Carlyle Group L.P.
Form 10-Q
May 01, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2019
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)

Not Applicable
(Former name or former address, if changed since last report)

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth 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 Exchange Act). Yes ¨ No ý

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common units representing limited partner interests	CG	The Nasdaq Global Select Market
5.875% Series A Preferred Units	TCGP	The Nasdaq Global Select Market

The number of the registrant’s common units representing limited partner interests outstanding as of April 26, 2019 was 110,105,553.

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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 our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the United States Securities and Exchange Commission (“SEC”) on February 13, 2019, as such factors may be updated from time to time in our periodic filings with 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.

Website and Social Media Disclosure
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/alerts.cfm. The contents of our website and social media channels are not, however, a part of this Quarterly Report on Form 10-Q and are not incorporated by reference herein.

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 Quarterly Report, refer to "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation - 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

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funds from Carlyle and our personnel, regardless of whether such commitments or invested capital are subject to management fees, incentive 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.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements
The Carlyle Group L.P.
Condensed Consolidated Balance Sheets
(Dollars in millions)

	March 31, 2019 (Unaudited)	December 31, 2018
Assets		
Cash and cash equivalents	$ 723.0	$ 629.6
Cash and cash equivalents held at Consolidated Funds	213.9	247.5
Restricted cash	5.1	8.7
Corporate treasury investments	28.4	51.7
Investments, including accrued performance allocations of $3,705.8 million and $3,480.0 million as of March 31, 2019 and December 31, 2018, respectively	6,236.5	5,697.5
Investments of Consolidated Funds	4,031.0	5,286.6
Due from affiliates and other receivables, net	300.9	441.1
Due from affiliates and other receivables of Consolidated Funds, net	45.3	135.4
Fixed assets, net	99.8	95.1
Lease right-of-use assets, net	247.4	—
Deposits and other	57.4	49.3
Intangible assets, net	74.0	77.3
Deferred tax assets	180.1	194.4
Total assets	$ 12,242.8	$ 12,914.2
Liabilities and partners' capital		
Debt obligations	$ 1,537.2	$ 1,550.4
Loans payable of Consolidated Funds	3,750.0	4,840.1
Accounts payable, accrued expenses and other liabilities	308.3	442.2
Accrued compensation and benefits	2,202.9	2,222.3
Due to affiliates	180.8	174.0
Deferred revenue	307.7	111.3
Deferred tax liabilities	64.3	64.3
Other liabilities of Consolidated Funds	372.1	610.1
Lease liabilities	320.5	—
Accrued giveback obligations	63.2	63.2
Total liabilities	9,107.0	10,077.9
Commitments and contingencies		
Series A preferred units (16,000,000 units issued and outstanding as of March 31, 2019 and December 31, 2018, respectively)	387.5	387.5
Partners' capital (common units 110,105,553 and 107,746,443 issued and outstanding as of March 31, 2019 and December 31, 2018, respectively)	779.2	673.4
Accumulated other comprehensive loss	(81.5)	(83.3)
Non-controlling interests in consolidated entities	290.0	324.2
Non-controlling interests in Carlyle Holdings	1,760.6	1,534.5
Total partners' capital	3,135.8	2,836.3
Total liabilities and partners' capital	$ 12,242.8	$ 12,914.2

See accompanying notes.

The Carlyle Group L.P.
Condensed Consolidated Statements of Operations
(Unaudited)
(Dollars in millions, except unit and per unit data)

	Three Months Ended March 31,	
	2019	2018
Revenues		
Fund management fees	$353.4	$ 264.5
Incentive fees	8.1	6.3
Investment income (loss)		
Performance allocations	349.1	308.1
Principal investment income	301.8	54.1
Total investment income	650.9	362.2
Interest and other income	22.2	22.5
Interest and other income of Consolidated Funds	52.4	47.3
Total revenues	1,087.0	702.8
Expenses		
Compensation and benefits		
Cash-based compensation and benefits	210.5	187.3
Equity-based compensation	36.0	84.9
Performance allocations and incentive fee related compensation	185.4	158.0
Total compensation and benefits	431.9	430.2
General, administrative and other expenses	112.5	95.0
Interest	19.7	17.9
Interest and other expenses of Consolidated Funds	38.1	35.9
Other non-operating expenses	0.3	0.3
Total expenses	602.5	579.3
Other income		
Net investment gains (losses) of Consolidated Funds	(14.2)	2.0
Income before provision for income taxes	470.3	125.5
Provision for income taxes	24.0	7.8
Net income	446.3	117.7
Net income (loss) attributable to non-controlling interests in consolidated entities	(4.5)	11.0
Net income attributable to Carlyle Holdings	450.8	106.7
Net income attributable to non-controlling interests in Carlyle Holdings	307.9	67.0
Net income attributable to The Carlyle Group L.P.	142.9	39.7
Net income attributable to Series A Preferred Unitholders	5.9	5.9
Net income attributable to The Carlyle Group L.P. Common Unitholders	$137.0	$ 33.8
Net income attributable to The Carlyle Group L.P. per common unit (see Note 11)		
Basic	$1.25	$ 0.34
Diluted	$1.18	$ 0.30
Weighted-average common units		
Basic	109,210,460	100,732,493
Diluted	115,818,538	111,303,988

Substantially all revenue is earned from affiliates of the Partnership. See accompanying notes.

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The Carlyle Group L.P.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(Dollars in millions)

	Three Months Ended March 31,	
	2019	2018
Net income	$446.3	$117.7
Other comprehensive income		
Foreign currency translation adjustments	1.9	30.6
Unrealized gains on Fortitude Re available-for-sale securities	5.6	—
Defined benefit plans		
Unrealized gain (loss) for the period	1.7	(1.0)
Less: reclassification adjustment for gain during the period, included in cash-based compensation and benefits expense	0.3	0.2
Other comprehensive income	9.5	29.8
Comprehensive income	455.8	147.5
Comprehensive (income) loss attributable to non-controlling interests in consolidated entities	4.2	(22.3)
Comprehensive income attributable to Carlyle Holdings	460.0	125.2
Comprehensive income attributable to non-controlling interests in Carlyle Holdings	(314.0)	(79.8)
Comprehensive income attributable to The Carlyle Group L.P.	$146.0	$45.4

See accompanying notes.

The Carlyle Group L.P.
Condensed Consolidated Statements of Changes in Partners' Capital
(Unaudited)
(Dollars and units in millions)

	Common Units	Preferred Equity	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests in Consolidated Entities	Non-controlling Interests in Carlyle Holdings	Total Partners' Capital
Balance at December 31, 2018	107.7	$387.5	$673.4	$ (83.3)	$ 324.2	$1,534.5	$2,836.3
Reallocation of ownership interests in Carlyle Holdings	—	—	13.3	(1.1)	—	(12.2)	—
Exchange of Carlyle Holdings units for common units	0.2	—	1.4	(0.2)	—	(1.2)	—
Units repurchased	(0.6)	—	(10.4)	—	—	—	(10.4)
Deferred tax effects resulting from acquisition of interests in Carlyle Holdings	—	—	0.1	—	—	—	0.1
Equity-based compensation	—	—	12.0	—	—	25.4	37.4
Issuances of common units for equity-based awards	2.8	—	—	—	—	—	—
Contributions	—	—	—	—	2.2	—	2.2
Distributions	—	(5.9)	(47.4)	—	(32.2)	(99.4)	(184.9)
Net income (loss)	—	5.9	137.0	—	(4.5)	307.9	446.3
Cumulative effect adjustment upon adoption of ASU 2016-2	—	—	(0.2)	—	—	(0.5)	(0.7)
Currency translation adjustments	—	—	—	0.7	0.3	0.9	1.9
Unrealized gains on Fortitude Re available-for-sale securities	—	—	—	1.8	—	3.8	5.6
Defined benefit plans, net	—	—	—	0.6	—	1.4	2.0
Balance at March 31, 2019	110.1	$387.5	$779.2	$ (81.5)	$ 290.0	$1,760.6	$3,135.8

	Common Units	Preferred Equity	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests in Consolidated Entities	Non-controlling Interests in Carlyle Holdings	Total Partners' Capital
Balance at December 31, 2017	100.1	$387.5	$701.8	$ (72.7)	$ 404.7	$1,527.7	$2,949.0
Reallocation of ownership interests in Carlyle Holdings	—	—	(0.1)	(0.2)	—	0.3	—
Exchange of Carlyle Holdings units for common units	0.9	—	6.6	(0.7)	—	(5.9)	—
Deferred tax effects resulting from acquisition of interests in Carlyle Holdings	—	—	0.4	—	—	—	0.4
Equity-based compensation	—	—	22.0	—	—	63.3	85.3
Issuances of common units for equity-based awards	0.4	—	—	—	—	—	—
Contributions	—	—	—	—	3.4	—	3.4
Distributions	—	(5.9)	(33.2)	—	(21.1)	(77.5)	(137.7)

Net income	—	5.9	33.8	—	11.0	67.0	117.7
Cumulative effect adjustment upon adoption of ASU 2016-16	—	—	(1.2)	—	—	(2.9)	(4.1)
Cumulative effect adjustment upon adoption of ASU 2014-09	—	—	(0.3)	—	—	(0.5)	(0.8)
Currency translation adjustments	—	—	—	5.9	11.3	13.4	30.6
Defined benefit plans, net	—	—	—	(0.2)	—	(0.6)	(0.8)
Balance at March 31, 2018	101.4	$387.5	$729.8	$ (67.9)	$ 409.3	$1,584.3	$3,043.0

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The Carlyle Group L.P.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Dollars in millions)

	Three Months Ended March 31,	
	2019	2018
Cash flows from operating activities		
Net income	$446.3	$117.7
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	14.8	10.7
Equity-based compensation	36.0	84.9
Non-cash performance allocations and incentive fees	(167.8)	(71.9)
Other non-cash amounts	11.1	6.9
Consolidated Funds related:		
Realized/unrealized (gain) loss on investments of Consolidated Funds	(1.1)	15.4
Realized/unrealized (gain) loss from loans payable of Consolidated Funds	15.3	(17.4)
Purchases of investments by Consolidated Funds	(310.4)	(911.1)
Proceeds from sale and settlements of investments by Consolidated Funds	598.8	529.9
Non-cash interest income, net	(0.8)	(0.9)
Change in cash and cash equivalents held at Consolidated Funds	14.1	311.6
Change in other receivables held at Consolidated Funds	88.1	(128.7)
Change in other liabilities held at Consolidated Funds	(225.2)	(3.9)
Principal investment income	(299.7)	(53.8)
Purchases of investments	(67.4)	(100.7)
Purchase of investment in Fortitude Re	(3.9)	—
Proceeds from the sale of investments	138.7	225.2
Payments of contingent consideration	—	(37.5)
Changes in deferred taxes, net	14.7	(2.8)
Change in due from affiliates and other receivables	59.9	5.1
Change in deposits and other	(8.4)	(12.1)
Change in accounts payable, accrued expenses and other liabilities	(68.9)	(38.3)
Change in accrued compensation and benefits	(137.6)	(82.9)
Change in due to affiliates	(2.2)	(15.5)
Change in lease right-of-use assets and lease liabilities	(1.1)	—
Change in deferred revenue	197.7	147.5
Net cash provided by (used in) operating activities	341.0	(22.6)
Cash flows from investing activities		
Purchases of fixed assets, net	(7.1)	(4.7)
Net cash used in investing activities	(7.1)	(4.7)
Cash flows from financing activities		
Repayment of term loan	(25.0)	—
Payments on debt obligations	(6.8)	(6.8)
Proceeds from debt obligations, net of financing costs	20.5	34.5
Net borrowings (payments) on loans payable of Consolidated Funds	(157.1)	180.6
Distributions to common unitholders	(47.4)	(33.2)
Distributions to preferred unitholders	(5.9)	(5.9)
Distributions to non-controlling interest holders in Carlyle Holdings	(99.4)	(77.5)

Contributions from non-controlling interest holders	2.2	3.4
Distributions to non-controlling interest holders	(9.8)	(21.1)
Common units repurchased	(10.4)	—
Change in due to/from affiliates financing activities	87.3	(19.2)
Net cash (used in) provided by financing activities	(251.8)	54.8
Effect of foreign exchange rate changes	7.7	21.7
Increase in cash, cash equivalents and restricted cash	89.8	49.2
Cash, cash equivalents and restricted cash, beginning of period	638.3	1,028.8
Cash, cash equivalents and restricted cash, end of period	$728.1	$1,078.0
Supplemental non-cash disclosures		
Net increase (decrease) in partners' capital and accumulated other comprehensive income related to reallocation of ownership interest in Carlyle Holdings	$12.2	$(0.3)
Non-cash distributions to non-controlling interest holders	$(22.4)	$—
Net asset impact of deconsolidation of Consolidated Funds	$(13.1)	$—
Tax effect from acquisition of Carlyle Holdings partnership units:		
Deferred tax asset	$0.6	$1.9
Tax receivable agreement liability	$0.5	$1.5
Total partners' capital	$0.1	$0.4
Reconciliation of cash, cash equivalents and restricted cash, end of period:		
Cash and cash equivalents	$723.0	$1,068.2
Restricted cash	5.1	9.8
Total cash, cash equivalents and restricted cash, end of period	$728.1	$1,078.0
Cash and cash equivalents held at Consolidated Funds	$213.9	$355.9

See accompanying notes.

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Basis of Presentation

The Carlyle Group L.P., together with its consolidated subsidiaries, is one of the world's largest global investment firms that originates, structures and acts as lead equity investor in management-led buyouts, strategic minority equity investments, equity private placements, consolidations and buildups, growth capital financings, real estate opportunities, bank loans, high-yield debt, distressed assets, mezzanine debt and other investment opportunities. The Carlyle Group L.P. is a Delaware limited partnership formed on July 18, 2011, which is managed and operated by its general partner, Carlyle Group Management L.L.C., which is in turn wholly-owned and controlled by Carlyle's founders and other senior Carlyle professionals. Except as otherwise indicated by the context, references to the "Partnership" or "Carlyle" refer to The Carlyle Group L.P., together with its consolidated subsidiaries.

Carlyle provides investment management services to, and has transactions with, various private equity funds, real estate funds, private credit funds, collateralized loan obligations ("CLOs"), and other investment products sponsored by the Partnership for the investment of client assets in the normal course of business. Carlyle typically serves as the general partner, investment manager or collateral manager, making day-to-day investment decisions concerning the assets of these products. Carlyle operates its business through four reportable segments: Corporate Private Equity, Real Assets, Global Credit, and Investment Solutions (see Note 14).

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of the Partnership and its consolidated subsidiaries. In addition, certain Carlyle-affiliated funds, related co-investment entities, certain CLOs managed by the Partnership (collectively the "Consolidated Funds") have been consolidated in the accompanying condensed consolidated financial statements pursuant to accounting principles generally accepted in the United States ("U.S. GAAP"), as described in Note 2. The consolidation of the Consolidated Funds generally has a gross-up effect on assets, liabilities and cash flows, and generally has no effect on the net income attributable to the Partnership. The economic ownership interests of the other investors in the Consolidated Funds are reflected as non-controlling interests in consolidated entities in the accompanying condensed consolidated financial statements (see Note 2).

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information. These statements, including notes, have not been audited, exclude some of the disclosures required for annual financial statements, and should be read in conjunction with the audited consolidated financial statements included in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission ("SEC"). The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. In the opinion of management, the condensed consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, which are necessary for the fair presentation of the financial condition and results of operations for the interim periods presented.

To simplify the statement of operations, the Partnership condensed the presentation of performance allocations, principal investment income and performance allocations and incentive fee related compensation effective with the three months ended December 31, 2018, and no longer presents the realized and unrealized components of these line items. The accompanying consolidated statement of operations for the three months ended March 31, 2018 has been recast to reflect this presentation change. The realized and unrealized components of performance allocations and principal investment income are included in Note 4. The realized and unrealized components of performance allocations and incentive fee related compensation are included in Note 6.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The Partnership consolidates all entities that it controls either through a majority voting interest or as the primary beneficiary of variable interest entities ("VIEs").

The Partnership evaluates (1) whether it holds a variable interest in an entity, (2) whether the entity is a VIE, and (3) whether the Partnership's involvement would make it the primary beneficiary. In evaluating whether the Partnership holds a variable interest, fees (including management fees, incentive fees and performance allocations) that are customary and commensurate with the level of services provided, and where the Partnership does not hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, are not considered

variable interests. The Partnership considers all economic interests, including indirect interests, to determine if a fee is considered a variable interest.

For those entities where the Partnership holds a variable interest, the Partnership determines whether each of these entities qualifies as a VIE and, if so, whether or not the Partnership is the primary beneficiary. The assessment of whether the entity is a VIE is generally performed qualitatively, which requires judgment. These judgments include: (a) determining whether the equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support, (b) evaluating whether the equity holders, as a group, can make decisions that have a significant effect on the economic performance of the entity, (c) determining whether two or more parties' equity interests should be aggregated, and (d) determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity.

For entities that are determined to be VIEs, the Partnership consolidates those entities where it has concluded it is the primary beneficiary. The primary beneficiary is defined as the variable interest holder with (a) the power to direct the activities of a VIE that most significantly impact the entity’s economic performance and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. In evaluating whether the Partnership is the primary beneficiary, the Partnership evaluates its economic interests in the entity held either directly or indirectly by the Partnership.

As of March 31, 2019, assets and liabilities of the consolidated VIEs reflected in the unaudited condensed consolidated balance sheets were $4.3 billion and $4.2 billion, respectively. Except to the extent of the consolidated assets of the VIEs, the holders of the consolidated VIEs’ liabilities generally do not have recourse to the Partnership.

Substantially all of the Partnership's Consolidated Funds are CLOs, which are VIEs that issue loans payable that are backed by diversified collateral asset portfolios consisting primarily of loans or structured debt. In exchange for managing the collateral for the CLOs, the Partnership earns investment management fees, including in some cases subordinated management fees and contingent incentive fees. In cases where the Partnership consolidates the CLOs (primarily because of a retained interest that is significant to the CLO), those management fees have been eliminated as intercompany transactions. As of March 31, 2019, the Partnership held $163.4 million of investments in these CLOs which represents its maximum risk of loss. The Partnership’s investments in these CLOs are generally subordinated to other interests in the entities and entitle the Partnership to receive a pro rata portion of the residual cash flows, if any, from the entities. Investors in the CLOs have no recourse against the Partnership for any losses sustained in the CLO structure.

Entities that do not qualify as VIEs are generally assessed for consolidation as voting interest entities. Under the voting interest entity model, the Partnership consolidates those entities it controls through a majority voting interest.

All significant inter-entity transactions and balances of entities consolidated have been eliminated.

Investments in Unconsolidated Variable Interest Entities

The Partnership holds variable interests in certain VIEs that are not consolidated because the Partnership is not the primary beneficiary, including its investments in certain CLOs and strategic investment in NGP Management Company, L.L.C. (“NGP Management” and, together with its affiliates, “NGP”). Refer to Note 4 for information on the strategic investment in NGP. The Partnership’s involvement with such entities is in the form of direct equity interests and fee arrangements. The maximum exposure to loss represents the loss of assets recognized by the Partnership relating to its variable interests in these unconsolidated entities. The Partnership’s maximum exposure to loss relates to the Partnership's investments in the unconsolidated VIEs and was $1,181.1 million as of March 31, 2019 and $1,152.4 million as of December 31, 2018.

Additionally, as of March 31, 2019, the Partnership had $131.3 million and $17.2 million recognized in the condensed consolidated balance sheet related to performance allocation and management fee arrangements, respectively, related to the unconsolidated VIEs.

Basis of Accounting

The accompanying financial statements are prepared in accordance with U.S. GAAP. Management has determined that the Partnership's Funds are investment companies under U.S. GAAP for the purposes of financial reporting. U.S. GAAP for an investment company requires investments to be recorded at estimated fair value and the unrealized gains and/or losses in an investment's fair value are recognized on a current basis in the statements of operations. Additionally, the Funds do not consolidate their majority-owned and controlled investments (the "Portfolio Companies"). In the preparation of these unaudited condensed consolidated financial statements, the Partnership has retained the specialized accounting for the Funds.

All of the investments held and notes issued by the Consolidated Funds are presented at their estimated fair values in the Partnership's condensed consolidated balance sheets. Interest and other income of the Consolidated Funds as well as interest expense and other expenses of the Consolidated Funds are included in the Partnership's unaudited condensed consolidated statements of operations.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management's estimates are based on historical experiences and other factors, including expectations of future events that management believes to be reasonable under the circumstances. It also requires management to exercise judgment in the process of applying the Partnership's accounting policies. Assumptions and estimates regarding the valuation of investments and their resulting impact on performance allocations involve a higher degree of judgment and complexity and these assumptions and estimates may be significant to the consolidated financial statements and the resulting impact on performance allocations and incentive fees. Actual results could differ from these estimates and such differences could be material.

Business Combinations

The Partnership accounts for business combinations using the acquisition method of accounting, under which the purchase price of the acquisition is allocated to the assets acquired and liabilities assumed using the fair values determined by management as of the acquisition date. Contingent consideration obligations that are elements of consideration transferred are recognized as of the acquisition date as part of the fair value transferred in exchange for the acquired business. Acquisition-related costs incurred in connection with a business combination are expensed as incurred.

Revenue Recognition

The Partnership recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers. Revenue is recognized when the Partnership transfers promised goods or services to customers in an amount that reflects the consideration to which the Partnership expects to be entitled to in exchange for those goods or services. ASC 606 includes a five-step framework that requires an entity to: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when the entity satisfies a performance obligation.

The Partnership accounts for performance allocations that represent a performance-based capital allocation from fund limited partners to the Partnership (commonly known as "carried interest", which comprises substantially all of the Partnership's previously reported performance fee revenues) 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 ASC 606. In accordance with ASC 323, the Partnership records equity method income (losses) as a component of investment income based on the change in its proportionate claim on net assets of the investment fund, including performance allocations, assuming the investment fund was liquidated as of each reporting date pursuant to each fund's governing agreements. See Note 4 for additional information on the components of investments and investment income. Performance fees that do not meet the definition of performance-based capital allocations are in the scope of ASC 606 and are included in incentive fees in the consolidated statements of operations.

While the determination of who is the customer in a contractual arrangement will be made on a contract-by-contract basis, the customer will generally be the investment fund for the Partnership's significant management and advisory contracts. The customer determination impacts the Partnership's analysis of the accounting for contract costs. Also, the recovery of certain costs incurred on behalf of Carlyle funds, primarily travel and entertainment costs, are presented gross in the unaudited condensed consolidated statements of operations, as the Partnership controls the inputs to its investment management performance obligation.

Fund Management Fees

The Partnership provides management services to funds in which it holds a general partner interest or has a management agreement. The Partnership considers the performance obligations in its contracts with its funds to be the promise to provide (or to arrange for third parties to provide) investment management services related to the management, policies and operations of the funds.

As it relates to the Partnership's performance obligation to provide investment management services, the Partnership typically satisfies this performance obligation over time as the services are rendered, since the funds simultaneously receive and

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consume the benefits provided as the Partnership performs the service. The transaction price is the amount of consideration to which the Partnership expects to be entitled in exchange for transferring the promised services to the funds. Management fees earned from each investment management contract over the contract life represent variable consideration because the consideration the Partnership is entitled to varies based on fluctuations in the basis for the management fee, for example fund net asset value ("NAV") or AUM. Given that the management fee basis is susceptible to market factors outside of the Partnership's influence, management fees are constrained and, therefore, estimates of future period management fees are generally not included in the transaction price. Revenue recognized for the investment management services provided is generally the amount determined at the end of the period because that is when the uncertainty for that period is resolved.

For closed-end carry funds in the Corporate Private Equity, Real Assets and Global Credit segments, management fees generally range from 1.0% to 2.0% of commitments during the fund's investment period based on limited partners' capital commitments to the funds. Following the expiration or termination of the investment 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 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 Partnership 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 upon the contracted terms of investment advisory or investment management and related agreements, these fees are generally called semi-annually in advance and are recognized as earned over the subsequent six month period. For certain 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 amounts of assets or the aggregate principal amount of the notes in the CLO and are due quarterly or semi-annually based on the terms and recognized over the respective period. Management fees for the CLOs and other structured products are governed by indentures and collateral management agreements. The Partnership 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 business development companies 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.

Management fees for the Partnership's private equity and real estate carry fund vehicles in the Investment Solutions segment generally range 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 investment 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. Management fees for the Investment Solutions carry fund vehicles are generally due quarterly and recognized over the related quarter.

As of March 31, 2019 and December 31, 2018, management fee receivables were $69.0 million and $76.2 million, respectively, and are included in due from affiliates and other receivables, net, in the unaudited condensed consolidated balance sheets.

The Partnership also provides transaction advisory and portfolio advisory services to the portfolio companies, and where covered by separate contractual agreements, recognizes fees for these services when the performance obligation has been satisfied and collection is reasonably assured. Transaction fees also include underwriting fees from the

Partnership's loan syndication and capital markets business, Carlyle Capital Solutions ("CCS"). Fund management fees includes transaction and portfolio advisory fees of $8.8 million and $6.6 million for the three months ended March 31, 2019 and 2018, respectively, net of any offsets as defined in the respective partnership agreements.

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. For the professional fees that the Partnership arranges for the investment funds, the Partnership concluded that the nature of its promise is to arrange for the services to be provided and it does not control the services provided by third parties before they are transferred to the customer. Therefore, the Partnership concluded it is acting in the capacity of an agent. Accordingly, the reimbursement for these professional fees paid on behalf of the investment funds is presented on a net basis in general, administrative and other expenses in the unaudited condensed consolidated statements of operations.

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The Partnership also incurs certain costs, primarily employee travel and entertainment costs, employee compensation and systems costs, for which it receives reimbursement from the investment funds in connection with its performance obligation to provide investment and management services. For reimbursable travel, compensation and systems costs, the Partnership concluded it controls the services provided by its employees and the resources used to develop applicable systems before they are transferred to the customer and therefore is a principal. Accordingly, the reimbursement for these costs incurred by the Partnership to manage the fund limited partnerships are presented on a gross basis in interest and other income in the unaudited condensed consolidated statements of operations and the expense in general, administrative and other expenses or cash-based compensation and benefits expenses in the unaudited condensed consolidated statements of operations.

Incentive Fees

In connection with management contracts from certain of its Global Credit funds, the Partnership is also entitled to receive performance-based incentive fees 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. Incentive fees are variable consideration because they are contingent upon the investment vehicle achieving stipulated investment return hurdles. Investment returns are highly susceptible to market factors outside of the Partnership’s influence. Accordingly, incentive fees are constrained until the uncertainty is resolved. Estimates of future period incentive fees are generally not included in the transaction price because these estimates are constrained. The transaction price for incentive fees is generally the amount determined at the end of each accounting period to which they relate because that is when the uncertainty for that period is resolved, as these fees are not subject to clawback.

Investment Income (Loss), including Performance Allocations

Investment income (loss) represents the unrealized and realized gains and losses resulting from the Partnership's equity method investments, including any associated general partner performance allocations, and other principal investments, including CLOs.

General partner performance allocations consist of the allocation of profits from certain of the funds to which the Partnership is entitled (commonly known as carried interest).

For closed-end carry funds in the Corporate Private Equity, Real Assets and Global Credit segments, the Partnership is generally entitled to a 20% allocation (or 10% to 20% on certain longer-dated carry funds, certain credit funds, and external co-investment vehicles, or approximately 2% to 10% for most of the Investment Solutions segment carry fund vehicles) of the net realized income or gain as a carried interest after returning the invested capital, the allocation of preferred returns of generally 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). Carried interest is recognized upon appreciation of the funds’ investment values above certain return hurdles set forth in each respective partnership agreement. The Partnership recognizes revenues attributable to performance allocations based upon the amount that would be due pursuant to the fund partnership agreement at each period end as if the funds were terminated at that date. Accordingly, the amount recognized as investment income for performance allocations reflects the Partnership’s share of the 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. Because of the inherent uncertainty, these estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and it is reasonably possible that the difference could be material.

Carried interest is ultimately realized when: (i) an underlying investment is profitably disposed of, (ii) certain costs borne by the limited partner investors have been reimbursed, (iii) the fund’s cumulative returns are in excess of the preferred return and (iv) the Partnership has decided to collect carry rather than return additional capital to limited partner investors. Realized carried interest may be required to be returned by the Partnership in future periods if the funds’ investment values decline below certain levels. 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 fund is considered separately in this regard, and for a given fund, performance allocations can never be negative over the life of a fund. If upon a hypothetical liquidation of a fund’s investments at their then-current fair values, previously recognized and distributed carried interest would be required to be returned, a liability is established for the potential giveback obligation.

Principal investment income (loss) is realized when the Partnership redeems all or a portion of its investment or when the Partnership receives or is due cash income, such as dividends or distributions. Principal investment income (loss) also includes the Partnership's allocation of earnings from its investments in Fortitude Re and, as it relates to the Partnership's investments in NGP (see Note 4), the related amortization of the basis difference between the Partnership’s carrying value of its investment and the Partnership’s share of underlying net assets of the investee, as well as the compensation expense associated with

compensatory arrangements provided by the Partnership to employees of its equity method investee. Unrealized principal investment income (loss) results from changes in the fair value of the underlying investment as well as the reversal of unrealized gain (loss) at the time an investment is realized.

Interest Income

Interest income is recognized when earned. For debt securities representing non-investment grade beneficial interests in securitizations, the effective yield is determined based on the estimated cash flows of the security. Changes in the effective yield of these securities due to changes in estimated cash flows are recognized on a prospective basis as adjustments to interest income in future periods. Interest income earned by the Partnership is included in interest and other income in the accompanying unaudited condensed consolidated statements of operations. Interest income of the Consolidated Funds was $51.0 million and $46.0 million for the three months ended March 31, 2019 and 2018, respectively, and is included in interest and other income of Consolidated Funds in the accompanying unaudited condensed consolidated statements of operations.

Compensation and Benefits

Cash-based Compensation and Benefits – Cash-based compensation and benefits includes salaries, bonuses (discretionary awards and guaranteed amounts), performance payment arrangements and benefits paid and payable to Carlyle employees. Bonuses are accrued over the service period to which they relate.

Equity-Based Compensation – Compensation expense relating to the issuance of equity-based awards to Carlyle employees is measured at fair value on the grant date. In June 2018, the Partnership adopted ASU 2018-7, Improvements to Nonemployee Share-Based Payment Accounting, which aligned the accounting for non-employee equity-based awards with the accounting for employee equity-based awards, retroactive to January 1, 2018. The compensation expense for awards that vest over a future service period is recognized over the relevant service period on a straight-line basis. The compensation expense for awards that do not require future service is recognized immediately. Cash settled equity-based awards are classified as liabilities and are re-measured at the end of each reporting period. The compensation expense for awards that contain performance conditions is recognized when it is probable that the performance conditions will be achieved; in certain instances, such compensation expense may be recognized prior to the grant date of the award. The compensation expense for awards that contain market conditions is based on a grant-date fair value that factors in the probability that the market conditions will be achieved and is recognized over the derived service period on a straight-line basis.

Equity-based awards issued to non-employees are generally recognized as general, administrative and other expenses, except to the extent they are recognized as part of the Partnership’s equity method earnings because they are issued to employees of equity method investees.

The Partnership recognizes equity-based award forfeitures in the period they occur as a reversal of previously recognized compensation expense. The reduction in compensation expense is determined based on the specific awards forfeited during that period. Furthermore, the Partnership recognizes all excess tax benefits and deficiencies as income tax benefit or expense in the unaudited condensed consolidated statement of operations.

Performance Allocations and Incentive Fee Related Compensation – A portion of the performance allocations and incentive fees earned is due to employees and advisors of the Partnership. These amounts are accounted for as compensation expense in conjunction with the recognition of the related performance allocations and incentive fee revenue and, until paid, are recognized as a component of the accrued compensation and benefits liability. Accordingly, upon a reversal of performance allocations or incentive fee revenue, the related compensation expense, if any, is also reversed. As of March 31, 2019 and December 31, 2018, the Partnership had recorded a liability of $1.9 billion and $1.8 billion, respectively, related to the portion of accrued performance allocations and incentive fees due to employees and advisors, respectively, which was included in accrued compensation and benefits in the accompanying unaudited condensed consolidated balance sheets.

Income Taxes

Certain of the wholly-owned subsidiaries of the Partnership and the Carlyle Holdings partnerships are subject to federal, state, local and foreign corporate income taxes at the entity level and the related tax provision attributable to the Partnership's share of this income is reflected in the unaudited condensed consolidated financial statements. Based on applicable federal, foreign, state and local tax laws, the Partnership records a provision for income taxes for certain entities. Tax positions taken by the Partnership are subject to periodic audit by U.S. federal, state, local and foreign taxing authorities.

The Partnership accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future consequences of events that have been included in the financial statements or

tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement reporting and the tax basis of assets and liabilities using enacted tax rates in effect for the period in which the difference is expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period of the change in the provision for income taxes. Further, deferred tax assets are recognized for the expected realization of available net operating loss and tax credit carry forwards. A valuation allowance is recorded on the Partnership's gross deferred tax assets when it is "more likely than not" that such asset will not be realized. When evaluating the realizability of the Partnership's deferred tax assets, all evidence, both positive and negative, is evaluated. Items considered in this analysis include the ability to carry back losses, the reversal of temporary differences, tax planning strategies, and expectations of future earnings.

Under U.S. GAAP for income taxes, the amount of tax benefit to be recognized is the amount of benefit that is "more likely than not" to be sustained upon examination. The Partnership analyzes its tax filing positions in all of the U.S. federal, state, local and foreign tax jurisdictions where it is required to file income tax returns, as well as for all open tax years in these jurisdictions. If, based on this analysis, the Partnership determines that uncertainties in tax positions exist, a liability is established, which is included in accounts payable, accrued expenses and other liabilities in the unaudited condensed consolidated financial statements. The Partnership recognizes accrued interest and penalties related to unrecognized tax positions in the provision for income taxes. If recognized, the entire amount of unrecognized tax positions would be recorded as a reduction in the provision for income taxes.

Tax Receivable Agreement

Exchanges of Carlyle Holdings partnership units for the Partnership's common units that are executed by the limited partners of the Carlyle Holdings partnerships result in transfers of and increases in the tax basis of the tangible and intangible assets of Carlyle Holdings, primarily attributable to a portion of the goodwill inherent in the business. These transfers and increases in tax basis will increase (for tax purposes) depreciation and amortization and therefore reduce the amount of tax that certain of the Partnership's subsidiaries, including Carlyle Holdings I GP Inc., which are referred to as the "corporate taxpayers," would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets. The Partnership has entered into a tax receivable agreement with the limited partners of the Carlyle Holdings partnerships whereby the corporate taxpayers have agreed to pay to the limited partners of the Carlyle Holdings partnerships involved in any exchange transaction 85% of the amount of cash tax savings, if any, in U.S. federal, state and local income tax or foreign or franchise tax that the corporate taxpayers realize as a result of these increases in tax basis and, in limited cases, transfers or prior increases in tax basis. The corporate taxpayers expect to benefit from the remaining 15% of cash tax savings, if any, in income tax they realize. Payments under the tax receivable agreement will be based on the tax reporting positions that the Partnership will determine. The corporate taxpayers will not be reimbursed for any payments previously made under the tax receivable agreement if a tax basis increase is successfully challenged by the Internal Revenue Service.

The Partnership records an increase in deferred tax assets for the estimated income tax effects of the increases in tax basis based on enacted federal and state tax rates at the date of the exchange. To the extent that the Partnership estimates that the corporate taxpayers will not realize the full benefit represented by the deferred tax asset, based on an analysis that will consider, among other things, its expectation of future earnings, the Partnership will reduce the deferred tax asset with a valuation allowance and will assess the probability that the related liability owed under the tax receivable agreement will be paid. The Partnership records 85% of the estimated realizable tax benefit (which is the recorded deferred tax asset less any recorded valuation allowance) as an increase to the liability due under the tax receivable agreement, which is included in due to affiliates in the accompanying condensed consolidated financial statements. The remaining 15% of the estimated realizable tax benefit is initially recorded as an increase to the Partnership's partners' capital.

All of the effects to the deferred tax asset of changes in any of the Partnership's estimates after the tax year of the exchange will be reflected in the provision for income taxes. Similarly, the effect of subsequent changes in the enacted tax rates will be reflected in the provision for income taxes.

Non-controlling Interests

Non-controlling interests in consolidated entities represent the component of equity in consolidated entities held by third-party investors. These interests are adjusted for general partner allocations which occur during the reporting period. Any change in ownership of a subsidiary while the controlling financial interest is retained is accounted for as an equity transaction between the controlling and non-controlling interests. Transaction costs incurred in connection with such changes in ownership of a subsidiary are recorded as a direct charge to partners' capital.

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Non-controlling interests in Carlyle Holdings relate to the ownership interests of the other 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 Carlyle Holdings into its consolidated financial statements, and the other ownership interests in Carlyle Holdings are reflected as non-controlling interests in the Partnership's unaudited condensed consolidated financial statements. Any change to the Partnership's ownership interest in Carlyle Holdings while it retains the controlling financial interest in Carlyle Holdings is accounted for as a transaction within partners' capital as a reallocation of ownership interests in Carlyle Holdings.

Earnings Per Common Unit

The Partnership computes earnings per common unit in accordance with ASC 260, Earnings Per Share ("ASC 260"). Basic earnings per common unit is calculated by dividing net income (loss) attributable to the common units of the Partnership by the weighted-average number of common units outstanding for the period. Diluted earnings per common unit reflects the assumed conversion of all dilutive securities. Net income (loss) attributable to the common units excludes net income (loss) and dividends attributable to any participating securities under the two-class method of ASC 260.

Investments

Investments include (i) the Partnership's ownership interests (typically general partner interests) in the Funds, (ii) strategic investments made by the Partnership (both of which are accounted for as equity method investments), (iii) the investments held by the Consolidated Funds (which are presented at fair value in the Partnership's unaudited condensed consolidated financial statements), and (iv) certain credit-oriented investments, including investments in the CLOs (which are accounted for as trading securities).

The valuation procedures utilized for investments of the Funds vary depending on the nature of the investment. The fair value of investments in publicly-traded securities is based on the closing price of the security with adjustments to reflect appropriate discounts if the securities are subject to restrictions.

The fair value of non-equity securities or other investments, which may include instruments that are not listed on an exchange, considers, among other factors, external pricing sources, such as dealer quotes or independent pricing services, recent trading activity or other information that, in the opinion of the Partnership, may not have been reflected in pricing obtained from external sources.

When valuing private securities or assets without readily determinable market prices, the Partnership gives consideration to operating results, financial condition, economic and/or market events, recent sales prices and other pertinent information. These valuation procedures may vary by investment, but include such techniques as comparable public market valuation, comparable acquisition valuation and discounted cash flow analysis. Because of the inherent uncertainty, these estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and it is reasonably possible that the difference could be material. Furthermore, there is no assurance that, upon liquidation, the Partnership will realize the values presented herein.

Upon the sale of a security or other investment, the realized net gain or loss is computed on a weighted average cost basis, with the exception of the investments held by the CLOs, which compute the realized net gain or loss on a first in, first out basis. Securities transactions are recorded on a trade date basis.

Principal Equity Method Investments

The Partnership accounts for all investments in which it has or is otherwise presumed to have significant influence, including investments in the unconsolidated Funds and strategic investments, using the equity method of accounting. The carrying value of equity method investments is determined based on amounts invested by the Partnership, adjusted for the equity in earnings or losses of the investee (including performance allocations) allocated based on the respective partnership agreement, less distributions received. The Partnership evaluates its equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable.

Cash and Cash Equivalents

Cash and cash equivalents include cash held at banks and cash held for distributions, including investments with original maturities of less than three months when purchased.

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Cash and Cash Equivalents Held at Consolidated Funds

Cash and cash equivalents held at Consolidated Funds consists of cash and cash equivalents held by the Consolidated Funds, which, although not legally restricted, is not available to fund the general liquidity needs of the Partnership.

Restricted Cash

Restricted cash primarily represents cash held by the Partnership's foreign subsidiaries due to certain government regulatory capital requirements as well as certain amounts held on behalf of Carlyle funds.

Corporate Treasury Investments

Corporate treasury investments represent investments in U.S. Treasury and government agency obligations, commercial paper, certificates of deposit, other investment grade securities and other investments with original maturities of greater than three months when purchased. These investments are accounted for as trading securities in which changes in the fair value of each investment are recorded through investment income (loss). Any interest earned on debt investments is recorded through interest and other income.

Derivative Instruments

The Partnership uses derivative instruments primarily to reduce its exposure to changes in foreign currency exchange rates. Derivative instruments are recognized at fair value in the unaudited condensed consolidated balance sheets with changes in fair value recognized in the unaudited condensed consolidated statements of operations for all derivatives not designated as hedging instruments.

Securities Sold Under Agreements to Repurchase

As it relates to certain European CLOs sponsored by the Partnership, securities sold under agreements to repurchase ("repurchase agreements") are accounted for as collateralized financing transactions. The Partnership provides securities to counterparties to collateralize amounts borrowed under repurchase agreements on terms that permit the counterparties to repledge or resell the securities to others. As of March 31, 2019, $20.8 million of securities were transferred to counterparties under repurchase agreements and are included within investments in the condensed consolidated balance sheets. Cash received under repurchase agreements is recognized as a liability within debt obligations in the condensed consolidated balance sheets. Interest expense is recognized on an effective yield basis and is included within interest expense in the condensed consolidated statements of operations. See Note 5 for additional information.

Fixed Assets

Fixed assets consist of furniture, fixtures and equipment, leasehold improvements, and computer hardware and software and are stated at cost, less accumulated depreciation and amortization. Depreciation is recognized on a straight-line method over the assets' estimated useful lives, which for leasehold improvements are the lesser of the lease terms or the life of the asset, and three to seven years for other fixed assets. Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Leases

On January 1, 2019, the Partnership adopted ASU 2016-2, Leases (Topic 842) under the modified retrospective method. ASU 2016-2, and related amendments, requires lessees to recognize virtually all of their leases on the balance sheet by recording right-of-use assets and lease liabilities. The lease liability is measured at the present value of lease payments and the right-of-use asset is based on the lease liability value, subject to adjustments for deferred rent, lease incentives, unamortized initial direct costs, or impairment. As of December 31, 2018, there was $65.2 million of deferred rent and lease incentives that was reclassified from accounts payable, accrued expenses and other liabilities into right-of-use assets upon the adoption of ASU 2016-2. Leases can be classified as either operating leases or finance leases. Operating leases will result in straight-line lease expense, while finance leases will result in front-loaded expense. The adoption of this guidance did not have a material impact on operating results. The Partnership elected the transition option provided by the FASB, which allows entities to not apply ASC 842 in the

comparative periods presented in the financial statements in the year of adoption. The Partnership also elected to use the practical expedients available under the transition provisions under which the Partnership did not need to reassess whether an arrangement is or contains a lease, lease classification, and the accounting for initial direct costs.

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The Partnership recognizes a lease liability and right-of-use asset in the condensed consolidated balance sheet for contracts that it determines are leases or contain a lease. The Partnership's leases primarily consist of operating leases for office space in various countries around the world. The Partnership also has operating leases for office equipment and vehicles, which are not significant. The Partnership does not separate non-lease components from lease components for its office space and equipment operating leases and instead accounts for each separate lease component and its associated non-lease component as a single lease component. Right-of-use assets represent the Partnership's right to use an underlying asset for the lease term and lease liabilities represent the Partnership's obligation to make lease payments arising from the leases. The Partnership's right-of-use assets and lease liabilities are recognized at lease commencement based on the present value of lease payments over the lease term. Lease right-of-use assets include initial direct costs incurred by the Partnership and are presented net of deferred rent and lease incentives. Absent an implicit interest rate in the lease, the Partnership uses its incremental borrowing rate, adjusted for the effects of collateralization, based on the information available at commencement in determining the present value of lease payments. The Partnership's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Partnership will exercise those options. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Partnership does not recognize a lease liability or right-of-use asset on the balance sheet for short-term leases. Instead, the Partnership recognizes short-term lease payments as an expense on a straight-line basis over the lease term. A short-term lease is defined as a lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. When determining whether a lease qualifies as a short-term lease, the Partnership evaluates the lease term and the purchase option in the same manner as all other leases.

Intangible Assets and Goodwill

The Partnership's intangible assets consist of acquired contractual rights to earn future fee income, including management and advisory fees, customer relationships, and acquired trademarks. Finite-lived intangible assets are amortized over their estimated useful lives, which range from four to ten years, and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Intangible asset amortization expense was $3.9 million and $2.7 million during the three months ended March 31, 2019 and 2018, respectively, and is included in general, administrative, and other expenses in the unaudited condensed consolidated statements of operations.

Goodwill represents the excess of cost over the identifiable net assets of businesses acquired and is recorded in the functional currency of the acquired entity. Goodwill is recognized as an asset and is reviewed for impairment annually as of October 1st and between annual tests when events and circumstances indicate that impairment may have occurred.

Deferred Revenue

Deferred revenue represents management fees and other revenue received prior to the balance sheet date, which has not yet been earned. The increase in the deferred revenue balance for the three months ended March 31, 2019 was primarily driven by cash payments received in advance of the Partnership satisfying its performance obligations, partially offset by revenues recognized that were included in the deferred revenue balance at the beginning of the period.

Accumulated Other Comprehensive Income (Loss)

The Partnership's accumulated other comprehensive income (loss) is comprised of foreign currency translation adjustments and gains and losses on defined benefit plans sponsored by AlpInvest. The components of accumulated other comprehensive income (loss) as of March 31, 2019 and December 31, 2018 were as follows:

As of

	March 31, 2019	December 31, 2018
	(Dollars in millions)	
Currency translation adjustments	$(80.3)	$ (79.7)
Unrealized losses on defined benefit plans	(3.0)	(4.6)
Fortitude Re available-for-sale securities	1.8	1.0
Total	$(81.5)	$ (83.3)

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Foreign Currency Translation

Non-U.S. dollar denominated assets and liabilities are translated at period-end rates of exchange, and the unaudited condensed consolidated statements of operations are translated at rates of exchange in effect throughout the period. Foreign currency losses resulting from transactions outside of the functional currency of an entity of $12.7 million and $6.7 million for the three months ended March 31, 2019 and 2018, respectively, are included in general, administrative and other expenses in the unaudited condensed consolidated statements of operations.

Recent Accounting Pronouncements

In August 2018, the SEC adopted amendments to certain disclosure requirements in Securities Act Release No. 33-10532, Disclosure Update and Simplification. The amendments became effective on November 5, 2018. Among the amendments is the requirement to present the changes in shareholders' equity in the interim financial statements (either in a separate statement or footnote) in quarterly reports on Form 10-Q. The Partnership included a separate statement of changes in partners' capital in these condensed consolidated financial statements.

Recently Issued Accounting Standards Adopted as of January 1, 2019

In February 2018, the FASB issued ASU 2018-2, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. ASU 2018-2 allows a reclassification from accumulated other comprehensive income to partners' capital for stranded effects resulting from the Tax Cuts and Jobs Act. The guidance was effective for the Partnership on January 1, 2019 and the Partnership adopted this guidance on that date. The impact of this guidance was not material to the Partnership.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815) - Targeted Improvements to Accounting for Hedging Activities. ASU 2017-12, among other things, permits hedge accounting for risk components in hedging relationships to now involve nonfinancial risk components and requires an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedge item is reported. The guidance was effective for the Partnership on January 1, 2019 and requires cash flow hedges and net investment hedges existing at the date of adoption to apply a cumulative effect adjustment to eliminate the measurement of ineffectiveness to accumulated other comprehensive income with a corresponding adjustment to the opening balance of partners' capital as of the beginning of the fiscal year that an entity adopts the guidance. The amended presentation and disclosure guidance is required only prospectively. The Partnership adopted this guidance on January 1, 2019 and the impact was not material.

Recently Issued Accounting Standards Effective on January 1, 2020

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. ASU 2018-13 eliminates, adds and modifies certain disclosure requirements for fair value measurements. This guidance is effective for the Partnership on January 1, 2020 and early adoption is permitted. The Partnership is currently assessing the potential impact of this guidance to the fair value disclosures.

In January 2017, the FASB issued ASU 2017-4, Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment. ASU 2017-04 simplifies an entity's annual goodwill test for impairment by eliminating the requirement to calculate the implied fair value of goodwill, and instead an entity should compare the fair value of a reporting unit with its carrying amount. The impairment charge will then be the amount by which the carrying amount exceeds the reporting unit's fair value. An entity would still have the option to perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The guidance is effective for the Partnership on January 1, 2020 and requires the guidance to be applied using a prospective transition method. Early adoption is permitted. The Partnership does not expect the impact of this guidance to be material.

In June 2016, the FASB issued ASU 2016-13, Accounting for Financial Instruments - Credit Losses (Topic 326). ASU 2016-13 requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Currently, GAAP

requires an "incurred loss" methodology that delays recognition until it is probable a loss has been incurred. Under the new standard, the allowance for credit losses must be deducted from the amortized cost of the financial asset to present the net amount expected to be collected. The income statement will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This provision of the guidance requires a modified retrospective transition method and will result in a cumulative-effect adjustment in retained earnings upon adoption. This guidance is effective for the Partnership on January 1, 2020 and early adoption is permitted. The Partnership is currently assessing the potential impact of this guidance.

3. Fair Value Measurement

The fair value measurement accounting guidance establishes a hierarchical 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.

Financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

Level I – inputs to the valuation methodology are quoted prices available in active markets for identical instruments as of the reporting date. The types of financial instruments in this category include unrestricted securities, such as equities and

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derivatives, listed in active markets. The Partnership does not adjust the quoted price for these instruments, even in situations where the Partnership holds a large position and a sale could reasonably impact the quoted price.
Level II – inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. The types of financial instruments in this category include less liquid and restricted securities listed in active markets, securities traded in other than active markets, government and agency securities, and certain over-the-counter derivatives where the fair value is based on observable inputs.
Level III – inputs to the valuation methodology are unobservable and significant to overall fair value measurement. The inputs into the determination of fair value require significant management judgment or estimation. The types of financial instruments in this category include investments in privately-held entities, non-investment grade residual interests in securitizations, collateralized loan obligations, and certain over-the-counter derivatives where fair value is based on unobservable inputs.
In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given financial instrument is based on the lowest level of input that is significant to the fair value measurement. The Partnership's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.
In certain cases, debt and equity securities are valued on the basis of prices from an orderly transaction between market participants provided by reputable dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices, market transactions in comparable investments and various relationships between investments.

The following table summarizes the Partnership's assets and liabilities measured at fair value on a recurring basis by the above fair value hierarchy levels as of March 31, 2019:

(Dollars in millions)	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Funds:				
Bonds	$ —	$—	$653.4	$653.4
Loans	—	—	3,377.6	3,377.6
	—	—	4,031.0	4,031.0
Investments in CLOs and other	—	—	472.3	472.3
Corporate treasury investments				
Bonds	—	10.9	—	10.9
Commercial paper and other	—	17.5	—	17.5
	—	28.4	—	28.4
Foreign currency forward contracts	—	1.9	—	1.9
Total	$ —	$30.3	$4,503.3	$4,533.6
Liabilities				
Loans payable of Consolidated Funds(1)	$ —	$—	$3,750.0	$3,750.0
Foreign currency forward contracts	—	1.3	—	1.3
Total	$ —	$1.3	$3,750.0	$3,751.3

(1) Senior and subordinated notes issued by CLO vehicles are classified based on the more observable fair value of the CLO financial assets, less (i) the fair value of any beneficial interests held by the Partnership and (ii) the carrying

value of any beneficial interests that represent compensation for services.

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The following table summarizes the Partnership's assets and liabilities measured at fair value on a recurring basis by the above fair value hierarchy levels as of December 31, 2018:

(Dollars in millions)	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Funds:				
Bonds	$ —	$—	$690.1	$690.1
Loans	—	—	4,596.5	4,596.5
	—	—	5,286.6	5,286.6
Investments in CLOs and other	—	—	446.4	446.4
Corporate treasury investments				
Bonds	—	29.2	—	29.2
Commercial paper and other	—	22.5	—	22.5
Total	$ —	$51.7	$5,733.0	$5,784.7
Liabilities				
Loans payable of Consolidated Funds(1)	$ —	$—	$4,840.1	$4,840.1
Foreign currency forward contracts	—	1.4	—	1.4
Total	$ —	$1.4	$4,840.1	$4,841.5

(1) Senior and subordinated notes issued by CLO vehicles are classified based on the more observable fair value of the CLO financial assets, less (i) the fair value of any beneficial interests held by the Partnership and (ii) the carrying value of any beneficial interests that represent compensation for services.

There were no transfers from Level II to Level I during the three months ended March 31, 2019 and 2018.

Investment professionals with responsibility for the underlying investments are responsible for preparing the investment valuations pursuant to the policies, methodologies and templates prepared by the Partnership's valuation group, which is a team made up of dedicated valuation professionals reporting to the Partnership's chief accounting officer. The valuation group is responsible for maintaining the Partnership's valuation policy and related guidance, templates and systems that are designed to be consistent with the guidance found in ASC 820, Fair Value Measurement. These valuations, inputs and preliminary conclusions are reviewed by the fund accounting teams. The valuations are then reviewed and approved by the respective fund valuation subcommittees, which include the respective fund head(s), segment head, chief financial officer and chief accounting officer, as well as members of the valuation group. The valuation group compiles the aggregate results and significant matters and presents them for review and approval by the global valuation committee, which includes the Partnership's co-executive chairmen of the board, chairman emeritus, co-chief executive officers, chief risk officer, chief financial officer, chief accounting officer, co-chief investment officer and the business segment heads, and observed by the chief compliance officer, the director of internal audit, the Partnership's audit committee and others. Additionally, each quarter a sample of valuations is reviewed by external valuation firms.
In the absence of observable market prices, the Partnership values its investments using valuation methodologies applied on a consistent basis. For some investments little market activity may exist. Management's determination of fair value is then based on the best information available in the circumstances and may incorporate management's own assumptions and involve a significant degree of judgment, taking into consideration a combination of internal and external factors, including the appropriate risk adjustments for non-performance and liquidity risks. Investments for

which market prices are not observable include private investments in the equity of operating companies and real estate properties, and certain debt positions. The valuation technique for each of these investments is described below:
Private Equity and Real Estate Investments – The fair values of private equity investments are determined by reference to projected net earnings, earnings before interest, taxes, depreciation and amortization ("EBITDA"), the discounted cash flow method, public market or private transactions, valuations for comparable companies or sales of comparable assets, and other measures which, in many cases, are unaudited at the time received. The methods used to estimate the fair value of real estate investments include the discounted cash flow method and/or capitalization rate ("cap rate") analysis. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (e.g.,

applying a key performance metric of the investment such as EBITDA or net operating income to a relevant valuation multiple or cap rate observed in the range of comparable companies or transactions), adjusted by management for differences between the investment and the referenced comparables, and in some instances by reference to option pricing models or other similar models. Adjustments to observable valuation measures are frequently made upon the initial investment to calibrate the initial investment valuation to industry observable inputs. Such adjustments are made to align the investment to observable industry inputs for differences in size, profitability, projected growth rates, geography and capital structure if applicable. The adjustments are reviewed with each subsequent valuation to assess how the investment has evolved relative to the observable inputs. Additionally, the investment may be subject to certain specific risks and/or development milestones which are also taken into account in the valuation assessment. Option pricing models and similar tools do not currently drive a significant portion of private equity or real estate valuations and are used primarily to value warrants, derivatives, certain restrictions and other atypical investment instruments.

Credit-Oriented Investments – The fair values of credit-oriented investments (including corporate treasury investments) are generally determined on the basis of prices between market participants provided by reputable dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices, market transactions in comparable investments and various relationships between investments. Specifically, for investments in distressed debt and corporate loans and bonds, the fair values are generally determined by valuations of comparable investments. In some instances, the Partnership may utilize other valuation techniques, including the discounted cash flow method.

CLO Investments and CLO Loans Payable – The Partnership measures the financial liabilities of its consolidated CLOs based on the fair value of the financial assets of its consolidated CLOs, as the Partnership believes the fair value of the financial assets are more observable. The fair values of the CLO loan and bond assets are primarily based on quotations from reputable dealers or relevant pricing services. In situations where valuation quotations are unavailable, the assets are valued based on similar securities, market index changes, and other factors. The Partnership performs certain procedures to ensure the reliability of the quotations from pricing services. Generally, the loan and bond assets of the CLOs are not publicly traded and are classified as Level III. The fair values of the CLO structured asset positions are determined based on both discounted cash flow analyses and third party quotes. Those analyses consider the position size, liquidity, current financial condition of the CLOs, the third party financing environment, reinvestment rates, recovery lags, discount rates and default forecasts and are compared to broker quotations from market makers and third party dealers.

The Partnership measures the CLO loans payable held by third party beneficial interest holders on the basis of the fair value of the financial assets of the CLO and the beneficial interests held by the Partnership. The Partnership continues to measure the CLO loans payable that it holds at fair value based on both discounted cash flow analyses and third-party quotes, as described above.

Fund Investments – The Partnership's investments in external funds are valued based on its proportionate share of the net assets provided by the third party general partners of the underlying fund partnerships based on the most recent available information which typically has a lag of up to 90 days. The terms of the investments generally preclude the ability to redeem the investment. Distributions from these investments will be received as the underlying assets in the funds are liquidated, the timing of which cannot be readily determined.

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The changes in financial instruments measured at fair value for which the Partnership has used Level III inputs to determine fair value are as follows (Dollars in millions):

	Financial Assets Three Months Ended March 31, 2019 Investments of Consolidated Funds			
	Bonds	Loans	Investments in CLOs and other	Total
Balance, beginning of period	$690.1	$4,596.5	$ 446.4	$5,733.0
Deconsolidation of funds [1]	—	(883.7)	1.7	(882.0)
Purchases	69.5	240.9	29.7	340.1
Sales and distributions	(100.3)	(368.2)	(4.0)	(472.5)
Settlements	—	(130.3)	—	(130.3)
Realized and unrealized gains (losses), net				
Included in earnings	7.6	(5.8)	(4.1)	(2.3)
Included in other comprehensive income	(13.5)	(71.8)	2.6	(82.7)
Balance, end of period	$653.4	$3,377.6	$ 472.3	$4,503.3
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	$6.5	$(16.1)	$ (4.1)	$(13.7)

(1) As a result of the deconsolidation of two CLOs during the three months ended March 31, 2019, the investments that the Partnership held in those CLOs are no longer eliminated in consolidation and are now included in investments in CLOs and other.

	Financial Assets Three Months Ended March 31, 2018 Investments of Consolidated Funds					
	Equity securities	Bonds	Loans	Other	Investments in CLOs and other	Total
Balance, beginning of period	$7.9	$413.4	$4,112.7	$ 0.3	$ 405.4	$4,939.7
Purchases	—	124.5	786.7	—	45.0	956.2
Sales and distributions	—	(55.4)	(239.8)	—	(3.0)	(298.2)
Settlements	—	—	(234.8)	—	—	(234.8)
Realized and unrealized gains (losses), net						
Included in earnings	2.7	(6.8)	(8.4)	—	2.1	(10.4)
Included in other comprehensive income	0.2	10.5	82.2	—	4.8	97.7
Balance, end of period	$10.8	$486.2	$4,498.6	$ 0.3	$ 454.3	$5,450.2
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	$2.7	$(6.2)	$(8.8)	$ —	$ 2.1	$(10.2)

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	Financial Liabilities Loans Payable of Consolidated Funds Three Months Ended March 31,	
	2019	2018
Balance, beginning of period	$4,840.1	$4,303.8
Deconsolidation of funds	(870.6)	—
Borrowings	142.4	751.4
Paydowns	(299.5)	(570.8)
Realized and unrealized (gains) losses, net		
Included in earnings	15.2	(17.5)
Included in other comprehensive income	(77.6)	87.6
Balance, end of period	$3,750.0	$4,554.5
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	$2.7	$(24.5)

Realized and unrealized gains and losses included in earnings for Level III investments for investments in CLOs and other investments are included in investment income (loss), and such gains and losses for investments of Consolidated Funds and loans payable of Consolidated Funds are included in net investment gains (losses) of Consolidated Funds in the condensed consolidated statements of operations.

Gains and losses included in other comprehensive income for all Level III financial asset and liabilities are included in accumulated other comprehensive loss, non-controlling interests in consolidated entities and non-controlling interests in Carlyle Holdings in the unaudited condensed consolidated balance sheets.

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The following table summarizes quantitative information about the Partnership's Level III inputs as of March 31, 2019:

(Dollars in millions)	Fair Value at March 31, 2019	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Assets				
Investments of Consolidated Funds:				
Bonds	653.4	Consensus Pricing	Indicative Quotes (% of Par)	30 - 106 (94)
Loans	3,377.6	Consensus Pricing	Indicative Quotes (% of Par)	75 - 101 (98)
	4,031.0			
Investments in CLOs and other:				
Senior secured notes	408.7	Discounted Cash Flow with Consensus Pricing	Discount Margins (% of Par)	35 - 1,150 (192)
			Default Rates	1% - 3% (2%)
			Recovery Rates	45% - 70% (57%)
			Indicative Quotes (% of Par)	84 - 100 (99)
Subordinated notes and preferred shares	63.6	Discounted Cash Flow with Consensus Pricing	Discount Rates	9% - 13% (11%)
			Default Rates	1% - 3% (2%)
			Recovery Rates	45% - 70% (56%)
			Indicative Quotes (% of Par)	47 - 97 (72)
Total	$4,503.3			
Liabilities				
Loans payable of Consolidated Funds:				
Senior secured notes	$3,601.2	Other	N/A	N/A
Subordinated notes and preferred shares	148.8	Discounted Cash Flow with Consensus Pricing	Discount Rates	9% - 13% (11%)
			Default Rates	1% - 3% (2%)
			Recovery Rates	50% - 70% (60%)
			Indicative Quotes (% of Par)	63 - 90 (77)
Total	$3,750.0			

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The following table summarizes quantitative information about the Partnership's Level III inputs as of December 31, 2018:

(Dollars in millions)	Fair Value at December 31, 2018	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Assets				
Investments of Consolidated Funds:				
Bonds	$ 690.1	Consensus Pricing	Indicative Quotes (% of Par)	50 - 104 (94)
Loans	4,596.5	Consensus Pricing	Indicative Quotes (% of Par)	73 - 102 (98)
	5,286.6			
Investments in CLOs and other				
Senior secured notes	392.8	Discounted Cash Flow with Consensus Pricing	Discount Margins (% of Par)	70 - 1,100 (182)
			Default Rates	1% - 3% (2%)
			Recovery Rates	45% - 73% (57%)
			Indicative Quotes (% of Par)	86 - 101 (99)
Subordinated notes and preferred shares	53.6	Discounted Cash Flow with Consensus Pricing	Discount Rate	10% - 12% (11%)
			Default Rates	1% - 3% (2%)
			Recovery Rates	45% - 73% (56%)
			Indicative Quotes (% of Par)	45 - 106 (75)
Total	$ 5,733.0			
Liabilities				
Loans payable of Consolidated Funds:				
Senior secured notes	$ 4,607.2	Other	N/A	N/A
Subordinated notes and preferred shares	232.9	Discounted Cash Flow with Consensus Pricing	Discount Rates	10% - 12% (11%)
			Default Rates	1% - 3% (2%)
			Recovery Rates	45% - 73% (60%)
			Indicative Quotes (% of Par)	68 - 94 (81)
Total	$ 4,840.1			

The significant unobservable inputs used in the fair value measurement of the Partnership's investments in bonds and loans are indicative quotes. Significant decreases in indicative quotes in isolation would result in a significantly lower fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Partnership's investments in CLOs and other investments include discount margins, discount rates, default rates, recovery rates and indicative quotes. Significant decreases in recovery rates or indicative quotes in isolation would result in a significantly lower fair value measurement. Significant increases in discount margins, discount rates or default rates in isolation would result in a significantly lower fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Partnership's loans payable of Consolidated Funds are discount rates, default rates, recovery rates and indicative quotes. Significant increases in discount rates or default rates in isolation would result in a significantly lower fair value measurement. Significant decreases in recovery rates or indicative quotes in isolation would result in a significantly lower fair value measurement.

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4. Investments

Investments consist of the following:

	As of March 31, 2019	December 31, 2018
	(Dollars in millions)	
Accrued performance allocations	$3,705.8	$3,480.0
Principal equity method investments, excluding performance allocations	2,050.9	1,765.8
Principal investments in CLOs and other	479.8	451.7
Total investments	$6,236.5	$5,697.5

Accrued Performance Allocations

The components of accrued performance allocations are as follows:

	As of March 31, 2019	December 31, 2018
	(Dollars in millions)	
Corporate Private Equity	$2,068.7	$1,990.2
Real Assets	749.7	654.2
Global Credit	128.8	99.3
Investment Solutions	758.6	736.3
Total	$3,705.8	$3,480.0

Approximately 25% and 24% of accrued performance allocations at March 31, 2019 and December 31, 2018, respectively, are related to Carlyle Partners VI, L.P., one of the Partnership's Corporate Private Equity funds.

Accrued performance allocations are shown gross of the Partnership’s accrued performance allocations and incentive fee-related compensation (see Note 6), and accrued giveback obligations, which are separately presented in the unaudited condensed consolidated balance sheets. The components of the accrued giveback obligations are as follows:

	As of March 31, 2019	December 31, 2018
	(Dollars in millions)	
Corporate Private Equity	$(5.0)	$(5.0)
Real Assets	(58.2)	(58.2)
Total	$(63.2)	$(63.2)

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Principal Equity Method Investments, Excluding Performance Allocations

The Partnership's principal equity method investments (excluding performance allocations) include its fund investments in Corporate Private Equity, Real Assets, Global Credit, and Investment Solutions, typically as general partner interests, and its strategic investments in Fortitude (included within Global Credit) and NGP (included within Real Assets), which are not consolidated. Principal investments are related to the following segments:

	As of March 31, 2019	December 31, 2018
	(Dollars in millions)	
Corporate Private Equity	$395.5	$374.7
Real Assets	762.2	770.0
Global Credit	812.0	545.0
Investment Solutions	81.2	76.1
Total	$2,050.9	$1,765.8

Strategic Investment in Fortitude Re (f/k/a DSA Re)

On November 13, 2018, the Partnership acquired a 19.9% interest in Fortitude Holdings, LLC ("Fortitude Holdings"), a wholly owned subsidiary of American International Group, Inc. ("AIG") ("the Transaction"). Fortitude Holdings owns 100% of the outstanding common shares of Fortitude Reinsurance Company Ltd., a Bermuda domiciled reinsurer ("Fortitude Re", f/k/a "DSA Re") established to reinsure a portfolio of AIG's legacy life, annuity and property and casualty liabilities. Fortitude Re has approximately $35 billion in reserves as of December 31, 2018.

Pursuant to the Membership Interest Purchase Agreement, the Partnership 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, committed to allocate assets in asset management strategies and vehicles of the Partnership and its affiliates. If Fortitude Re, together with AIG and its affiliates, fails to allocate an agreed upon amount of assets to the Partnership's asset management strategies and vehicles within 30 to 36 months of the closing of the transaction, the Partnership may be entitled to certain payments from AIG based on the commitment shortfall and assumed customary fee rates.

The Partnership paid $381 million in cash at closing (the "Initial Purchase Price") and expects to pay up to $95 million in additional deferred consideration following December 31, 2023. If Fortitude Re is unable to distribute a planned non-pro rata dividend to AIG within 18 months following closing, then the Initial Purchase Price may be adjusted upward by up to $100 million to account for the increased value of Fortitude Re's equity. AIG has also agreed to a post-closing purchase price adjustment pursuant to which AIG will pay affiliates of the Partnership in respect of certain adverse reserve development in Fortitude Re's property and casualty insurance business, based on an agreed methodology, that occur on or prior to December 31, 2023, up to the value of the Partnership's investment. The Partnership incurred approximately $17.9 million in transaction costs, which are included in the carrying value of the investment.

In connection with the Transaction, the Partnership also entered into an operating agreement that governs its rights and obligations as an equity holder of Fortitude Re and entitles the Partnership to customary minority protections contingent upon the Partnership maintaining agreed ownership percentages of Fortitude Re.

The Partnership's investment is accounted for under the equity method of accounting and the investment is included in the Global Credit segment. Separately, income from the assets to be managed by the Partnership is included in the segment of the relevant investment fund. The Partnership's net investment earnings (loss) from its investment are included in principal investment income in the consolidated statements of operations.

As of March 31, 2019 and December 31, 2018, the Partnership's investment in Fortitude Re is $721.9 million and $460.2 million, respectively. The Partnership's earnings from its investment for the three months ended March 31, 2019 were $256.3 million, inclusive of $229.3 million of unrealized gains related to the change in fair value of embedded derivatives related to certain reinsurance contracts included in Fortitude Re's U.S. GAAP financial statements. Modified coinsurance is subject to the general accounting principles for hedging, specifically the guidance originally issued as Derivatives Implementation Group Issue No. B36: Embedded Derivatives: Modified Coinsurance Agreements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments ("DIG B36").

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Estimated summarized financial information of Fortitude Re is presented below:

	Three Months Ended March 31, 2019
	(Dollars in millions)
Revenues	$ 594.0
Expenses	440.0
Operating income	154.0
Net realized and unrealized gain (loss)	1,489.0
Income tax expense	345.0
Net income	$ 1,298.0

Strategic Investment in NGP

The Partnership has equity interests in NGP Management Company, L.L.C. ("NGP Management"), the general partners of certain carry funds advised by NGP, and principal investments in certain NGP funds. The Partnership accounts for its investments in NGP under the equity method of accounting, and includes these investments in the Real Assets segment. These interests entitle the Partnership to an allocation of income equal to 55.0% of the management fee-related revenues of NGP Management which serves as the investment advisor to certain NGP funds as well as 47.5% of the performance allocations received by certain current and future NGP fund general partners.

The Partnership's investments in NGP as of March 31, 2019 and December 31, 2018 are as follows:

	As of	
	March 31, 2019	December 31, 2018
	(Dollars in millions)	
Investment in NGP Management	$388.5	$ 394.6
Investments in NGP general partners - accrued performance allocations	155.7	151.0
Principal investments in NGP funds	75.7	77.6
Total investments in NGP	$619.9	$ 623.2

Investment in NGP Management. The Partnership's equity interests in NGP Management entitle the Partnership to an allocation of income equal to 55.0% of the management fee-related revenues of NGP Management, which serves as the investment advisor to the NGP Energy Funds. Management fees are generally calculated as 1.0% to 2.0% of the limited partners' commitments during the fund's investment period, and 0.6% to 2.0% based on the lower of cost or fair market value of invested capital following the expiration or termination of the investment period. Management fee-related revenues from NGP Management are primarily driven by NGP XI, NGP XII and NGP X during the three months ended March 31, 2019 and 2018.

The Partnership records investment income (loss) for its equity income allocation from NGP management fee-related revenues and also records its share of any allocated expenses from NGP Management, expenses associated with the compensatory elements of the strategic investment, and the amortization of the basis differences related to the definitive-lived identifiable intangible assets of NGP Management. The net investment income (loss) recognized in the Partnership's condensed consolidated statements of operations for the three months ended March 31, 2019 and

2018 were as follows:

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	Three Months Ended March 31,	
	2019	2018
	(Dollars in millions)	
Management fee-related revenues from NGP Management	$ 25.2	$ 18.9
Expenses related to the investment in NGP Management	(2.5)	(2.9)
Amortization of basis differences from the investment in NGP Management	(1.4)	(1.8)
Net investment income from NGP Management	$ 21.3	$ 14.2

The difference between the Partnership’s remaining carrying value of its investment and its share of the underlying net assets of the investee was $12.8 million and $14.2 million as of March 31, 2019 and December 31, 2018, respectively; these differences are amortized over a period of 10 years from the initial investment date.

Investment in the General Partners of NGP Carry Funds. The Partnership's investment in the general partners of the NGP Carry Funds entitle it to 47.5% of the performance allocations received by certain current and future NGP fund general partners. The Partnership records investment income for its equity income allocation from these performance allocations. The Partnership recognized net investment earnings related to these performance allocations in its consolidated statements of operations of $4.7 million and $12.0 million for the three months ended March 31, 2019 and 2018, respectively.

Principal Investments in NGP Funds. The Partnership also holds principal investments in the NGP Carry Funds. The Partnership recognized net investment earnings (loss) related to principal investment income in its consolidated statements of operations of $0.4 million and $1.3 million for the three months ended March 31, 2019 and 2018, respectively.

Principal Investments in CLOs and Other Investments

Principal investments in CLOs and other investments as of March 31, 2019 and December 31, 2018 primarily consisted of $479.8 million and $451.7 million, respectively, of investments in CLO senior and subordinated notes and derivative instruments.

Investment Income (Loss)

The components of investment income (loss) are as follows:

	Three Months Ended March 31,	
	2019	2018
	(Dollars in millions)	
Performance allocations		
Realized	$29.8	$220.6

Unrealized	319.3	87.5
	349.1	308.1
Principal investment income from equity method investments (excluding performance allocations)		
Realized	31.3	27.1
Unrealized	271.3	26.0
	302.6	53.1
Principal investment income (loss) from investments in CLOs and other investments		
Realized	0.9	0.4
Unrealized	(1.7)	0.6
	(0.8)	1.0
Total	$650.9	$362.2

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The performance allocations included in revenues are derived from the following segments:

	Three Months Ended March 31,	
	2019	2018
	(Dollars in millions)	
Corporate Private Equity	$132.8	$257.9
Real Assets	109.4	(3.3)
Global Credit	29.6	2.6
Investment Solutions	77.3	50.9
Total	$349.1	$308.1

Approximately 56%, or $194.1 million, of performance allocations for the three months ended March 31, 2019 are related to the following funds along with total revenue recognized (total revenue includes performance allocations, fund management fees, and principal investment income):

•Carlyle Partners VI, L.P. (Corporate Private Equity segment) - $109.7 million,
•Carlyle Realty Partners V, L.P. (Real Assets segment) - $62.2 million, and
•AlpInvest Co- & Secondary Investments 2006-2008 (Investment Solutions segment) - $47.4 million.

Approximately 47%, or $143.9 million, of performance allocations for the three months ended March 31, 2018 are related to the following funds along with total revenue recognized (total revenue includes performance allocations, fund management fees, and principal investment income):

•Carlyle Partners V, L.P. (Corporate Private Equity segment) - $41.2 million,
•Carlyle Partners VI, L.P. (Corporate Private Equity segment) - $86.2 million,
•Carlyle Europe Partners IV, L.P. (Corporate Private Equity segment) - $90.0 million,
•Carlyle Realty Partners VII, L.P. (Real Assets segment) - $48.6 million, and
•Carlyle Realty Partners V, L.P. (Real Assets segment) - $(43.2) million.

Carlyle’s income (loss) from its principal investments consists of:

	Three Months Ended March 31,	
	2019	2018
	(Dollars in millions)	
Corporate Private Equity	$8.2	$16.2
Real Assets	33.5	32.7
Global Credit	256.9	0.3
Investment Solutions	4.0	3.9
Total	$302.6	$53.1

Investments of Consolidated Funds

The Partnership consolidates the financial positions and results of operations of certain CLOs in which it is the primary beneficiary. During the three months ended March 31, 2019, the Partnership formed two new CLOs for which the Partnership is not the primary beneficiary. Furthermore, during the three months ended March 31, 2019, the Partnership deconsolidated two CLOs as a result of a decrease in the Partnership’s direct interest in the CLOs.

There were no individual investments with a fair value greater than five percent of the Partnership's total assets for any period presented.

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Interest and Other Income of Consolidated Funds

The components of interest and other income of Consolidated Funds are as follows:

	Three Months Ended March 31,	
	2019	2018
	(Dollars in millions)	
Interest income from investments	$51.0	$46.0
Other income	1.4	1.3
Total	$52.4	$47.3

Net Investment Gains (Losses) of Consolidated Funds

Net investment gains (losses) of Consolidated Funds include net realized gains (losses) from sales of investments and unrealized gains (losses) resulting from changes in fair value of the Consolidated Funds' investments. The components of net investment gains (losses) of Consolidated Funds are as follows:

	Three Months Ended March 31,	
	2019	2018
	(Dollars in millions)	
Gains (losses) from investments of Consolidated Funds	$1.1	$(15.4)
Gains (losses) from liabilities of CLOs	(15.3)	17.4
Total	$(14.2)	$2.0

The following table presents realized and unrealized gains (losses) earned from investments of the Consolidated Funds:

	Three Months Ended March 31,	
	2019	2018
	(Dollars in millions)	
Realized losses	$(8.0)	$(2.7)
Net change in unrealized gains (losses)	9.1	(12.7)
Total	$1.1	$(15.4)

5. Borrowings

The Partnership borrows and enters into credit agreements for its general operating and investment purposes. The Partnership's debt obligations consist of the following (Dollars in millions):

	March 31, 2019	December 31, 2018

	Borrowing Outstanding	Carrying Value	Borrowing Outstanding	Carrying Value
Senior Credit Facility Term Loan Due 2/11/2024	$—	$—	$25.0	$24.9
CLO Borrowings (See below)	328.2	328.2	309.9	309.9
3.875% Senior Notes Due 2/01/2023	250.0	249.1	250.0	249.0
5.625% Senior Notes Due 3/30/2043	600.0	600.7	600.0	600.7
5.650% Senior Notes Due 9/15/2048	350.0	345.7	350.0	345.7
Promissory Notes Due 7/15/2019	13.5	13.5	20.2	20.2
Total debt obligations	$1,541.7	$1,537.2	$1,555.1	$1,550.4

Senior Credit Facility

On February 11, 2019, the Partnership entered into an amendment and restatement of its senior credit facility. In connection with this amendment and restatement, the capacity under the revolving credit facility was increased to $775.0 million from $750.0 million, the term was extended to February 11, 2024, and the $25.0 million term loan was repaid. Principal amounts outstanding under the amended and restated revolving credit facility accrue interest, at the option of the borrowers, either (a) at an alternate base rate plus an applicable margin not to exceed 0.50% per annum, or (b) at LIBOR plus an applicable margin not to exceed 1.50% per annum (at March 31, 2019, the interest rate was 3.75%). There was no amount outstanding

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under the revolving credit facility at March 31, 2019. Interest expense under the senior credit facility was not significant for the three months ended March 31, 2019 and 2018. The fair value of the outstanding balances of the term loan and revolving credit facility at March 31, 2019 and December 31, 2018 approximated par value based on current market rates for similar debt instruments and are classified as Level III within the fair value hierarchy.

Global Credit Revolving Credit Facility

On December 17, 2018, certain subsidiaries of the Partnership established a $250.0 million revolving line of credit, primarily intended to support certain lending activities within the Global Credit segment. The credit facility includes a $125.0 million line of credit with a one-year term, and a $125.0 million line of credit with a three-year term. Principal amounts outstanding under the facility accrued interest, at the option of the borrowers, either (a) at an alternate base rate plus an applicable margin not to exceed 1.00%, or (b) at the Eurocurrency rate plus an applicable margin, not to exceed 2.00% (at March 31, 2019, the interest rate was 3.98%).

The Partnership has made no borrowings under the facility and there was no amount outstanding under the facility as of March 31, 2019. In April 2019, the Partnership borrowed and repaid $17.0 million under this facility.

CLO Borrowings

For certain of the Partnership’s CLOs, the Partnership finances a portion of its investment in the CLOs through the proceeds received from term loans and other financing arrangements with financial institutions. The Partnership’s outstanding CLO borrowings consist of the following (Dollars in millions):

Formation Date	Borrowing Outstanding March 31, 2019	Borrowing Outstanding December 31, 2018	Maturity Date (1)	Interest Rate as of March 31, 2019	
February 28, 2017	$ 75.4	$ 77.0	November 17, 2031	2.33%	(2)
April 19, 2017	22.8	22.9	April 22, 2031	4.69%	(3) (15)
June 28, 2017	22.9	23.0	July 22, 2031	4.68%	(4) (15)
July 20, 2017	24.4	24.4	April 21, 2027	4.30%	(5) (15)
August 2, 2017	22.8	22.8	July 23, 2029	4.57%	(6) (15)
August 2, 2017	19.5	19.9	August 3, 2022	1.75%	(7)
August 14, 2017	22.5	22.5	August 15, 2030	4.54%	(8) (15)
November 30, 2017	22.6	22.7	January 16, 2030	4.52%	(9) (15)
December 6, 2017	19.1	19.1	October 16, 2030	4.43%	(10) (15)
December 7, 2017	20.9	21.1	January 19, 2029	4.15%	(11) (15)
January 30, 2018	19.2	19.2	January 22, 2030	4.39%	(12) (15)
March 1, 2018	15.3	15.3	January 15, 2031	4.34%	(13) (15)
March 15, 2019	20.8	—	March 15, 2032	2.56%	(14)
	$ 328.2	$ 309.9			

(1) Maturity date is earlier of date indicated or the date that the CLO is dissolved.
(2) Outstanding borrowing of €67.2 million; incurs interest at EURIBOR plus applicable margins as defined in the agreement.
(3) Incurs interest at LIBOR plus 1.932%.
(4) Incurs interest at LIBOR plus 1.923%.
(5) Incurs interest at LIBOR plus 1.536%.
(6) Incurs interest at LIBOR plus 1.808%.
(7)

Original borrowing of €17.4 million; incurs interest at EURIBOR plus 1.75% and has full recourse to the Partnership.

(8) Incurs interest at LIBOR plus 1.848%.

(9) Incurs interest at LIBOR plus 1.7312%.

(10) Incurs interest at LIBOR plus 1.647%.

(11) Incurs interest at LIBOR plus 1.365%.

(12) Incurs interest at LIBOR plus 1.624%.

(13) Incurs interest at LIBOR plus 1.552%.

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(14) Incurs interest at the average effective interest rate of each class of purchased securities plus 0.50% spread percentage and 0.08% class A-1 periodic adjustment rate up to €54,120.
(15) Term loan issued under master credit agreement.

The CLO term loans are secured by the Partnership's investments in the respective CLO, have a general unsecured interest in the Carlyle entity that manages the CLO, and generally do not have recourse to any other Carlyle entity. Interest expense on these term loans was not significant for the three months ended March 31, 2019 and 2018. The fair value of the outstanding balance of the CLO term loans at March 31, 2019 approximated par value based on current market rates for similar debt instruments. These CLO term loans are classified as Level III within the fair value hierarchy.

European CLO Financing - February 28, 2017
On February 28, 2017, a subsidiary of the Partnership entered into a financing agreement with several financial institutions under which these financial institutions have provided a €67.2 million term loan ($75.4 million at March 31, 2019) to the Partnership. This term loan is secured by the Partnership's investments in the retained notes in certain European CLOs that were formed in 2014 and 2015. This term loan will mature on the earlier of November 17, 2031 or the date that the certain European CLO retained notes have been redeemed. The Partnership may prepay the term loan in whole or in part at any time after the third anniversary of the date of issuance without penalty. Prepayment of the term loan within the first three years will incur a penalty based on the prepayment amount. Interest on this term loan accrues at EURIBOR plus applicable margins (2.33% at March 31, 2019).

Master Credit Agreement - Term Loans
In January 2017, the Partnership entered into a master credit agreement with a financial institution under which the financial institution expects to provide term loans to the Partnership for the purchase of eligible interests in CLOs. This agreement will terminate in January 2020. Any term loan to be issued under this master credit agreement will be secured by the Partnership's investment in the respective CLO as well as any senior management fee and subordinated management fee payable by each CLO. Any term loan bears interest at LIBOR plus a weighted average spread over LIBOR on the CLO notes and an applicable margin. Interest is due quarterly.
CLO Repurchase Agreements
On February 5, 2019, the Partnership entered into a €100.0 million master credit facility agreement (the "CLO Financing Facility") to finance a portion of the risk retention investments in certain European CLOs managed by the Partnership. Subject to the terms and conditions of the CLO Financing Facility, the Partnership and the counterparty may enter into repurchase agreements on such terms agreed upon by the parties. Each transaction entered into under the CLO Financing Facility will bear interest at a rate based on the weighted average effective interest rate of each class of securities that have been sold plus a spread to be agreed upon by the parties. As of March 31, 2019, €81.5 million of the CLO Financing Facility remained available.
Each transaction entered into under the CLO Financing Facility provides for payment netting and, in the case of a default or similar event with respect to the counterparty to the CLO Financing Facility, provides for netting across transactions. Generally, upon a counterparty default, the Partnership can terminate all transactions under the CLO Financing Facility and offset amounts it owes in respect of any one transaction against collateral, if any, or other amounts it has received in respect of any other transactions under the CLO Financing Facility; provided, however, that in the case of certain defaults, the Partnership may only be able to terminate and offset solely with respect to the transaction affected by the default. During the term of a transaction entered into under the CLO Financing Facility, the Partnership will deliver cash or additional securities acceptable to the counterparty if the securities sold are in default. Upon termination of a transaction, the Partnership will repurchase the previously sold securities from the counterparty

at a previously determined repurchase price. The CLO Financing Facility may be terminated at any time upon certain defaults or circumstances agreed upon by the parties.

The repurchase agreements may result in credit exposure in the event the counterparty to the transaction is unable to fulfill its contractual obligations. The Partnership minimizes the credit risk associated with these activities by monitoring counterparty credit exposure and collateral values. Other than margin requirements, the Partnership is not subject to additional terms or contingencies which would expose the Partnership to additional obligations based upon the performance of the securities pledged as collateral.

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3.875% Senior Notes

In January 2013, an indirect finance subsidiary of the Partnership issued $500.0 million in aggregate principal amount of 3.875% senior notes due February 1, 2023 at 99.966% of par. Interest is payable semi-annually on February 1 and August 1, beginning August 1, 2013. This subsidiary may redeem the senior notes in whole at any time or in part from time to time at a price equal to the greater of 100% of the principal amount of the notes being redeemed and the sum of the present values of the remaining scheduled payments of principal and interest on any notes being redeemed discounted to the redemption date on a semi-annual basis at the Treasury rate plus 30 basis points plus accrued and unpaid interest on the principal amounts being redeemed to the redemption date.

In September 2018, the Partnership completed a tender offer to re-purchase $250.0 million in aggregate principal amount of its 3.875% Senior Notes due 2023. As a result of this repurchase, the Partnership recognized $6.9 million of costs in interest expense and $0.9 million of costs in general, administrative and other expenses upon early extinguishment of the debt.

Interest expense was $2.4 million and $5.0 million for the three months ended March 31, 2019 and 2018, respectively. At March 31, 2019 and December 31, 2018, the fair value of the notes, including accrued interest, was approximately $255.2 million and $255.5 million, respectively, based on indicative quotes. The notes are classified as Level II within the fair value hierarchy.

5.625% Senior Notes

In March 2013, an indirect finance subsidiary of the Partnership issued $400.0 million in aggregate principal amount of 5.625% senior notes due March 30, 2043 at 99.583% of par. Interest is payable semi-annually on March 30 and September 30, beginning September 30, 2013. This subsidiary may redeem the senior notes in whole at any time or in part from time to time at a price equal to the greater of 100% of the principal amount of the notes being redeemed and the sum of the present values of the remaining scheduled payments of principal and interest on any notes being redeemed discounted to the redemption date on a semi-annual basis at the Treasury rate plus 40 basis points plus accrued and unpaid interest on the principal amounts being redeemed to the redemption date.

In March 2014, an indirect finance subsidiary of the Partnership issued $200.0 million of 5.625% Senior Notes due March 30, 2043 at 104.315% of par. These notes were issued as additional 5.625% Senior Notes and are treated as a single class with the already outstanding $400.0 million aggregate principal amount of these senior notes.

Interest expense on the notes was $8.4 million for both the three months ended March 31, 2019 and 2018. At March 31, 2019 and December 31, 2018, the fair value of the notes, including accrued interest, was approximately $592.0 million and $604.1 million, respectively, based on indicative quotes. The notes are classified as Level II within the fair value hierarchy.

5.650% Senior Notes

In September 2018, an indirect finance subsidiary of the Partnership issued $350.0 million in aggregate principal amount of 5.650% senior notes due September 15, 2048 at 99.914% of par. Interest is payable semi-annually on March 15 and September 15, beginning March 15, 2019. This subsidiary may redeem the senior notes in whole at any time or in part, from time to time, at a price equal to the accrued and unpaid interest on the principal amounts being redeemed to the redemption date and the greater of 100% of (1) the principal amount of the notes being redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on any notes being redeemed, discounted to the redemption date on a semi-annual basis at the Treasury rate plus 40 basis points.

Interest expense on the notes was $5.0 million for the three months ended March 31, 2019. At March 31, 2019 and December 31, 2018, the fair value of the notes, including accrued interest, was approximately $351.9 million and $354.4 million, respectively, based on indicative quotes. The notes are classified as Level II within the fair value hierarchy.

Promissory Notes

Promissory Note Due January 1, 2022
On January 1, 2016, the Partnership issued a $120.0 million promissory note to Barclays Natural Resource Investments, a division of Barclays Bank PLC ("BNRI") as part of the Partnership's strategic investment in NGP. Interest on the promissory note accrued at the three month LIBOR plus 2.50%. In September 2018, the Partnership prepaid the $108.8 million outstanding

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promissory note, plus $1.2 million of accrued and unpaid interest. Interest expense on the promissory note was not significant for the three months ended March 31, 2018.

Promissory Notes Due July 15, 2019

In June 2017, as part of the settlement with investors in two commodities investment vehicles managed by an affiliate of the Partnership (disclosed in Note 7), the Partnership issued a series of promissory notes, aggregating to $53.9 million, to the investors of these commodities investment vehicles. Interest on these promissory notes accrues at the three month LIBOR plus 2% (4.79% at March 31, 2019). The Partnership may prepay these promissory notes in whole or in part at any time without penalty. Through March 31, 2019, the Partnership repaid $40.4 million of these promissory notes. Accordingly, $13.5 million of these promissory notes are outstanding at March 31, 2019. These promissory notes are scheduled to mature on July 15, 2019. Interest expense on these promissory notes was not significant for the three months ended March 31, 2019 and 2018. The fair value of the outstanding balance of these promissory notes at March 31, 2019 and December 31, 2018 approximated par value based on current market rates for similar debt instruments and is classified as Level III within the fair value hierarchy.

Debt Covenants

The Partnership is subject to various financial covenants under its loan agreements including, among other items, maintenance of a minimum amount of management fee-earning assets. The Partnership is also subject to various non-financial covenants under its loan agreements and the indentures governing its senior notes. The Partnership was in compliance with all financial and non-financial covenants under its various loan agreements as of March 31, 2019.

Loans Payable of Consolidated Funds

Loans payable of Consolidated Funds primarily represent amounts due to holders of debt securities issued by the CLOs. Several of the CLOs issued preferred shares representing the most subordinated interest, however these tranches are mandatorily redeemable upon the maturity dates of the senior secured loans payable, and as a result have been classified as liabilities and are included in loans payable of Consolidated Funds in the condensed consolidated balance sheets.

As of March 31, 2019 and December 31, 2018, the following borrowings were outstanding, which includes preferred shares classified as liabilities (Dollars in millions):

As of March 31, 2019	
Borrowing Outstanding	Fair Value