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CG.OQ - Carlyle Group Inc at Goldman Sachs Financial Services Conference (Virtual)

EVENT DATE/TIME: DECEMBER 09, 2020 / 2:20PM GMT

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PRESENTATION

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Well, good morning, everybody. Next, it is my pleasure to welcome Kewsong Lee, CEO of Carlyle. With $230 billion in asset under management, Carlyle is a leading global alternative asset manager with significant capabilities across private markets. Despite the pandemic, momentum is building across the business, underpinned by continued fundraising, accelerating deployment and strong investment performance. We look forward to getting an update on the drivers for the firm's momentum and key strategic priorities from here.

So Kew, welcome. Thank you very much for being here.

Kewsong Lee - *The Carlyle Group Inc. - CEO & Director*

I'm pleased to be here, Alex. Thanks for having me.

QUESTIONS AND ANSWERS

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Great. So I wanted to start our conversation this morning with the discussion around both the macro environment and what's been happening with your limited partners, your clients and, first, really with economic outlook. With the rising prospects of the vaccine and obviously now a road to recovery, which is becoming, I guess, a little bit more clearer, there's still lots of economic uncertainty out there. So how are you thinking about the macro outlook into '21? And maybe at a high level, how have these views impacted decision-making at Carlyle?

Kewsong Lee - *The Carlyle Group Inc. - CEO & Director*

Sure. Well, look, I would say 3 things. First, it's a very different recovery based on where you are, what industry sector you're in and what asset class you're pushing on. And so the first point is it's very different. So Asia is going to grow this year. China is going to grow this year without a recession, probably 3% growth. The U.S. is obviously a little bit down and Europe down a little bit more. But depending on what industry sector you're in, you can either be seeing 5 years of growth in 1 year or you could be facing existential issues, right? So it's a very different recovery based on what we're seeing around the world. But also, I would say the dispersion of outcomes is greater than we've ever seen before. Real winners, real losers within industry sectors, not to mention across industry sectors.

But I think the final point, this is an important one, is you can take a look at all that variance and all that dispersion and say and conclude, well, that's uncertain and like, now what do we do when we should kind of hang out? At Carlyle, because of our global presence, because we're in all regions of the world, because we're in all asset classes, because of all of our product strategies, for us, it's much more about where do we pick our spots, where do we know we can lean in to be aggressive and where should we be appropriately circumspect?

So I think this type of environment actually plays to our favor. We have an advantage because of our global platform, our industry expertise. And as a result, we've been leaning in places like Asia, $1.5 billion invested already, places like growth investing in PE, certain industry sectors like health care and technology, clearly also playing uncertainty and volatility in credit vis-à-vis credit opportunistic strategy. So it's a very different recovery based on your -- where you sit. It's -- there's a lot of dispersion. And I think our platform is set up really well to take advantage of the current environment.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Right. Right. And we've lit the same question on your clients. And if you think about the challenges they are faced with and, frankly, really volatile backdrop still, markets that are nearly an all-time high, so obviously, very low global interest rates and lots of dry powder that they've already committed to investing. So sort of what's top of mind for your clients? What do they expect from you? How do you see your relationship changing, if at all, from here with the base?

Kewsong Lee - *The Carlyle Group Inc. - CEO & Director*

Sure. yes. Look, I mean your question is a great one. And the overarching though issue that we're all facing, you're facing, I'm facing, your clients are facing, is we're at a 0% interest environment that's probably going to be here for a lot longer than people expect. And if you think about the clients of Carlyle, they're in the business of trying to find ways to position for long-term performance and where do they find those returns. And it's going to be in alternative assets. Whether it's private equity, private credit, private real estate, private infrastructure, there is a premium that our asset class and our industry has been able to deliver consistently over the past decades. And I think that's where our LPs are very concerned about and very focused on is how do they find performance in a low-yield 0% interest rate environment. So that backdrop is very favorable for us.

Now within the context of that, they are consolidating relationships with those platforms and those organizations that they have the most trust with. And we've been around for many decades. We're trusted partners, and we have relationships with all the major LPs around the world. And what I suspect happens in the future is you're going to see more consolidation of assets into trusted, large platforms like Carlyle. I suspect you're going to see continued secular movement of assets into alternative asset industry because of the performance that we are generating. And I think all of that really is to our advantage, especially in a remote work environment that we find ourselves in, where they can't meet brand-new GPs, they're going to default to the firms that they have the most trust with, that they have the most history with, that they have strong relationships with. And that runs to our advantage.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Yes. That's a good segue to talk a little bit about your focus and the vision that you have for Carlyle. Now you've been the sole CEO for nearly half a year now, give or take, and the CEO of Seat for almost 3 years and with the firm, I believe, for a little over 7 years. How has Carlyle changed over the years that you've been here? How do you see it continuing to evolve? And where are you spending most of your time and focus today?

Kewsong Lee - *The Carlyle Group Inc. - CEO & Director*

Sure. Well, look, we are moving from a private partnership focused on performing for LPs to an institutionalized full C corporation that is focused on delivering long-term value across all of our stakeholders. And clearly, driving shareholder value is something that is paramount and top of mind for me.

So our big priorities right now, what I'm focusing most of my time on, is how do I drive -- keep the current momentum going. We clearly have real positive momentum. You mentioned that in your nice introduction. And I'm now focused on accelerating our growth moving forward. We're well-positioned. The industry has got great tailwinds, as I just described. The company has really focused our thinking around our strategic priorities, those investment strategies that we know we can scale in quantum. That drives operating leverage. And if I can keep our investment performance going, which we've been able to do this year. As you know, our accrued carry balance is close to $2 billion, year-to-date, up 14%. We're seeing lots of good pipeline for realizations and monetizations coming in the future. But if I can keep that and my teams can keep our performance going strong, it sets up for, not only great FRE growth because of the scale that we're finding in our large strategies, but it sets up for great DE growth because of the carry that we know will come over the next several years.

So if I add on top of all that a little bit of expense management and a thoughtful acquisition here or there, I think you have all the back -- all the major drivers for accelerating growth sustainably over the next several years. And I think that is very favorable from the perspective of what happens with shareholder value.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Great. Let's unpack these a little bit.

Kewsong Lee - *The Carlyle Group Inc. - CEO & Director*

Sure.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

And we will start with fewer late earnings growth first. Look, you've made it very clear for a handful of years now, but this is 1 of your key priorities you talked about from the first time you and I met several years ago. So maybe given numerous growth strategies that you have in place, what do you think is the appropriate through the cycle FRE growth for Carlyle? And also, how do you see the margin evolving given the structure of your business and the focus on where that growth is coming from?

Kewsong Lee - *The Carlyle Group Inc. - CEO & Director*

Okay. Well, look, let me address that very important driver. I will point out, we'll unpack that in a lot more detail for everybody at an Investor Day that we're planning to hold sometime in the first half of next year, and we'll announce that date early in the year next year with respect to when we're going to do that. So hold on for the details with respect to the Investor Day.

But high level, I established very early on, we are really focused on FRE. It's something that we hadn't really done, as you know, in the past. And I think the results are showing it, right? FRE has grown considerably. The margin has expanded, and we have more to go. We pointed you to the mid-30s in terms of FRE margin. And so what's -- for this year.

So what's driving that? A few things. First, we're scaling our largest strategies even more. And when you do that, you don't need to scale your expense base to your team nearly as much as you're scaling the top line, obviously. And as a result, the operating leverage is going to create further pop in FRE and in margin.

Second, we are finding new areas to grow, whether it's incremental growth in PE because of growth strategies, whether it's in the credit platform where we continue to launch strategies like infrastructure credit. We're finding continued success in credit opportunities. And so we're seeing great growth there. We're seeing wonderful growth in our Solutions business. Our secondaries business has scaled up significantly. And we have a co-investment strategy in the market, which is being well-received.

So when you add on top of the scaling of our existing large flagship funds with new areas of growth, all with a view to picking large markets, large strategies and an ability to keep scaling and then you add, of course, expense management, all that leads to my view of feeling very positive about the fact that we're going to be able to continue and sustain growth in FRE for many years to come through the cycle.

Now FRE isn't the only thing. As you know, it's all about DE, and that's where investment performance really comes in. I'm really proud of our teams and how well we focused on our portfolio and how we've been putting money to work through the crisis. And I think we're really -- our portfolio is really set up well to monetize and have realizations. And if we can do that, you're going to see continued growth in DE through the next part of the cycle as well.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Yes. That all makes sense. And we'll touch on some of the activity dynamics in a little bit. But just maybe close out the FRE discussion, improving sustainability of FRE has also been obviously a big focus point for you. And as you just highlighted, kind of stepping outside of the flagship is definitely part of that strategy. And we've seen you guys build out the credit platform pretty substantially and other businesses along the way.

Kewsong Lee - *The Carlyle Group Inc. - CEO & Director*

Right.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

So I was hoping we could spend a few minutes on that. When I look at credit, it's grown. What is the ultimate size of that platform? Do you think it could go to adjacent areas within credit that you think could get bigger? And ultimately, anything else on the new strategy side that you see the most interesting kind of scaling opportunities for the next couple of years.

Kewsong Lee - *The Carlyle Group Inc. - CEO & Director*

Sure. So taking a step back, we started at, I don't know, $20 billion, $25 billion. It is now over $50 billion. So we've doubled it ever since I announced that we are really pushing hard with a platform strategy in private credit. We -- you asked me, where do I see this going. Up and to the right, could we see another double over a reasonable number of years moving forward? Sure. It's a humongous asset class that is growing, is among the fastest-growing asset classes within the entire alternative asset management industry. I think LPs are realizing that there is a real benefit to finding premium on a relative basis versus traditional fixed income, where yields are obviously really, really, really low.

In terms of strategies, in addition to those that we have set up. And so what we have our CLO business, which is one of the market leaders, I see continued growth there, especially as M&A activity comes back. We have a direct lending platform. I think we're undersized in direct lending relative to our brand, relative to our institution, relative to our capabilities. So we're going to spend a lot of time in the future trying to figure out how to keep that growing. Credit opportunities is already on a second-generation fund. It's doing great. I think that is a very scalable strategy. And we're in several billion dollars already in the ground. We can do even more there in the future.

Distressed. Distressed, we are fourth generation right now in terms of fund. It's doing great. But I would say distressed is one area where all the liquidity that's in the market has probably hurt the ability to deploy. And so it is a viable strategy. It's got plenty of legs to grow. But I would say, currently right now, it's hard to deploy in distressed than not just because of the liquidity that's available to all these companies that otherwise would have been in distressed.

In terms of new areas to grow, which is what you were asking, infrastructure credit is certainly a strategy, which is incredibly scalable. As our LPs are looking at what they're really earning in longer-dated traditional fixed income, they're finding that on a risk-reward basis, if they shift those dollars into things like private infrastructure credit, there's a yield pickup while still maintaining very solid defensive posture with respect to risk. And we're seeing increasing appetite from our LPs to bring allocation away from the traditional fixed income longer dated site into infrastructure credit, which, of course, will help fuel our growth. We're already over $1 billion into a brand-new strategy in terms of raising capital for it. And I suspect there's a lot more legs there in the future. Particularly, if you take a big step back and think about some of the priorities of the new administration, think about what areas of the economy need investment, the whole area of infrastructure clearly is something that I think has a lot of opportunity.

And then finally, in our credit platform, I can't help but mention, at some point in time, we are looking very hard at real estate credit. That is a tremendously large asset class, as everybody knows. It is a sector that is going through -- parts of it is going through stress. And there's going to be a need for private capital, not only on the equity part of the cap structure but, clearly, the credit portion. So at some point in time, I wouldn't be surprised if we look at opportunities there.

And then finally, you've asked for opportunities, so I'll share them with you. I talked all about primarily United States and Europe, but Asia is an area where you're going to see increasing focus as leverage finance catches up to the equity component of our asset class. And in the -- over the longer term, whether it's China, whether it's even India, you're going to see private credit opportunities open up in that part of the world.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Great. Thanks for that. That was great. I want to touch on your insurance strategy as well, and that's something you and I talked extensively about the last time we were here in person. And given your investment in Fortitude RE, I was wondering if we could maybe get a up-to-date kind of where we are in the process, perhaps rotating some of those assets to Carlyle's products? And then bigger picture, having partnered with that asset for a little while, how do you see your competitive position differentiating from other insurance space?

Kewsong Lee - *The Carlyle Group Inc. - CEO & Director*

Sure. Yes. We're really pleased with Fortitude. It's on or above expectations in terms of what it's doing. In terms of just the hard facts, the rotation, we are expecting $6 billion from the initial amount that was going to be rotated from Fortitude to Carlyle. We're at, I think, approximately $4 billion, and we see no reason why we're not going to hit target that we told you was going to happen when we announced the deal. With respect to the balance sheet of Fortitude, it's got excess capital, and we really like the way that excellent management team is managing risk. And in terms of pipeline of acquisition opportunities and growth, we see tremendous opportunities as it's a $10 trillion plus industry as it relates to legacy liabilities that we can look at acquiring to bulk up the balance sheet and to expand and grow Fortitude.

Now where we're different, and I walked -- If I remember correctly, I walked your listeners through this last year, but at a high level, I kind of view us more as B2B as opposed to B2C. So a few points. First, we're more diverse in our book of business. Second, we're not originating directly from the consumer, a monoline -- in a monoline fashion, 1 product, rather, what we're doing is on a book by book basis, having discussions with other insurance companies to see what legacy liabilities we can buy or we can reinsure and acquire. As a result, we can control our growth. We don't have to deal with the end consumer as it relates to pricing. And finally, the regulatory setup, I like much better, because we're not dealing with tricky issues of how to price certain policies and how to deal with consumers. We're obviously dealing business-to-business with other insurance companies.

So that's how we're different. We're domiciled in Bermuda, and we feel we're one of the largest reinsurers on the island. And we're very well set up with the talented management team to grow in a very different way than maybe some of the peers that you were referring to.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Great. Thanks for that. Why don't we shift gears a little bit and talk about activity rates. And it definitely feels like things are starting to heat up. You're starting to see a lot more both deployment and realization activity from the financial sponsors broadly, and it feels like Carlyle specifically as well. So maybe talk to us a little bit about areas where you're seeing most compelling investment opportunities right now, given the set of macro conditions we talked about earlier. And just to kind of help us level set ourselves, how do you expect the pace of deployment to evolve relative to kind of the more muted $3 billion a quarter pace you've been on so far year-to-date?

Kewsong Lee - *The Carlyle Group Inc. - CEO & Director*

Sure. Well, let me start by just saying, our pipelines have never been more full. We have never been more active than I can remember. I mean that's how busy we are. In terms of the areas of most interest to us and where we're perhaps seeing a lot of activity is, first, in Asia. We've already invested over $1.5 billion this year in China, in India, in Korea, across a whole range of industries, from financial services to consumer, to health care to tech. And so we see that region of the world very vibrant. And I throw Japan into it as well, very, very good activity with a very good deal flow. In terms of types of strategies, growth investing in private equity certainly is an area that has been very active throughout the year, and we see that continuing. There's so much disruption that's going on, be it the cloud, be it e-commerce, be it collaboration tools, be it cyber, be it cashless business models. And so as a result, when we -- and not to mention in health care, life sciences, telemedicine and a whole bunch of other trends that are happening, we see continued growth in those 2 sectors with respect to growth private equity investing.

In terms of asset class, I think we have to say credit opportunities has been just a great place to be. The volatility is something that's harder to capture in PE because these deals take a little bit longer to -- in terms of throughput time, whereas credit, you can capture opportunities a little faster in the market. And as a result, we've seen a lot of investing activity and pipeline in our credit opportunity strategy.

So we see a lot of activity. Now the real question is, when do the large big traditional buyouts come back? And we've already seen that start to happen. You -- hopefully, people read about our Flender transaction, a carve-out out of Siemens, an industrial company. And we are seeing pipeline develop in our industrial businesses, in industrial sectors. And I think it's just a matter of time before you start to see our industry announcing much larger transactions across all industries because we see -- we saw all the activity flow in pipeline building.

A final comment on that, Alex, which is private equity activity, especially the more traditional larger types, follows corporate M&A activity. And you're starting to see corporate M&A as confidence returns to the CEO suite to get deals done and strategic combinations done. Well, when those acquisitions occur, those mergers occur, that's when subsidiaries are divested. That's when noncore businesses are sold, and that spawns more PE activity. So I think it's just a matter of time. As confidence returns, the economy recovers, M&A activity picks up. And then that will beget much more PE activity as well.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Great. Great. No, that makes perfect sense. Look, accelerating pace of deployment obviously brings your next fundraiser super cycle into focus. And that's something we talked about in the beginning of the year when the world was very different, and that was sort of -- it feels like it will come maybe within 1.5 years to 2 years. Decline in deployment, obviously, had slowed that down. So curious if you can sort of mark us to market on where you guys stand with respect to your next round of flagship funds?

Kewsong Lee - *The Carlyle Group Inc. - CEO & Director*

Right.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

How would you frame that? And ultimately, what do you think is the sizing opportunity of that could be?

Kewsong Lee - *The Carlyle Group Inc. - CEO & Director*

Sure. Well, look, the next series of fundraisings is definitely coming. We're going to get into that in more detail at this Investor Day that we're hoping to announce early next year. Just to give you a sense, this year, 9 months, so through September, we raised $18 billion versus $16 billion last year. So with all the difficulties of working conditions and reduced travel, without ever meeting physically these LPs, we raised more money now than we raised last year. And that was done primarily in credit and in our solutions-based strategies in Alpinvest without any of our major flagship private equity funds in the market. So this is -- the increase in our fundraising was despite the fact that our big buyout in our big real estate funds aren't in market. We expect all those flagship funds to come back into market starting next year over the next several years. So stay tuned for what's to come at the Investor Day, but we will unpack that for you in more detail. But suffice to stay, I think starting next year, for a sustained several years of time, you're going to see stepped up fundraising as it's just that part -- it's just time for these funds to reload.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Great. Well, we'll stay tuned for that. All right. Let's talk about the other side of the coin when it comes to activity. You're really focusing on realizations. We talked a little bit about that again earlier on in the conversation. Carlyle is sitting on, I believe, your record amount of accrued carried interest. And the macro backdrop is clearly starting to improve. And for you guys, in particular, that's a very sizable source of earnings growth and cash flows, especially given the recognition dynamic of when you actually start to take the carry in. Maybe again, help us frame your outlook on realizations over the next 2 years. Obviously I understand it's very difficult to do for any particular quarter on a stand-alone basis. But are you thinking about the progress of realizations? It'd be very helpful.

Kewsong Lee - *The Carlyle Group Inc. - CEO & Director*

Well, look, as you know, it is very difficult, but -- to project quarter-by-quarter. But we have $2 billion of accrued carry. We just turned on carry at our largest private equity fund, CP 6. We announced that at our last earnings call. If you take a step back and think about what Carlyle has done despite this pandemic, we've had IPOs in the U.S., in India, in Japan, in last night in Brazil, one of the largest IPOs ever in Eshador, the leading hospital operator. So we're perfectly set up for distributions to come over the next 2, 3 years. The real secret ingredient for this to happen, though, is we've got to make sure our portfolios continue to perform. If that happens, the exits are just a matter of when and how.

And so let's go back to the most basic thing is, which is our assets in the ground, how are they doing, how are they performing. By and large, we feel very good about our portfolio construction. If we go fund by fund by fund, we feel very confident about portfolio construction and about the rates of return that these funds are generating. I mean let me just mention U.S. real estate. It's a franchise where, because of how well the investment leaders of that strategy thought about their portfolio, we went into a pandemic with very little to no exposure to retail commercial office and hotels, which is remarkable, right? Just in terms of portfolio quality. And they're outperforming their indices in some instances by 500, 600 basis points. Our large PE funds are generating 18%, 17%, 19% gross rates of return. Clearly, in a 0% interest rate environment for very long dated assets, these are -- this is a great performance for LP.

So it starts with performance. Our funds are constructed well. We feel pretty good about how they're positioned. If you look at our activity, M&A activity has been quite strong for us this year. You saw announcements with Supreme and with some other companies recently that we sold. The IPO activity, which I touched on, has been incredibly strong. So that's all setting the stage for. I'm pretty confident that over the next several years, you're going to see that accrued carry balance of ours, $2 billion right now and increasing quite well, you're going to see that accrued carry balance monetize and turn into carry. I can't tell you exactly what quarter that's going to happen. But the quality of our portfolios, the preparation with IPOs and the pipelines that we've got going gives me a pretty good sense of confidence that it will monetize over the next several years into carry income, drives DE and a nice earnings profile for the next several years.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Great. All makes sense. So that's actually a good segue to talk about -- talking about capital dynamics for the balance sheet. Look, clearly, if the environment remains conducive to this, earnings growth is going to accelerate, as you pointed out, quite materially over the next couple of years. Your dividend is currently covered by your fee-related earnings, implying the realized performance fees and the acceleration there really provides you with a lot of incremental capital to deploy. Maybe walk us through sort of the framework for dividend growth from here. Any thoughts around accelerating share repurchase activity because as a way to almost crystallize some of those incentive fee earnings, which the market is not always going to put a big multiple on that, right? So how do you turn that into something more permanent for the shareholders?

Kewsong Lee - *The Carlyle Group Inc. - CEO & Director*

Yes. Well, let me share with you how we think about -- how this management team thinks about this very important question of capital and what we do with it. So first and foremost, we have a view that our dividend should never go down. It should only go up over time. And it should trend on a lagging basis to what we believe sustainable levels of FRE should be. So as our FRE trends up and continues to hit points where we believe that we're at another level of sustainability and we're going to get to another level of sustainability, you're going to see the dividend move up in conjunction. Again, on a lag basis, to make sure that we're -- it's sustainable, but you're going to see our dividend track.

Second, as we generate this capital, our first and most important priority is to support our investing strategies. As you know, the GP co-invests alongside our LPs. So as we grow, we're going to need that capital to grow and to support our investing strategies.

Second, we're going to use our capital in organic ways to drive growth where we believe our shareholders can benefit from excess return. So we think there's a lot of opportunity to invest in our businesses to support organic growth, and we believe that it's a good use of capital to drive future value creation for our shareholders.

Third, we will make acquisitions along the way but in a very focused and strategic way. There's no quota every year or a check-the-box view on how to do acquisitions. Rather, it's about how do we be very strategic and where do we grow externally in adjacencies that expand us in ways that are very accretive to earnings.

So what are the places where that could occur? Clearly, our credit business is a platform where if I can see more ways to expand our CLO business through acquisition, sure, other types of lending functions, sure, because these are businesses where you can acquire assets, acquire -- but you don't need to really bulk up from an expense perspective. So I have a very much a view of being a strategic buyer there if the deals make sense.

Every once in a while, we'll think about something, which is a stand-alone, like Fortitude. But that's not going to be every month. That's going to be every once in a while, if it's something very strategic and can really move the needle for Carlyle, then we'll think about deploying in an acquisition within -- externally. Then only after that do we get to, okay, then do we have excess capital, then, of course, we want to be able to thoughtfully return that to our shareholders to continue driving shareholder value. So that's kind of the hierarchy and the waterfall of how we do things. We think there's plenty of opportunity organically and intrinsically to continue to drive growth in a way where I think our shareholders will be quite pleased with our ability to earn a great return on that capital.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Great. Well, you answered my M&A question before I had a chance to ask. That was great. So we got about a minute and change a lot. I do want to take a couple of questions from the web.

So there's 1 coming in around -- actually, kind of along the same lines, and it's really about the capital goods business. We've seen a handful of your peers build out increasing capabilities within capital markets. How do you think about that opportunity for Carlyle, especially through the ones that you just kind of described but maybe retaining some of that excess cash and excess capital that will be generated over the next couple of years?

Kewsong Lee - *The Carlyle Group Inc. - CEO & Director*

Yes. It's a very perceptive question. We are on this. We have an internal and integrated capital markets unit. You're going to see us build that out as a part of our credit business. We have allocated capital to that unit. It is my belief that we will be able to grow that business. I want to manage that business very carefully because we are partners to our financing sources and our financing partners. So to the Goldman Sachs and the JPMorgans of the world, we're working in partnership with them. On the other hand, we do have an ability using capital to underwrite and to help our portfolio of companies with financings. And so we do have an effort right now in capital markets to capture more earnings over time related to all of the financing activity, M&A activity, from the extended platform of Carlyle.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Great. Awesome. Well, that was super helpful. Thank you so much for the update. So on behalf of myself, my team, Goldman Sachs broadly, thank you so much for being here. Always a pleasure to spend some time with you and to hear your perspective.

Kewsong Lee - *The Carlyle Group Inc. - CEO & Director*

Well, Alex, I want to thank you. I want to thank Goldman Sachs for having me. And I wish you and everybody listening, I hope you all stay safe and healthy, and have a great holiday season.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

You as well. Thanks, Kew.

Kewsong Lee - *The Carlyle Group Inc. - CEO & Director*

Take care, Alex.
