%
CETP II	2008	€521.6	€437.4	€1,265.3	2.9x	27%	19%	€359.7	€1,180.7	3.3x	30%
CAGP IV	2008	$1,041.4	$954.1	$1,333.9	1.4x	9%	4%	$532.1	$983.2	1.8x	15%
All Other Funds (9)	Various		$5,027.7	$7,900.9	1.6x	16%	7%	$4,009.5	$6,394.4	1.6x	17%
Coinvestments and SMA's (10)	Various		$10,791.5	$24,355.4	2.3x	36%	33%	$7,142.3	$20,987.4	2.9x	36%
Total Fully Invested/Committed Funds			$83,324.1	$163,316.6	2.0x	26%	18%	$53,663.0	$130,687.7	2.4x	27%
Funds in the Investment Period(6)											
CP VII	2018	$18,510.0	$3,828.4	$3,649.8	1.0x	NM	NM				
CEP V	2018	€5,905.2	€875.1	€858.8	1.0x	NM	NM				
CAP V	2018	$6,554.2	$674.5	$661.4	1.0x	NM	NM				
CGP	2015	$3,588.0	$2,651.5	$3,046.2	1.1x	8%	6%				

CJP III	2013	¥119,505.1	¥60,094.5	¥144,691.9	2.4x	30 %	20 %				
CEOF II	2015	$2,400.0	$1,467.3	$1,670.1	1.1x	NM	NM				
CETP III	2014	€656.6	€511.9	€932.3	1.8x	40 %	25 %				
All Other Funds (11)	Various		$1,028.9	$1,114.0	1.1x	NM	NM				
Coinvestments and SMA's (10)	Various		$2,523.5	$2,734.5	1.1x	NM	NM				
Total Funds in the Investment Period			$14,310.0	$16,245.9	1.1x	13 %	5 %	$478.0	$1,399.5	2.9x	42%
TOTAL CORPORATE PRIVATE EQUITY (13)			$97,634.1	$179,562.5	1.8x	26 %	18 %	$54,141.1	$132,087.3	2.4x	27%

(1) The data presented herein that provides "inception to date" performance results of our segments relates to the period following the formation of the first fund within each segment. For our Corporate Private Equity segment our first fund was formed in 1990.

(2) Represents the original cost of investments since inception of the fund.

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(3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest.

(4) Multiple of invested capital ("MOIC") represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.

(5) An investment is considered realized when the investment fund has completely exited, and ceases to own an interest in, the investment. An investment is considered partially realized when the total amount of proceeds received in respect of such investment, including dividends, interest or other distributions and/or return of capital, represents at least 85% of invested capital and such investment is not yet fully realized. Because part of our value creation strategy involves pursuing best exit alternatives, we believe information regarding Realized/Partially Realized MOIC and Gross IRR, when considered together with the other investment performance metrics presented, provides investors with meaningful information regarding our investment performance by removing the impact of investments where significant realization activity has not yet occurred. Realized/Partially Realized MOIC and Gross IRR have limitations as measures of investment performance, and should not be considered in isolation. Such limitations include the fact that these measures do not include the performance of earlier stage and other investments that do not satisfy the criteria provided above. The exclusion of such investments will have a positive impact on Realized/Partially Realized MOIC and Gross IRR in instances when the MOIC and Gross IRR in respect of such investments are less than the aggregate MOIC and Gross IRR. Our measurements of Realized/Partially Realized MOIC and Gross IRR may not be comparable to those of other companies that use similarly titled measures. We do not present Realized/Partially Realized performance information separately for funds that are still in the investment period because of the relatively insignificant level of realizations for funds of this type. However, to the extent such funds have had realizations, they are included in the Realized/Partially Realized performance information presented for Total Corporate Private Equity.

(6) Fully Invested funds are past the expiration date of the investment period as defined in the respective limited partnership agreement. In instances where a successor fund has had its first capital call, the predecessor fund is categorized as fully invested.

(7) Gross Internal Rate of Return ("Gross IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value before management fees, expenses and carried interest.

(8) Net Internal Rate of Return ("Net IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest. Fund level IRRs are based on aggregate Limited Partner cash flows, and this blended return may differ from that of individual Limited Partners. As a result, certain funds may generate accrued performance revenues with a blended Net IRR that is below the preferred return hurdle for that fund.

(9) Aggregate includes the following funds: CP I, CMG, CVP I, CVP II, CUSGF III, CEVP, CETP I, CAVP I, CAVP II, CAGP III, CSABF, CPF I, Mexico, CBPF, CCI and MENA.

(10) Includes coinvestments, separately managed accounts (SMA's) and certain other stand-alone investments arranged by us.

(11) Aggregate, which is considered not meaningful, includes the following funds and their respective commencement dates: CSSAF (April 2012) , CAGP V (May 2016), CGFSP III (June 2017), and CBPF II (November 2017).

(12) For funds marked "NM," IRR may be positive or negative, but is not considered meaningful because of the limited time since initial investment and early stage of capital deployment. For funds marked "Neg," IRR is negative as of reporting period end.

(13) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

	Remaining Fair Value (1)	Unrealized MOIC (2)	Total MOIC (3)	% Invested(4)	In Accrued Carry/ (Giveback) (5)	LTM Realized Carry (6)	Catch Up Rate	Fee Initiation Date (7)	Quarters Since Fee Initiation	Original Investment Period End Date
	As of December 31, 2018									
Corporate Private Equity										
CP VI	$12,824.7	1.2x	1.4x	98 %	X		100 %	Jun-13	23	May-18
CEP IV	€4,024.3	1.3x	1.3x	101 %	X		100 %	Sep-14	18	Aug-19
CAP IV	$3,888.6	1.2x	1.3x	99 %	X		100 %	Jul-13	22	Nov-18
CP VII	$3,652.9	1.0x	1.0x	21 %			100 %	May-18	3	May-24
CGP	$2,993.4	1.1x	1.1x	74 %	X		100 %	Jan-15	16	Dec-20
CP V	$2,445.2	0.7x	2.1x	96 %	X	X	100 %	Jun-07	47	May-13
CEOF II	$1,532.3	1.1x	1.1x	61 %			80 %	Nov-15	13	Mar-21
CEP V	€858.8	1.0x	1.0x	15 %			100 %	Oct-18	1	Apr-24
CJP III	¥103,227.3	2.2x	2.4x	50 %	X		100 %	Sep-13	22	Feb-20
CEOF I	$828.5	1.1x	1.5x	104 %	X		80 %	Sep-11	30	May-17
CGFSP II	$778.8	1.3x	1.5x	94 %	X	X	100 %	Jun-13	23	Dec-17
CEP III	€680.0	0.9x	2.3x	97 %	X	X	100 %	Jul-07	46	Dec-12
CETP III	€598.5	1.3x	1.8x	78 %	X	X	100 %	Jul-14	18	May-20
CAP V	$673.7	1.0x	1.0x	10 %			100 %	Jun-18	3	Jun-24
CAP III	$395.9	0.9x	1.8x	100 %	X	X	100 %	Jun-08	43	May-14
CAGP IV	$272.5	0.7x	1.4x	92 %			100 %	Aug-08	42	Jun-14
CP IV	$182.5	1.9x	2.4x	97 %	X		80 %	Apr-05	55	Dec-10
All Other Funds (8)	$2,646.5	1.1x	2.1x		NM	NM				
Coinvestments and SMA's (9)	$5,752.8	1.0x	2.0x		NM	NM				
Total Corporate Private Equity (10)	$46,863.4	1.1x	1.8x							

(1) Remaining Fair Value reflects the unrealized carrying value of investments in carry funds and related co-investment vehicles. Significant funds with remaining fair value of greater than $100 million are listed individually.

(2) Unrealized multiple of invested capital ("MOIC") represents remaining fair market value, before management fees, expenses and carried interest, divided by remaining investment cost.

(3) Total MOIC represents total fair value (realized proceeds combined with remaining fair value), before management fees, expenses and carried interest, divided by cumulative invested capital. For certain funds, represents the original cost of investments net of investment-level recallable proceeds, which is adjusted to reflect recyclability of invested capital for the purpose of calculating the fund MOIC.

(4) Represents cumulative invested capital as of the reporting period divided by total commitments. Amount can be greater than 100% due to the re-investment of recallable distributions to fund investors.

(5) Fund has a net accrued performance revenue balance/(giveback obligation) as of the current quarter end, driven by a significant portion of the fund's asset base.

(6) Fund has generated realized net performance revenues/(realized giveback) in the last twelve months.

(7) Represents the date of the first capital contribution for management fees.

(8) Aggregate includes the following funds: CMG, CP I, CP II, CP III, CEP I, CEP II, CAP I, CAP II, CBPF, CBPF II, CJP I, CJP II, CEVP, CETP I, CETP II, CCI, CAVP I, CAVP II, CAGP III, CAGP V, Mexico, MENA, CSABF, CSSAF, CPF, CGFSP I, CGFSP III, CVP I, CVP II, and CUSGF III. In Accrued Carry/(Clawback) and LTM

Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.

(9) Includes co-investments, prefund investments, separately managed accounts (SMA's) and certain other stand-alone investments arranged by us. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.

(10) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

Real Assets

For purposes of presenting our results of operations for this segment, our earnings from our investments in NGP are presented in the respective operating captions and the net income or loss from Urbplan allocable to the Partnership (after consideration of amounts allocable to non-controlling interests) is presented within principal investment income. We disposed of our interests in Urbplan in a transaction in which a third party acquired operational control and all of the economic interests in Urbplan in 2017 (see Note 16 to our consolidated financial statements). The following table presents our results of operations for our Real Assets segment:

	Year Ended December 31,		
	2018	2017	2016
	(Dollars in millions)		
Segment Revenues			
Fund level fee revenues			
Fund management fees	$317.9	$263.6	$251.1
Portfolio advisory fees, net and other	4.5	3.0	1.8
Transaction fees, net	4.4	4.5	—
Total fund level fee revenues	326.8	271.1	252.9
Realized performance revenues	150.3	92.0	53.1
Realized principal investment income (loss)	13.5	(63.2)	(20.6)
Interest income	4.4	3.0	1.7
Total revenues	495.0	302.9	287.1
Segment Expenses			
Compensation and benefits			
Cash-based compensation and benefits	135.1	128.1	111.2
Realized performance revenues related compensation	66.6	41.6	37.6
Total compensation and benefits	201.7	169.7	148.8
General, administrative, and other indirect expenses	64.1	84.3	67.1
Depreciation and amortization expense	6.8	7.1	5.9
Interest expense	15.3	17.0	16.0
Total expenses	287.9	278.1	237.8
(=) Distributable Earnings	$207.1	$24.8	$49.3
(-) Realized Net Performance Revenues	83.7	50.4	15.5
(-) Realized Principal Investment Income (Loss)	13.5	(63.2)	(20.6)
(+) Net Interest	10.9	14.0	14.3
(=) Fee Related Earnings	$120.8	$51.6	$68.7

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017 and Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Distributable Earnings

Distributable earnings increased $182.3 million for the year ended December 31, 2018 as compared to 2017 and decreased $24.5 million for the year ended December 31, 2017 as compared to 2016. The following table provides the components of the change in distributable earnings for the years ended December 31, 2018 and 2017:

	Year Ended December 31,	
	2018	2017
	(Dollars in millions)	
Distributable earnings, prior year	$24.8	$49.3
Increases (decreases):		
Increase (decrease) in fee related earnings	69.2	(17.1)
Increase in realized net performance revenues	33.3	34.9
Increase (decrease) in realized principal investment income	76.7	(42.6)
Decrease in net interest	3.1	0.3
Total increase (decrease)	182.3	(24.5)
Distributable earnings, current year	$207.1	$24.8

Realized Net Performance Revenues. Realized net performance revenues increased $33.3 million for the year ended December 31, 2018 as compared to 2017, and increased $34.9 million for the year ended December 31, 2017 as compared to 2016. The increase in realized net performance revenues for the year ended December 31, 2018 as compared to 2017 was primarily due to higher realizations on our U.S real estate funds. The increase in realized net performance revenues for the year ended December 31, 2017 as compared to the year ended December 31, 2016 was primarily due to higher realizations on a certain U.S real estate fund and our power opportunities fund as well as the absence in 2017 of the 2016 realization of giveback obligations on two of our Legacy Energy funds (Energy II and Energy III), which resulted in a decrease of $35.9 million in realized net performance revenues in 2016. These realizations were partially offset by lower realizations on a Europe real estate external coinvestment fund in 2017 as compared to 2016. Realized net performance revenues were primarily generated by the following funds for the years ended December 31, 2018, 2017 and 2016, respectively:

Year Ended December 31,		
2018	2017	2016
CRP VII	CRP VI	CRP VI
CRP III	CPOCP	CEREP III - External Co-invest
CRP VI		CRP III

Realized Principal Investment Income (Loss). Realized principal investment income increased $76.7 million for the year ended December 31, 2018 as compared to 2017, and realized principal investment loss increased $42.6 million for the year ended December 31, 2017 as compared to 2016. The increase in realized principal investment income for the year ended December 31, 2018 as compared to 2017 primarily relates to the absence in 2018 of $65.0 million realized principal investment loss in 2017 associated with the disposal of our interests in Urbplan. Additionally, we recognized higher realized principal investment income related to our investments in U.S. real estate funds in 2018.

The increase in realized investment loss for the year ended December 31, 2017 as compared to 2016 primarily relates to the recognition of $75.0 million of Urbplan losses, including a $65.0 million realized principal investment loss in 2017 associated with the disposal of our interests in Urbplan in a transaction in which a third party acquired operational control and all of the economic interests in Urbplan. With this transaction, we deconsolidated Urbplan from our financial results (see Note 16 to the consolidated financial statements). These realized losses in 2017 were partially offset by higher realized gains on investments in our Europe real estate funds in 2017 as compared to 2016 and higher realized gains on NGP fund investments in 2016 as compared to 2017.

Fee Related Earnings

Fee related earnings increased $69.2 million for the year ended December 31, 2018 as compared to 2017 and decreased $17.1 million for the year ended December 31, 2017 as compared to 2016. The following table provides the components of the change in fee related earnings for the years ended December 31, 2018 and 2017:

	Year Ended December 31,	
	2018	2017
	(Dollars in millions)	
Fee related earnings, prior year	$51.6	$68.7
Increases (decreases):		
Increase in fee revenues	55.7	17.6
Increase in cash-based compensation	(7.0)	(16.9)
Decrease (increase) in general, administrative and other indirect expenses	20.2	(17.2)
Decrease (increase) in interest expense	1.7	(1.0)
All other changes	(1.4)	0.4
Total increase (decrease)	69.2	(17.1)
Fee related earnings, current year	$120.8	$51.6

Fee Revenues. Total fee revenues increased $55.7 million for the year ended December 31, 2018 as compared to 2017 and increased $17.6 million for the year ended December 31, 2017 as compared to the same period in 2016, due to the following:

	Year Ended December 31,	
	2018	2017
	(Dollars in millions)	
Higher fund management fees	$54.3	$12.5
(Lower) higher transaction fees	(0.1)	4.5
Higher portfolio advisory fees, net and other	1.5	0.6
Total increase in fee revenues	$55.7	$17.6

The increase in fund management fees for the year ended December 31, 2018 as compared to 2017 primarily reflects increased management fees from our eighth U.S. real estate fund (“CRP VIII”), as well as from NGP XII. Management fees also increased as a result of $16.0 million in catch-up management fees for subsequent closes in 2018 for CGIOF, NGP XII, CRP VIII and CCR.

The increase in fund management fees for the year ended December 31, 2017 as compared to 2016 primarily reflects increased management fees from CRP VIII, which had its first closing in 2017. This increase was partially offset by a $8.6 million decrease in catch-up management fees for the year ended December 31, 2017 as compared to 2016. While there were no significant catch-up management fees during 2017, catch-up management fees of $8.6 million for the year ended December 31, 2016 were primarily due to subsequent closes in 2016 for our second power fund (“CPP II”) and our first international energy fund (“CIEP I”).

The total weighted average management fee rate increased to 1.22% at December 31, 2018 from 1.20% at December 31, 2017 primarily due to new fee-paying commitments raised in NGP XII and CGIOF with higher effective rates. The weighted average management fee rate for funds in the investment period decreased to 1.32% at December 31, 2018 from 1.35% at December 31, 2017 primarily due to effective rates for newer funds in the investment period being lower than their predecessors.

The total weighted average management fee rate declined to 1.20% at December 31, 2017 from 1.26% at December 31, 2016 primarily due to new funds being raised with lower management fee rates. The weighted average management fee rate for funds in the investment period decreased to 1.35% at December 31, 2017 from 1.43% at December 31, 2016.

Cash-based compensation and benefits expense. Cash-based compensation and benefits expense increased $7.0 million for the year ended December 31, 2018 as compared to 2017 primarily due to an increase in headcount and higher cash bonuses in 2018 versus 2017, partially offset by lower compensation associated with fundraising activities of $4.1 million.

Cash-based compensation and benefits expense increased $16.9 million for the year ended December 31, 2017 as compared to 2016 primarily due to higher compensation associated with fundraising activities of $8.6 million in 2017 versus 2016 and an increase in 2017 cash bonuses.

General, administrative and other indirect expenses. General, administrative and other indirect expenses decreased $20.2 million for the year ended December 31, 2018 as compared to 2017, primarily due to a decrease in external costs associated with fundraising activities of $6.7 million related to CRP VIII, a positive impact in foreign currency adjustments recorded in 2018 compared to 2017 and a decrease in legal costs.

General, administrative and other indirect expenses increased $17.2 million for the year ended December 31, 2017 as compared to 2016, primarily due to an increase in foreign currency losses recorded in 2017 as compared to foreign currency gains recorded in 2016, increased real estate costs, and increased external costs associated with fundraising activities of $10.0 million related to CRP VIII.

Fee-earning AUM as of and for each of the Three Years in the Period Ended December 31, 2018

Fee-earning AUM is presented below for each period together with the components of change during each respective period.

The table below breaks out Fee-earning AUM by its respective components at each period.

	As of December 31,		
	2018	2017	2016
	(Dollars in millions)		
Real Assets			
Components of Fee-earning AUM (1)			
Fee-earning AUM based on capital commitments	$15,052	$16,453	$13,008
Fee-earning AUM based on invested capital (2)	16,090	13,901	13,878
Fee-earning AUM based on net asset value	1,479	892	285
Fee-earning AUM based on lower of cost or fair value and other (3)	356	353	316
Total Fee-earning AUM (4)	$32,977	$31,599	$27,487
Weighted Average Management Fee Rates (5)			
All Funds	1.22 %	1.20 %	1.26 %
Funds in Investment Period	1.32 %	1.35 %	1.43 %

(1) For additional information concerning the components of Fee-earning AUM, See "—Fee-earning Assets under Management."

(2) Includes amounts committed to or reserved for investments for certain real estate funds.

(3) Includes certain funds that are calculated on gross asset value.

(4) Energy III, Energy IV, and Renew II (collectively, the "Legacy Energy Funds"), are managed with Riverstone Holdings LLC and its affiliates. Affiliates of both Carlyle and Riverstone act as investment advisers to each of the Legacy Energy Funds. With the exception of Energy IV and Renew II, where Carlyle has a minority representation on the funds' management committees, management of each of the Legacy Energy Funds is vested in committees with equal representation by Carlyle and Riverstone, and the consent of representatives of both Carlyle and Riverstone is required for investment decisions. As of December 31, 2018, the Legacy Energy Funds had, in the aggregate, approximately $4.1 billion in AUM and $3.4 billion in Fee-earning AUM. NGP IX or in the case of NGP M&R and NGP ETP II, certain affiliated entities (collectively, the "NGP Predecessor Funds") and NGP X,

NGP GAP, NGP XI, and NGP XII (referred to herein as, the "NGP Carry Funds", collectively with the NGP Predecessor Funds, the "NGP Energy Funds"), are managed by NGP Energy Capital Management ("NGP"). As of December 31, 2018, the NGP Energy Funds had, in the aggregate, approximately $14.1 billion in AUM and $12.6 billion in Fee-earning AUM.

(5) Represents the aggregate effective management fee rate of each fund in the segment, weighted by each fund's Fee-earning AUM, as of the end of each period presented. Calculation reflects Carlyle’s 10% and 55% interest in management fees earned by the Legacy Energy funds and the NGP Energy Funds, respectively.

The table below provides the period to period rollforward of Fee-earning AUM.

	Twelve Months Ended December 31,		
	2018	2017	2016
	(Dollars in millions)		
Real Assets			
Fee-earning AUM Rollforward			
Balance, Beginning of Period	$31,599	$27,487	$30,905
Inflows, including Fee-paying Commitments (1)	4,408	8,812	1,514
Outflows, including Distributions (2)	(2,818)	(4,925)	(4,860)
Market Appreciation/(Depreciation) (3)	58	73	28
Foreign Exchange and other (4)	(270)	152	(100)
Balance, End of Period	$32,977	$31,599	$27,487

(1) Inflows represent limited partner capital raised and capital invested by funds outside the investment period.

(2) Outflows represent distributions from funds outside the investment period and changes in fee basis for our carry funds where the investment period has expired.

(3) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments in our carry funds based on the lower of cost or fair value and net asset value.

(4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Fee-earning AUM was $33.0 billion at December 31, 2018, an increase of $1.4 billion, or 4%, compared to $31.6 billion at December 31, 2017. The increase was driven by inflows of $4.4 billion primarily related to new fee-paying commitments raised in NGP XII, CRP VIII, CER, and CGIOF, as well as capital invested by CPI. This was partially offset by outflows of $2.8 billion primarily related to distributions in our U.S. Real Estate, NGP Energy, and Legacy Energy funds. Investment and distribution activity by funds still in the original investment period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital.

Fee-earning AUM was $31.6 billion at December 31, 2017, an increase of $4.1 billion, or 15%, compared to $27.5 billion at December 31, 2016. The increase was driven by inflows of $8.8 billion primarily related to new fee-paying commitments raised in CRP VIII and NGP XII. This was partially offset by outflows of $4.9 billion primarily related to distributions in our Legacy Energy, U.S. Real Estate, and NGP Energy funds.

Fee-earning AUM was $27.5 billion at December 31, 2016, a decrease of $3.4 billion, or 11%, compared to $30.9 billion at December 31, 2015. This decrease was driven by outflows of $4.9 billion primarily attributable to distributions in our Real Estate and NGP Energy funds outside of the investment period. Partially offsetting this decrease were inflows, including fee-paying commitments, of $1.5 billion driven by additional commitments raised in CPP II and capital invested by CPI, as well as additional capital invested by various funds outside of the original investment period.

Total AUM as of and for each of the Three Years in the Period Ended December 31, 2018
The table below provides the period to period rollforward of Total AUM.

	Twelve Months Ended December 31,		
	2018	2017	2016
	(Dollars in millions)		
Real Assets			
Total AUM Rollforward			
Balance, Beginning of Period	$42,888	$34,252	$37,991
New Commitments (1)	5,698	10,205	1,203
Outflows (2)	(4,186)	(4,247)	(6,844)
Market Appreciation/(Depreciation) (3)	1,696	3,614	3,317
Foreign Exchange Gain/(Loss) (4)	(147)	112	(17)
Other (5)	(309)	(1,048)	(1,398)
Balance, End of Period	$45,640	$42,888	$34,252

(1) New Commitments reflects the impact of gross fundraising during the period. For funds or vehicles denominated in foreign currencies, this reflects translation at the average quarterly rate, while the separately reported Fundraising metric is translated at the spot rate for each individual closing.
(2) Outflows includes distributions in our carry funds and related co-investment vehicles, NGP Predecessor Funds and separately managed accounts.
(3) Market Appreciation/(Depreciation) generally represents realized and unrealized gains (losses) on portfolio investments in our carry funds and related co-investment vehicles, the NGP Predecessor Funds and separately managed accounts.
(4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.
(5) Includes expiring available capital, the impact of capital calls for fees and expenses and other changes in AUM.

Total AUM was $45.6 billion at December 31, 2018, an increase of $2.7 billion, or 6%, compared to $42.9 billion at December 31, 2017. This increase was driven by $5.7 billion of new commitments primarily attributable to fundraising in CIEP II, NGP XII, CPI, CGIOF, and CER. Also driving the increase was $1.7 billion of market appreciation including $0.7 billion attributable to CRP VII, $0.5 billion attributable to CIEP I, and $0.2 billion attributable to NGP XI. Partially offsetting the increase were $4.2 billion of outflows primarily due to distributions in our U.S. Real Estate, Legacy Energy, and NGP Energy funds.

Total AUM was $42.9 billion at December 31, 2017, an increase of $8.6 billion, or 25%, compared to $34.3 billion at December 31, 2016. This increase was driven by $10.2 billion of new commitments primarily attributable to fundraising in CRP VIII, NGP XII, and CPI. Also driving the increase was $3.6 billion of market appreciation including $1.2 billion attributable to NGP XI, $0.5 billion attributable to CRP VII, and $0.3 billion attributable to CIEP I. Partially offsetting the increase were $4.2 billion of outflows primarily due to distributions in our U.S. Real Estate, Legacy Energy, and Europe Real Estate funds.

Total AUM was $34.3 billion at December 31, 2016, a decrease of $3.7 billion, or 10%, compared to $38.0 billion at December 31, 2015. This decrease was driven by $6.8 billion of outflows primarily related to distributions in the NGP and our U.S. Real Estate funds. Partially offsetting this decrease was $3.3 billion of market appreciation, representing a 18% increase in the value of our carry fund portfolio. The carry funds driving appreciation for the period included $0.5 billion attributable to NGP X, $0.5 billion attributable to NGP XI, and $0.4 billion attributable to CRP VII.

Fund Performance Metrics

Fund performance information for our investment funds that have at least $1.0 billion in capital commitments, cumulative equity invested or total value as of December 31, 2018 and excluding the NGP Predecessor Funds, which we refer to as our “significant funds,” is generally included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance

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that any of our funds or our other existing and future funds will achieve similar returns. See “Item 1A. Risk Factors — Risks Related to Our Business Operations — The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.”

The following tables reflect the performance of our significant funds in our Real Assets business. See “Business — Our Family of Funds” for a legend of the fund acronyms listed below.

			TOTAL INVESTMENTS					REALIZED/PARTIALLY REALIZED INVESTMENTS(5)			
			As of December 31, 2018					As of December 31, 2018			
Real Assets	Fund Vintage (1)	Committed Capital	Cumulative Invested Capital (2)	Total Fair Value (3)	MOIC (4)	Gross IRR (7) (12)	Net IRR (8) (12)	Cumulative Invested Capital (2)	Total Fair Value (3)	MOIC (4)	Gross IRR (7) (12)
			(Reported in Local Currency, in Millions)					(Reported in Local Currency, in Millions)			
Fully Invested Funds (6)											
CRP III	2000	$ 564.1	$522.5	$1,784.6	3.4x	44 %	30 %	$522.5	$1,784.6	3.4x	44 %
CRP IV	2004	$ 950.0	$1,259.4	$1,930.1	1.5x	7 %	4 %	$1,203.0	$1,892.7	1.6x	7 %
CRP V	2006	$ 3,000.0	$3,373.3	$5,528.9	1.6x	12 %	8 %	$3,075.7	$4,987.4	1.6x	12 %
CRP VI	2010	$ 2,340.0	$2,188.6	$4,008.8	1.8x	28 %	19 %	$1,671.4	$3,378.6	2.0x	33 %
CRP VII	2014	$ 4,161.6	$3,574.6	$5,333.3	1.5x	22 %	14 %	$968.5	$1,828.7	1.9x	30 %
CEREP I	2002	€ 426.6	€517.0	€698.6	1.4x	14 %	7 %	€517.0	€698.6	1.4x	14 %
CEREP II	2005	€ 762.7	€833.8	€128.1	0.2x	Neg	Neg	€826.7	€132.3	0.2x	Neg
CEREP III	2007	€ 2,229.5	€2,052.5	€2,468.0	1.2x	4 %	1 %	€1,911.5	€2,371.7	1.2x	5 %
CIP	2006	$ 1,143.7	$1,069.8	$1,426.7	1.3x	6 %	3 %	$1,013.4	$1,385.9	1.4x	6%
NGP X	2012	$ 3,586.0	$3,278.6	$3,988.7	1.2x	7 %	3 %	$1,382.9	$2,426.3	1.8x	24 %
NGP XI	2014	$ 5,325.0	$4,548.2	$6,390.6	1.4x	22 %	15 %	$385.3	$576.1	1.5x	41 %
Energy II	2002	$ 1,100.0	$1,334.8	$3,130.0	2.3x	81 %	55 %	$1,334.8	$3,130.0	2.3x	81 %
Energy III	2005	$ 3,800.0	$3,569.7	$5,597.9	1.6x	10 %	6 %	$3,096.4	$5,044.8	1.6x	12 %
Energy IV	2007	$ 5,979.1	$6,336.1	$7,992.9	1.3x	7 %	3 %	$4,880.3	$6,559.8	1.3x	9 %
Renew II	2008	$ 3,417.5	$2,833.5	$4,235.0	1.5x	8 %	5 %	$1,479.3	$2,358.9	1.6x	12 %
All Other Funds (9)	Various		$3,311.7	$3,587.7	1.1x	3 %	Neg	$2,662.1	$3,023.2	1.1x	5 %
Coinvestments and SMA's(10)	Various		$5,241.0	$9,062.0	1.7x	16 %	13 %	$4,361.7	$7,551.1	1.7x	19 %
Total Fully Invested Funds			$46,338.1	$67,769.2	1.5x	12 %	7 %	$31,764.1	$49,594.6	1.6x	14 %
Funds in the Investment Period (6)											
CRP VIII	2017	$ 5,505.1	$890.1	$910.7	1.0x	NM	NM				
CIEP I	2013	$ 2,500.0	$1,815.5	$2,793.2	1.5x	29 %	15 %				
NGP XII	2017	$ 3,967.3	$1,068.9	$1,145.7	1.1x	NM	NM				
CPP II	2014	$ 1,526.7	$925.7	$1,111.3	1.2x	12 %	4 %				
CPI	2016	$ 2,088.3	$1,565.5	$1,790.4	1.1x	NM	NM				
CGIOF	2018	$ 1,300.6	$—	$—	n/a	NM	NM				
All Other Funds (11)	Various		$163.1	$158.7	1.0x	NM	NM				

Coinvestments and SMA's(10)	Various	$1,151.7	$1,760.3	1.5x	NM	NM				
Total Funds in the Investment Period		$7,580.5	$9,670.4	1.3x	23 %	12 %	$—	$—	n/a	n/a
TOTAL Real Assets (13)		$53,918.7	$77,439.5	1.4x	12 %	7 %	$31,764.1	$49,594.6	1.6x	14 %

(1) The data presented herein that provides “inception to date” performance results of our segments relates to the period following the formation of the first fund within each segment. For our Real Assets segment our first fund was formed in 1997.

(2) Represents the original cost of investments since inception of the fund.

(3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest.

(4) Multiple of invested capital (“MOIC”) represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.

(5) An investment is considered realized when the investment fund has completely exited, and ceases to own an interest in, the investment. An investment is considered partially realized when the total amount of proceeds received in respect of such investment, including dividends, interest or other distributions and/or return of capital, represents at least 85% of

invested capital and such investment is not yet fully realized. Because part of our value creation strategy involves pursuing best exit alternatives, we believe information regarding Realized/Partially Realized MOIC and Gross IRR, when considered together with the other investment performance metrics presented, provides investors with meaningful information regarding our investment performance by removing the impact of investments where significant realization activity has not yet occurred. Realized/Partially Realized MOIC and Gross IRR have limitations as measures of investment performance, and should not be considered in isolation. Such limitations include the fact that these measures do not include the performance of earlier stage and other investments that do not satisfy the criteria provided above. The exclusion of such investments will have a positive impact on Realized/Partially Realized MOIC and Gross IRR in instances when the MOIC and Gross IRR in respect of such investments are less than the aggregate MOIC and Gross IRR. Our measurements of Realized/Partially Realized MOIC and Gross IRR may not be comparable to those of other companies that use similarly titled measures. We do not present Realized/Partially Realized performance information separately for funds that are still in the investment period because of the relatively insignificant level of realizations for funds of this type. However, to the extent such funds have had realizations, they are included in the Realized/Partially Realized performance information presented for Total Real Assets.

(6) Fully Invested funds are past the expiration date of the investment period as defined in the respective limited partnership agreement. In instances where a successor fund has had its first capital call, the predecessor fund is categorized as fully invested.

(7) Gross Internal Rate of Return ("Gross IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value before management fees, expenses and carried interest.

(8) Net Internal Rate of Return ("Net IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest. Fund level IRRs are based on aggregate Limited Partner cash flows, and this blended return may differ from that of individual Limited Partners. As a result, certain funds may generate accrued performance revenues with a blended Net IRR that is below the preferred return hurdle for that fund.

(9) Aggregate includes the following funds: CRP I, CRP II, CAREP I, CAREP II, CRCP I, CPOCP, NGP GAP, Energy I and Renew I.

(10) Includes coinvestments, separately managed accounts (SMA's) and certain other stand-alone investments arranged by us.

(11) Aggregate includes CCR and CER. Return is not considered meaningful, as the investment period commenced in October 2016 for CCR and December 2017 for CER.

(12) For funds marked "NM," IRR may be positive or negative, but is not considered meaningful because of the limited time since initial investment and early stage of capital deployment. For funds marked "Neg," IRR is negative as of reporting period end.

(13) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

	Remaining Fair Value(1)	Unrealized MOIC(2)	Total MOIC(3)	% Invested(4)	In Accrued Carry/ (Giveback) (5)	LTM Realized Carry (6)	Catch up Rate	Fee Initiation Date (7)	Quarters Since Fee Initiation	Original Investment Period End Date
	As of December 31, 2018									
Real Assets										
NGP XI	$5,464.6	1.3x	1.4x	85 %	X		80 %	Feb-15	16	Oct-19
CRP VII	$3,392.1	1.3x	1.5x	86 %	X	X	80 %	Jun-14	19	Mar-19
CIEP I	$2,505.2	1.4x	1.5x	73 %	X		80 %	Oct-13	21	Sep-19
Energy IV	$1,941.6	0.9x	1.3x	106 %	(X)		80 %	Feb-08	44	Dec-13
CPI	$1,631.8	1.0x	1.1x	n/a	X		50 %	May-16	11	Apr-21
Renew II	$1,491.7	0.7x	1.5x	83 %	(X)		80 %	Mar-08	44	May-14
NGP X	$1,464.3	0.9x	1.2x	91 %			80 %	Jan-12	28	May-17
NGP XII	$1,145.7	1.1x	1.1x	27 %			80 %	Nov-17	5	Oct-19
CRP V	$977.3	2.4x	1.6x	112 %	X		50 %	Nov-06	49	Nov-11
CPP II	$911.0	1.2x	1.2x	61 %			80 %	Sep-14	18	Apr-21
CRP VIII	$910.2	1.0x	1.0x	16 %			80 %	Aug-17	6	May-22
CRP VI	$532.7	1.2x	1.8x	94 %	X	X	50 %	Mar-11	32	Mar-16
Energy III	$349.5	0.7x	1.6x	94 %	(X)		80 %	Nov-05	53	Oct-11
CRP IV	$273.1	3.6x	1.5x	133 %			50 %	Jan-05	56	Dec-09
CRP III	$254.4	107.5x	3.4x	93 %	X	X	50 %	Mar-01	72	May-05
CEREP III	€115.8	0.9x	1.2x	92 %			67 %	Jun-07	47	May-11
All Other Funds (8)	$718.3	0.9x	1.2x		NM	NM				
Coinvestments and SMA's (9)	$2,805.6	1.2x	1.7x		NM	NM				
Total Real Assets (10)	$26,901.7	1.2x	1.4x							

(1) Remaining Fair Value reflects the unrealized carrying value of investments in carry funds and related co-investment vehicles. Significant funds with remaining fair value of greater than $100 million are listed individually.

(2) Unrealized multiple of invested capital (“MOIC”) represents remaining fair market value, before management fees, expenses and carried interest, divided by remaining investment cost.

(3) Total MOIC represents total fair value (realized proceeds combined with remaining fair value), before management fees, expenses and carried interest, divided by cumulative invested capital. For certain funds, represents the original cost of investments net of investment-level recallable proceeds, which is adjusted to reflect recyclability of invested capital for the purpose of calculating the fund MOIC.

(4) Represents cumulative invested capital as of the reporting period divided by total commitments. Amount can be greater than 100% due to the re-investment of recallable distributions to fund investors.

(5) Fund has a net accrued performance revenue balance/(giveback obligation) as of the current quarter end, driven by a significant portion of the fund’s asset base.

(6) Fund has generated realized net performance revenues/(realized giveback) in the last twelve months.

(7) Represents the date of the first capital contribution for management fees.

(8) Aggregate includes the following funds: CRP I, CRP II, CRCP I, CEREP I, CEREP II, CER, CAREP I, CAREP II, CCR, CPOCP, CIP, CGIOF, NGP GAP, Energy I, Energy II and Renew I. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.

(9) Includes co-investments, prefund investments, separately managed accounts (SMA's) and certain other stand-alone investments arranged by us. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.

(10) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

Global Credit

We continue to invest in growing our Global Credit business, for example with the acquisition of Carlyle Aviation Partners in December 2018 (see Note 3 to the consolidated financial statements). In the near to mid term, this segment will incur additional expenses to build the credit business and raise additional capital.

For purposes of presenting our results of operations for this segment, we include only our economic interests in the results of operations of Claren Road (through January 2017) and ESG (through June 2016). The following table presents our results of operations for our Global Credit segment:

	Year Ended December 31,		
	2018	2017	2016
	(Dollars in millions)		
Segment Revenues			
Fund level fee revenues			
Fund management fees	$243.0	$191.5	$195.5
Portfolio advisory fees, net and other	5.1	7.5	5.8
Transaction fees, net	1.0	—	—
Total fund level fee revenues	249.1	199.0	201.3
Realized performance revenues	9.8	75.4	36.6
Realized principal investment income	7.9	11.9	5.1
Interest income	15.3	7.1	4.7
Total revenues	282.1	293.4	247.7
Segment Expenses			
Compensation and benefits			
Cash-based compensation and benefits	140.4	104.5	120.0
Realized performance revenues related compensation	4.5	35.0	17.6
Total compensation and benefits	144.9	139.5	137.6
General, administrative, and other indirect expenses	30.5	7.4	250.0
Depreciation and amortization expense	6.3	5.1	6.2
Interest expense	22.9	14.5	11.3
Total expenses	204.6	166.5	405.1
(=) Distributable Earnings	$77.5	$126.9	$(157.4)
(-) Realized Net Performance Revenues	5.3	40.4	19.0
(-) Realized Principal Investment Income	7.9	11.9	5.1
(+) Net Interest	7.6	7.4	6.6
(=) Fee Related Earnings	$71.9	$82.0	$(174.9)

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017 and Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Distributable Earnings

Distributable earnings decreased $49.4 million for the year ended December 31, 2018 as compared to 2017, and increased $284.3 million for the year ended December 31, 2017 as compared to 2016. The following table provides the components of the changes in distributable earnings for the years ended December 31, 2018 and 2017:

	Year Ended December 31,	
	2018	2017
	(Dollars in millions)	
Distributable earnings, prior year	$126.9	$(157.4)
Increases (decreases):		
(Decrease) increase in fee related earnings	(10.1)	256.9
(Decrease) increase in realized net performance revenues	(35.1)	21.4
(Decrease) increase in realized principal investment income	(4.0)	6.8
Increase in net interest	(0.2)	(0.8)
Total (decrease) increase	(49.4)	284.3
Distributable earnings, current year	$77.5	$126.9

Realized Net Performance Revenues. Realized net performance revenues decreased $35.1 million for the year ended December 31, 2018 as compared to 2017 and increased $21.4 million for the year ended December 31, 2017 as compared to 2016. The majority of realized net performance revenues was generated by our distressed debt carry funds and our business development companies in 2017, as well as our structured credit funds in 2016.

Realized Principal Investment Income. Realized principal investment income decreased $4.0 million for the year ended December 31, 2018 as compared to 2017 and increased $6.8 million for the year ended December 31, 2017 as compared to 2016. The decrease in realized principal investment income for the year ended December 31, 2018 as compared to 2017 was primarily due to realized losses on investments in one of our energy mezzanine funds. The increase in realized principal investment income for the year ended December 31, 2017 as compared to 2016 was primarily due to higher realizations on investments in our structured credit funds.

Fee Related Earnings

Fee related earnings decreased $10.1 million for the year ended December 31, 2018 as compared to 2017, and increased $256.9 million for the year ended December 31, 2017 as compared to 2016. The following table provides the components of the change in fee related earnings for the years ended December 31, 2018 and 2017:

	Year Ended December 31,	
	2018	2017
	(Dollars in millions)	
Fee related earnings, prior year	$82.0	$(174.9)
Increases (Decreases):		
Increase (decrease) in fee revenues	50.1	(4.4)

(Increase) decrease in cash-based compensation	(35.9)	15.5
(Increase) decrease in general, administrative and other indirect expenses	(23.1)	242.6
All other changes	(1.2)	3.2
Total (decrease) increase	(10.1)	256.9
Fee related earnings, current year	$71.9	$82.0

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Fee Revenues. Total fee revenues increased $50.1 million for the year ended December 31, 2018 as compared to 2017 and decreased $4.4 million for the year ended December 31, 2017 as compared to 2016, due to the following:

	Year Ended December 31, 2018	2017
	(Dollars in millions)	
Higher (lower) fund management fees	$51.5	$(4.0)
Higher transaction fees	1.0	—
Lower portfolio advisory fees, net and other	(2.4)	(0.4)
Total increase (decrease) in fee revenues	$50.1	$(4.4)

The increase in fund management fees for the year ended December 31, 2018 as compared to 2017 was primarily due to an increase in fund management fees from CLOs that originated in 2017 and 2018 as well as increased management fees from our direct lending platform.

The decrease in fund management fees for the year ended December 31, 2017 as compared to 2016 was primarily due to a decrease of $30.2 million in fund management fees related to the separation from the hedge funds and lower basis on certain carry funds. These decreases were partially offset by a $24.1 million increase in fund management fees primarily as a result of increased commitments and subsequent closings for CSP IV during 2017.

The weighted average management fee rate on our carry funds decreased from 1.35% at December 31, 2017 to 1.23% at December 31, 2018 primarily due to new funds raised or acquired with lower effective fee rates.

The weighted average management fee rate on our carry funds decreased slightly from 1.37% at December 31, 2016 to 1.35% at December 31, 2017 primarily due to a lower blended fee rate for CSP IV upon completion of the fundraising process.

Cash-based compensation and benefits expense. Cash-based compensation and benefits expense increased $35.9 million for the year ended December 31, 2018 as compared to 2017 primarily due to increased headcount and higher cash bonuses.

Cash-based compensation and benefits expense decreased $15.5 million for the year ended December 31, 2017 as compared to 2016 primarily due to lower headcount from the separation of the hedge fund business, which resulted in $24.9 million of lower compensation. This decrease was partially offset by an increase in 2017 cash bonuses.

General, administrative and other indirect expenses. General, administrative and other indirect expenses increased $23.1 million for the year ended December 31, 2018 as compared to 2017 and decreased $242.6 million for the year ended December 31, 2017 as compared to 2016, primarily due to the following:

	Year Ended December 31, 2018	2017
	(Dollars in millions)	
Absence of expenses incurred related to Claren Road transaction	—	(25.0)
Decrease (increase) in insurance recoveries related to litigation	35.3	(10.0)
(Decrease) increase in legal costs related to commodities[1]	(144.2)	(30.8)
Decrease (increase) in insurance recovery related to commodities[2]	145.5	(177.3)
Decrease in external costs associated with fundraising activities	(5.7)	(1.6)
All other changes	(7.8)	2.1
Total increase (decrease)	$23.1	$(242.6)

(1) For the year ended December 31, 2018 compared to the year ended December 31, 2017, this reflects the $144.2 million of commodities charges in 2017. For the year ended December 31, 2017 compared to the year ended December 31, 2016, this reflects the $144.2 million of commodities charges in 2017 as compared to the $175.0 million 2016 commodities charges.
(2) For the year ended December 31, 2018 compared to the year ended December 31, 2017, this reflect the $31.5 million insurance proceeds as compared to $177.0 million of insurance proceeds in 2017. For the year ended December 31, 2017 compared to the year ended December 31, 2016, this reflects the $177.0 million of insurance proceeds in 2017. See Note 9 to the consolidated financial statements for more information on our legal matters.

Fee-earning AUM as of and for each of the Three Years in the Period Ended December 31, 2018

Fee-earning AUM is presented below for each period together with the components of change during each respective period.

The table below breaks out Fee-earning AUM by its respective components at each period.

	As of December 31,		
	2018	2017	2016
	(Dollars in millions)		
Global Credit			
Components of Fee-earning AUM (1)			
Fee-earning AUM based on capital commitments	$7,403	$5,026	$4,010
Fee-earning AUM based on invested capital	1,885	1,457	1,278
Fee-earning AUM based on collateral balances, at par	22,921	18,625	16,999
Fee-earning AUM based on net asset value	867	42	—
Fee-earning AUM based on other (2)	2,076	2,112	1,839
Total Fee-earning AUM	$35,152	$27,262	$24,126
Weighted Average Management Fee Rates (3)			
All Funds, excluding CLOs	1.23 %	1.35 %	1.37 %

(1) For additional information concerning the components of Fee-earning AUM, see "—Fee-earning Assets under Management."

(2) Includes funds with fees based on gross asset value.

(3) Represents the aggregate effective management fee rate for carry funds and hedge funds, weighted by each fund's Fee-earning AUM, as of the end of each period presented. Management fees for CLOs are based on the total par amount of the assets (collateral) and principal balance of the notes in the fund and are not calculated as a percentage of equity and are therefore not included.

The table below provides the period to period rollforward of Fee-earning AUM.

	Twelve Months Ended December 31,		
	2018	2017	2016
	(Dollars in millions)		
Global Credit			
Fee-earning AUM Rollforward			
Balance, Beginning of Period	$27,262	$24,126	$30,972
Acquisitions/(Divestments) (1)	4,093	—	(4,356)
Inflows, including Fee-paying Commitments (2)	5,086	5,547	4,727
Outflows, including Distributions (3)	(1,228)	(3,556)	(4,208)
Subscriptions, net of Redemptions (4)	—	—	(2,764)
Market Appreciation/(Depreciation) (5)	35	13	(475)
Foreign Exchange and other (6)	(96)	1,132	230
Balance, End of Period	$35,152	$27,262	$24,126

(1) Acquisition activity represents Carlyle Aviation Partners assets which were acquired in a transaction that closed in December 2018. Divestment activity represents ESG assets which were transferred to the ESG founders in a transaction that closed in October 2016 and Claren Road assets which were transferred to the Claren Road founders in a transaction that closed in January 2017.

(2) Inflows represent limited partner capital raised by our carry funds and CLO's, as well as capital invested by our carry funds outside the investment period.

(3) Outflows represent limited partner distributions from our carry funds, changes in fee basis for our carry funds where the investment period has expired, reductions for funds that are no longer calling fees, and runoff of CLO collateral balances.

(4) Represents the net result of subscriptions to and redemptions from our hedge funds.

(5) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments in our carry funds based on the lower of cost or fair value and net asset value.

(6) Includes activity of funds with fees based on gross asset value. Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Fee-earning AUM was $35.2 billion at December 31, 2018, an increase of $7.9 billion, or 29%, compared to $27.3 billion at December 31, 2017. Driving the increase were inflows of $5.1 billion primarily attributable to new fee-paying capital raised in our U.S. and Europe CLO's. Also driving the increase was $4.1 billion of acquisition activity related to our December 2018 acquisition of Carlyle Aviation Partners. Partially offsetting the increase were $1.2 billion of outflows primarily related to runoff of our CLO collateral balances as well as distributions from carry funds outside the investment period. Distributions from carry funds still in the investment period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital.
Fee-earning AUM was $27.3 billion at December 31, 2017, an increase of $3.2 billion, or 13%, compared to $24.1 billion at December 31, 2016. Driving the increase were inflows of $5.5 billion primarily attributable to new fee-paying capital raised in our U.S. and Europe CLO's and new fee-paying commitments raised in CSP IV. Also driving the increase was foreign exchange and other activity of $1.1 billion primarily related to foreign exchange gains on our Euro-denominated CLO's. Partially offsetting the increase were $3.6 billion of outflows primarily related to runoff of our CLO collateral balances as well as distributions from carry funds outside the investment period.

Fee-earning AUM was $24.1 billion at December 31, 2016, a decrease of $6.9 billion, or 22%, compared to $31.0 billion at December 31, 2015. This was primarily the result of the divestments of our ESG and Claren Road hedge fund businesses which were sold back to their founders in separate transactions which closed in October 2016 and January 2017, respectively, and resulted in a decline in Fee-earning AUM of $4.4 billion. Also driving the decrease were outflows of $4.2 billion primarily related to runoff of our CLO collateral balances as well as distributions from carry funds outside the investment period and net redemptions in our hedge funds of $2.8 billion. Partially offsetting this decrease was $4.7 billion of inflows primarily attributable to new fee-paying capital raised in our U.S. and Europe CLO's and new commitments raised in CSP IV and CEMOF II.

Total AUM as of and for each of the Three Years in the Period Ended December 31, 2018
The table below provides the period to period rollforward of Total AUM.

	Twelve Months Ended December 31,		
	2018	2017	2016
	(Dollars in millions)		
Global Credit			
Total AUM Rollforward			
Balance, Beginning of Period	$33,324	$29,399	$35,255
Acquisitions/(Divestments) (1)	5,791	—	(4,707)
New Commitments (2)	6,272	6,643	7,115
Outflows (3)	(860)	(3,981)	(7,506)
Market Appreciation/(Depreciation) (4)	171	177	(1,045)
Foreign Exchange Gain/(Loss) (5)	(332)	829	(190)
Other (6)	51	257	477
Balance, End of Period	$44,417	$33,324	$29,399

(1)

Acquisition activity represents Carlyle Aviation Partners assets which were acquired in a transaction that closed in December 2018. Divestment activity represents ESG assets which were transferred to the ESG founders in a transaction that closed in October 2016 and Claren Road assets which were transferred to the Claren Road founders in a transaction that closed in January 2017.

(2) New Commitments reflects the impact of gross fundraising during the period. For funds or vehicles denominated in foreign currencies, this reflects translation at the average quarterly rate, while the separately reported Fundraising metric is translated at the spot rate for each individual closing.

(3) Outflows includes distributions in our carry funds, related co-investment vehicles and separately managed accounts, as well as runoff of CLO collateral balances and redemptions in our hedge funds.
(4) Market Appreciation/(Depreciation) generally represents realized and unrealized gains (losses) on portfolio investments in our carry funds and related co-investment vehicles, separately managed accounts and hedge funds.
(5) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.
(6) Includes expiring available capital, the impact of capital calls for fees and expenses, change in gross asset value for our business development companies and other changes in AUM.

Total AUM was $44.4 billion at December 31, 2018, an increase of $11.1 billion, or 33%, compared to $33.3 billion at December 31, 2017. This was driven by $6.3 billion of new commitments primarily due to new U.S. and Europe CLO issuances, as well as additional closes in our second BDC. Also contributing to the increase was the acquisition of Carlyle Aviation Partners which represented $5.8 billion of new AUM to the firm. Partially offsetting the increase were outflows of $0.9 billion primarily related to CLO run-off and distributions in our Global Credit carry funds.

Total AUM was $33.3 billion at December 31, 2017, an increase of $3.9 billion, or 13%, compared to $29.4 billion at December 31, 2016. This was driven by $6.6 billion of new commitments primarily due to new U.S. and Europe CLO issuances, as well as fundraising in CSC and CCOF. Also contributing to the increase were foreign exchange gains of $0.8 billion attributable to our Euro-denominated CLO's. Partially offsetting the increase were outflows of $4.0 billion primarily related to CLO run-off and distributions in our Global Credit carry funds.

Total AUM was $29.4 billion at December 31, 2016, a decrease of $5.9 billion, or 17%, compared to $35.3 billion at December 31, 2015. This decrease was due to outflows of $7.5 billion which were the result of CLO run-off, hedge fund redemptions, and distributions in our carry funds. Also driving the decrease were divestments of our ESG and Claren Road hedge fund businesses which were sold back to their founders in separate transactions which closed in October 2016 and January 2017, respectively, and resulted in a decline in Total AUM of $4.7 billion. Market depreciation for the period of $1.0 billion represented a 11% ($0.2 billion) decrease on our portfolio of carry funds for the period and declines in our hedge funds. Partially offsetting this decrease were new commitments of $7.1 billion primarily due to new U.S. and Europe CLO issuances as well as fundraising in CSP IV and CEMOF II.

Fund Performance Metrics

Fund performance information for certain of our Global Credit Funds is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns. See “Item 1A. Risk Factors — Risks Related to Our Business Operations — The historical returns attributable to our funds including those presented in this report should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.”

The following table reflects the performance of certain funds in our Global Credit business. These tables separately present funds that, as of the periods presented, had at least $1.0 billion in capital commitments, cumulative equity invested or total equity value. See "Business — Our Family of Funds" for a legend of the fund acronyms listed below.

			TOTAL INVESTMENTS				
			As of December 31, 2018			Inception to December 31, 2018	
Global Credit (Carry Funds Only)	Fund Inception Date (1)	Committed Capital	Cumulative Invested Capital (2)	Total Fair Value (3)	MOIC (4)	Gross IRR (5) (10)	Net IRR (6) (10)
	(Reported in Local Currency, in Millions)						
Fully Invested/Committed Funds (7)							
CSP II	2007	$ 1,352.3	$1,352.3	$2,479.1	1.8x	17 %	11 %
CSP III	2011	$ 702.8	$702.8	$1,174.4	1.7x	29 %	18 %
CEMOF I	2011	$ 1,382.5	$1,601.4	$1,368.3	0.9x	Neg	Neg
All Other Funds (8)			$2,321.3				