Carlyle Group L.P.
Form 10-K
February 24, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
(Mark One)

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015
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 (State or other jurisdiction of incorporation or organization)	45-2832612 (I.R.S. Employer Identification No.)
1001 Pennsylvania Avenue, NW Washington, D.C.	20004-2505
(Address of principal executive offices)	(Zip Code)

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

Title of each class	Name of each exchange on which registered
Common units representing limited partner interests	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act

Large accelerated filer ý	Accelerated filer ¨
Non-accelerated filer ¨ (do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No ý

The aggregate market value of the common units of the Registrant held by non-affiliates as of June 30, 2015 was $2,201,818,205.

The number of the Registrant's common units representing limited partner interests outstanding as of February 19, 2016 was 81,340,808.

DOCUMENTS INCORPORATED BY REFERENCE

None

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Forward-Looking Statements

This report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as "outlook," "believe," "expect," "potential," "continue," "may," "will," "should," "seek," "approximately," "pred "plan," "estimate," "anticipate" or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include, but are not limited to, those described under "Risk Factors" in this report, as such factors may be updated from time to time in our periodic filings with the United States Securities and Exchange Commission (the "SEC"), which are accessible on the SEC's website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

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

"Carlyle funds," "our funds" and "our investment funds" refer to the investment funds and vehicles advised by Carlyle. Our "carry funds" refer to (i) those investment funds that we advise, including the buyout funds, growth capital funds, real estate funds, infrastructure funds, certain energy funds and opportunistic credit, distressed debt and mezzanine funds (but excluding our structured credit funds, hedge funds, business development companies, mutual fund, and fund of funds vehicles), where we receive a special residual allocation of income, which we refer to as a carried interest, in the event that specified investment returns are achieved by the fund and (ii) those investment funds advised by NGP Energy Capital Management (together with its affiliates and subsidiaries, "NGP") from which we are entitled to receive a carried interest. The "NGP management fee funds" refer to those funds advised by NGP from which we only receive an allocation of income based on the funds' management fees. Our "fund of funds vehicles" refers to those funds, accounts and vehicles advised by AlpInvest Partners B.V. ("AlpInvest"), Metropolitan Real Estate Equity Management, LLC ("Metropolitan"), and Diversified Global Asset Management ("DGAM"). For an explanation of the fund acronyms used throughout this Annual Report, refer to "Business—Our Family of Funds."

"Fee-earning assets under management" or "Fee-earning AUM" refer to the assets we manage or advise from which we derive recurring fund management fees. Our Fee-earning AUM generally equals the sum of:

(a) for substantially all carry funds and certain co-investment vehicles where the original investment period has not expired, and for Metropolitan fund of funds vehicles during the weighted-average investment period of the underlying funds, the amount of limited partner capital commitments, and for AlpInvest fund of funds vehicles, the amount of external investor capital commitments during the commitment fee period, and for the NGP management fee funds and certain carry funds advised by NGP, the amount of investor capital commitments before the first investment realization;

(b) for substantially all carry funds and certain co-investment vehicles where the original investment period has expired and for Metropolitan fund of funds vehicles after the expiration of the weighted-average investment period of the underlying funds, the remaining amount of limited partner invested capital at cost, and for the NGP management fee funds and certain carry funds advised by NGP where the first investment has been realized, the amount of partner commitments less realized and written-off investments;

(c) the amount of aggregate fee-earning collateral balance at par of our collateralized loan obligations ("CLOs"), as defined in the fund indentures (typically exclusive of equities and defaulted positions) as of the quarterly cut-off date for each CLO, and the aggregate principal amount of the notes of our other structured products;

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

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

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

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

(a) the fair value of the capital invested in Carlyle carry funds, co-investment vehicles, NGP management fee funds and fund of funds vehicles 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.

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 certain NGP management fee funds and carry funds that are advised by NGP.

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

With respect to certain of the hedge funds and vehicles that we advise, we are entitled to incentive fees that are paid annually, semi-annually or quarterly, as the case may be, if the net asset value of an investor's account has increased above the high-water mark. A hedge fund's or vehicle's "high-water mark" refers to the highest period end net asset value of an investor's account on which incentive fees were previously paid.

PART I.

ITEM 1. BUSINESS

Overview

We are one of the world's largest and most diversified multi-product global alternative asset management firms. We advise an array of specialized investment funds and other investment vehicles that invest across a range of industries, geographies, asset classes and investment strategies and seek to deliver attractive returns for our fund investors. Since our firm was founded in Washington, D.C. in 1987, we have grown to become a leading global alternative asset manager with more than $183 billion in AUM across 126 funds and 160 fund of funds vehicles as of December 31, 2015. We have more than 1,700 employees, including more than 700 investment professionals in 36 offices across six continents, and we serve more than 1,700 active carry fund investors from 78 countries. Across our Corporate Private Equity ("CPE") and Real Assets segments, we have investments in more than 250 active portfolio companies that employ more than 675,000 people. In general, we have more investment professionals, offices, investment funds, and investments across our platform than many of our peers. We have structured our firm in this manner to provide our fund investors with a more diverse product set tailored to individual investing decisions, and a broader global reach, but such structure increases our costs of doing business.

The growth and development of our firm has been guided by several fundamental tenets:

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

- Commitment to our Fund Investors. Our fund investors come first. This commitment is a core component of our firm culture and informs every aspect of our business. We believe this philosophy is in the long-term best interests of Carlyle and its owners, including our common unitholders.

- Investment in the Firm. We have invested, and intend to continue to invest, significant resources in hiring and retaining a deep talent pool of investment professionals and in building the infrastructure of the firm, including our expansive local office network and our comprehensive investor services team, which provides finance, legal and compliance and tax services in addition to other services.

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

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

There are four primary drivers of our business — fundraising or attracting new capital commitments to our funds; investing; working to create value for our investors or to achieve appreciation of our various investments; and harvesting, selling or otherwise disposing of our carry fund investments. Operational and strategic highlights for 2015 include the following:

- During 2015, we raised approximately $23 billion in gross new commitments, or $16 billion net of redemptions, across our platform; made equity investments through our carry funds of approximately $9 billion in 279 new and follow-on investments; realized proceeds of more than $18 billion through 51 funds; and increased the value of our carry fund portfolio by approximately 7%.

- We continued to bolster our senior management team by hiring a new Chief Information Officer and promoting the co-head of our U.S. buyout group to Co-Deputy Chief Investment Officer of CPE.

- We further aligned our interests with those of our fund investors with Carlyle, our senior Carlyle professionals, advisors, other professionals and advisors increasing their commitments to our investment funds by over $0.7 billion to a total cumulative commitment of $8.9 billion.

- Each of our segments continued to leverage the One Carlyle platform to take advantage of economies of scale and offer our fund investors differentiated products. Specifically:

In our CPE segment:

We closed our fourth Europe buyout fund, our third Japan buyout fund and our third European technology fund. We launched fundraising for our fifth Asia growth fund and continued to see investor demand for our second U.S. mid-market fund and our first longer duration global buyout fund. In total, we closed on $8.0 billion in commitments in our CPE segment.

We invested in, among others, Asia Satellite Telecom Holdings (through CAP IV), The Innovation Group (through CEP IV), JIC Leasing Co., Ltd. (through CAGP IV), Novetta Solutions, LLC (through CP VI), PA Consulting (through CEP IV), PNB Housing Finance Limited (through CAP IV), PrimeSport (through CEOF I), Rede D’or São Luiz S.A. (through CSABF and related coinvestments, and CP VI) and SEACOR Marine Holdings Inc. (through CEOF II).

- We sold our stake in, among others, Altice S.A., a CEP II and CEP III portfolio company, kbro Limited, a CAP II portfolio company, Metrologic Group SA, a CETP II portfolio company, The Nielsen Company, a CP IV and CEP II portfolio company, Veyance Technologies, Inc., a CP IV portfolio company, Telecable de Asturias, S.A., a CEP III portfolio company, and a portion of our stake in both Axalta Coating Systems and CommScope, Inc., both CP V and CEP III portfolio companies. We also undertook several successful initial public offerings including Tsubaki Nakashima Co., Ltd., a CJP II portfolio company, Guangxi Nanning Waterworks Co., Ltd., a CAGP IV portfolio company and Focus Media, a CAP III portfolio company. In total, we realized proceeds of $12.8 billion for our CPE carry fund investors.

In our Global Market Strategies (“GMS”) segment:

We raised $2.4 billion for our second generation energy mezzanine fund, continued fundraising for our first Asian structured credit fund and launched fundraising for our fourth generation distressed fund. We closed five new collateralized loan obligations (“CLOs”) in the U.S. and closed three new CLOs in Europe in 2015 with $4.3 billion of AUM at December 31, 2015. In total, we raised more than $2.9 billion for our GMS funds.

CSP III and CEMOF I were particularly active this year, investing in Nationwide Accident Repair Services (CSP III), Trey Resources (CEMOF I), and Clearly Petroleum Holdings (CEMOF I), among others.

We established a partnership with Hilcorp Energy Company that will seek to acquire, operate, and develop onshore oil and natural gas properties and related assets in North America. CEMOF I and CEMOF II have entered into an agreement to invest more than $1 billion in the newly formed partnership.

In our Real Assets segment:

We closed our seventh U.S. real estate fund and our first international energy fund, both reaching their caps; NGP XI also had a final close at its cap. Demand for our second power fund remained strong, and we launched fundraising for a new core-plus real estate fund. Building on our existing expertise in real estate and infrastructure, we intend to launch a global infrastructure fund later this year. In total, we closed on approximately $3.9 billion in commitments to our Real Assets segment.

We invested nearly $1.4 billion to acquire or develop real estate properties, primarily in the U.S. across multiple sectors including multi-family and for-sale residential properties in the U.S. We invested in power generating facilities in the United States, an office property in China and a Romanian oil and gas development platform.

- We exited a number of investments, including a student housing portfolio in the United Kingdom, a Florida based 250 MW coal-fired power facility, a southern California apartment complex and a Northern Virginia mid-rise apartment complex. In total, we realized proceeds of approximately $4.8 billion for our Real Assets carry fund investors.

In our Investment Solutions segment:

We launched fundraising for our sixth AlpInvest secondaries fund and closed on more than $400 million for funds that are focused on a real estate secondaries and coinvestments for Metropolitan real Estate, our real estate fund of funds business. In total, we closed on approximately $1.6 billion in commitments to our Investment Solutions segment.

We named a new Head of Investment Solutions, promoting the segment's Chief Operating Officer and Chief Financial Officer to the position.

Business Segments

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

Although we primarily transact business in the United States and a significant amount of our revenues are generated domestically, we have established investment vehicles whose primary focus is making investments in specified geographical locations. Refer to “Information by Geographic Location” in Note 18 to the consolidated financial statements included in this Annual Report on Form 10-K for more information on consolidated revenues and assets based on the geographical focus of the associated investment vehicle.

Corporate Private Equity

Our Corporate Private Equity segment, established in 1990 with our first U.S. buyout fund, advises our buyout and growth capital funds, which pursue a wide variety of corporate investments of different sizes and growth potentials. Our 32 active CPE funds are each carry funds. They are organized and operated by geography or industry and are advised by separate teams of local professionals who live and work in the markets where they invest. In our CPE segment we also have 56 active external co-investment entities. We believe this diversity of funds and entities allows us to deploy more targeted and specialized investment expertise and strategies and offers our fund investors the ability to tailor their investment choices.

Our CPE teams have two primary areas of focus:

- Buyout Funds. Our buyout teams advise a diverse group of 22 active funds that invest in transactions that focus either on a particular geography (e.g., United States, Europe, Asia, Japan, MENA, Sub-Saharan Africa or South America) or a particular industry. We continually seek to expand and diversify our buyout portfolio into new areas where we see opportunity for future growth. In 2015, we had final closings on our fourth European buyout fund and third Japan buyout fund and continued fundraising for our first longer duration global buyout fund. We invested $4.1 billion in new and follow-on investments through our buyout funds. As of December 31, 2015, our buyout funds had, in the aggregate, approximately $56.2 billion in AUM.

- Growth Capital Funds. Our 10 active growth capital funds are advised by four regionally focused teams in the United States, Europe and Asia, with each team generally focused on middle-market and growth companies consistent with specific regional investment considerations. The investment mandate for our growth capital funds is to seek out companies with the potential for growth, strategic redirection and operational improvements. These funds typically do not invest in early stage or venture-type investments. In 2015, launched our fifth Asia growth fund, held a final closing for our third Europe technology fund at its cap and continued fundraising for our second U.S. equity opportunities fund. As of December 31, 2015, our growth capital funds had, in the aggregate, approximately $7.0

billion in AUM.

From inception through December 31, 2015, our CPE segment has invested approximately $67 billion in 535 investments. Of that total, we have invested 60% in 262 investments in North and South America, 20% in 121 investments in

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Europe, the Middle East and Africa and 20% in 152 investments in the Asia-Pacific region. We have fully realized 353 of these investments, meaning that our funds have completely exited, and no longer own an interest in, those investments.
The following table presents certain data about our CPE segment as of December 31, 2015 (dollar amounts in billions; amounts invested include co-investments).

AUM	% of Total AUM	Fee-earning AUM	Active Investments	Active Funds	Available Capital	Investment Professionals	Amount Invested Since Inception	Investments Since Inception
$63	35%	$41	182	32	$24	278	$67	535

Global Market Strategies
Our Global Market Strategies segment, established in 1999 with our first high yield fund, advises a group of 68 active funds that pursue investment strategies including leveraged loans and structured credit, energy mezzanine opportunities, middle market lending, distressed debt, long/short credit, long/short emerging markets equities, macroeconomic strategies, commodities trading and commodity structured transactions. In 2015, the GMS segment ended the year at $35.3 billion of AUM, down from $36.7 billion at December 31, 2014. This decrease was primarily due to redemptions in our hedge funds, offset by eight new issue CLOs, fundraising for our second generation energy mezzanine fund, our second securitized commodity structured transactions vehicle and fundraising for our first carry fund dedicated to Asian structured credit.
Primary areas of focus for our GMS teams include:

- Structured Credit Funds. Our structured credit funds invest primarily in performing senior secured bank loans through structured vehicles and other investment vehicles. In 2015, we closed five new U.S. CLOs and three CLOs in Europe with a total of $2.8 billion and $1.5 billion, respectively, of AUM at December 31, 2015. As of December 31, 2015, our structured credit team advised 43 structured credit funds and one carry fund in the United States, Europe, and Asia totaling, in the aggregate, approximately $18.4 billion in AUM.

- Distressed and Corporate Opportunities. Our distressed and corporate opportunities funds generally invest in liquid and illiquid securities and obligations, including secured debt, senior and subordinated unsecured debt, convertible debt obligations, preferred stock and public and private equity of financially distressed companies in defensive and asset-rich industries. In certain investments, our funds may seek to restructure pre-reorganization debt claims into controlling positions in the equity of reorganized companies. As of December 31, 2015, our distressed and corporate opportunities team advised two funds totaling, in the aggregate, approximately $1.4 billion in AUM.

- Middle Market Finance. Our middle market finance business comprises our business development companies (“BDCs”), which invest primarily in first lien loans (which include unitranche, "first out" and "last out" loans) and second lien loans, a CLO consisting of middle market senior, first lien loans, and our corporate mezzanine funds, which invest in the first-lien, second-lien and mezzanine loans of middle-market companies, typically defined as companies with annual EBITDA ranging from $10 million to $100 million that lack access to the broadly syndicated loan and bond markets. As of December 31, 2015, our middle market investment team advised five funds totaling, in the aggregate, approximately $2.2 billion in AUM.

- Energy Mezzanine Opportunities. Our energy mezzanine opportunities team invests primarily in privately negotiated mezzanine debt investments in North American energy and power projects and companies. As of December 31, 2015, our energy mezzanine opportunities team advised two funds with approximately $4.3 billion in AUM.

- Long/Short Credit. Claren Road Asset Management LLC (“Claren Road”) advises two long/short credit hedge funds focusing on the global high grade and high yield markets totaling, in the aggregate, $3.4 billion in AUM as of December 31, 2015, which includes $2.3 billion of AUM that is subject to outstanding redemption requests as of the beginning of the first quarter of 2016. Claren Road seeks to profit from market mispricing of long and/or short positions in corporate and municipal bonds and loans, and their derivatives, across investment grade, below investment grade (high yield) or distressed companies.

- Emerging Market Equity and Macroeconomic Strategies. Emerging Sovereign Group LLC ("ESG") advises six emerging markets equities and macroeconomic hedge funds with $4.3 billion in the aggregate of AUM as of December 31, 2015, which includes $0.7 billion of AUM that is subject to outstanding redemption requests as of the beginning of the first quarter of 2016. ESG's emerging markets equities funds invest in publicly traded equities across a range of developing countries. ESG's macroeconomic funds pursue investment strategies in developed and developing countries, and opportunities resulting from changes in the global economic environment.

- Commodities. Carlyle Commodity Management ("CCM," a New York-based commodities investment manager formerly known as Vermillion Asset Management) serves as investment manager to five hedge funds and two structured products totaling, in the aggregate, approximately $1.3 billion of AUM as of December 31, 2015, which includes $0.1 billion of AUM that is subject to outstanding redemption requests as of the beginning of the first quarter of 2016. CCM's investment strategies include relative value, enhanced index and long-biased physical commodities, commodity sector-focused funds, and structured transactions. CCM seeks to produce positive, uncorrelated returns, through a liquid, relative-value, low volatility approach to trading both physical commodities and their derivatives and structuring transactions in physical commodities.

The following table presents certain data about our GMS segment as of December 31, 2015 (dollar amounts in billions).

AUM	% of Total AUM	Fee-earning AUM	Active Funds	Investment Professionals (1)
$35	19%	$31	68	208

(1) Includes 67 middle-office and back office professionals.

Real Assets

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

Our Real Assets teams have two primary areas of focus:

- Real Estate. Our eight active real estate funds pursue real estate investment opportunities in Asia, Europe and the United States and generally focus on acquiring single-property assets rather than large-cap companies with real estate portfolios. Our team of 108 real estate investment professionals has made more than 675 investments in 327 cities/metropolitan statistical areas around the world as of December 31, 2015, including office buildings, hotels, retail and residential properties, industrial properties and senior living facilities. As of December 31, 2015, our real estate funds had, in the aggregate, approximately $13.8 billion in AUM.

- Energy and Natural Resources. Our energy and natural resources activities focus on buyouts, growth capital investments and strategic joint ventures in the midstream, upstream, power and oilfield services sectors, the renewable and alternative sectors and the energy and power industries around the world. Historically, we conducted our energy activities jointly with Riverstone, advising five funds with approximately $6.3 billion in AUM as of December 31, 2015 (we refer to these energy funds as our "Legacy Energy funds"). Currently, we conduct our North American energy investing through our partnership with NGP Energy Capital Management, an Irving, Texas-based energy investor. NGP advises nine funds with approximately $12.4 billion in AUM as of December 31, 2015. Our power team focuses on investment opportunities in the North American power generation sector. As of December 31, 2015, the power team managed approximately $1.8 billion in AUM through two funds. Our international energy investment team focuses on investments in a full range of energy assets outside of North America. As of December 31, 2015, the international energy team managed approximately $2.7 billion in AUM through one fund. We also have an infrastructure team that focuses on investments in infrastructure companies and assets. As of December 31, 2015, we advised one infrastructure fund with over $1.0 billion in AUM.

Our Real Assets carry funds, including Carlyle-advised co-investment vehicles, have, from inception through December 31, 2015, invested on a global basis approximately $39 billion in 858 investments (including more than 150 portfolio companies). Of that total, we have invested 77% in 682 investments in North and South America, 17% in 114 investments in Europe, the Middle East and Africa and 6% in 62 investments in the Asia-Pacific region. We have fully realized 510 of these investments, meaning that our funds have completely exited, and no longer own an interest in, those investments.

The following table presents certain data about our Real Assets segment as of December 31, 2015 (dollar amounts in billions; amounts invested include co-investments).

AUM	% of Total AUM	Fee-earning AUM	Active Investments (2)	Active Funds (3)	Available Capital	Investment Professionals (1)	Amount Invested Since Inception(2)	Investments Since Inception(2)
$38	21%	$31	348	26	$16	137	$39	858

(1) Excludes NGP and Riverstone employees.
(2) Excludes investment activity of the NGP management fee funds.
(3) Includes the six NGP management fee funds and three carry funds advised by NGP.

Investment Solutions

Our Investment Solutions segment provides comprehensive investment opportunities and resources for our investors and clients to build private equity and real estate portfolios through fund of funds, secondary purchases of existing portfolios and managed coinvestment programs. Investment Solutions executes these activities through AlpInvest, one of the world's largest investors in private equity and, Metropolitan, one of the largest managers of indirect investment in global real estate. In February 2016, we decided to restructure our Investment Solutions segment to focus on private market secondaries, co-investment and managed account activities and, given the challenging market environment, discontinue our fund of hedge funds and liquid alternative initiatives. In connection with the restructuring, we commenced a wind down of the operations of DGAM, a global manager of hedge funds based in Toronto, Canada that we acquired in February 2014. We expect that this action will improve our Investment Solutions results in the future, exclusive of costs incurred in connection with the wind down.

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

- Private Equity Fund Investments. Our fund of funds vehicles advised by AlpInvest make investment commitments directly to buyout, growth capital, venture and other alternative asset funds advised by other general partners ("portfolio funds"). As of December 31, 2015, AlpInvest advised 48 fund of funds vehicles totaling, in the aggregate, approximately $28.2 billion in AUM.

- Private Equity Co-investments. AlpInvest invests alongside other private equity and mezzanine funds in which it typically has a fund investment throughout Europe, North America and Asia (for example, when an investment opportunity is too large for a particular fund, the sponsor of the fund may seek to raise additional "co-investment" capital from sources such as AlpInvest). As of December 31, 2015, our co-investment programs were conducted through 35 vehicles totaling, in the aggregate, over $6.4 billion in AUM.

- Private Equity Secondary Investments. We manage through AlpInvest funds that acquire limited partnership interests in secondary market transactions. Private equity investors who desire to sell or restructure their pre-existing investment commitments to a fund may negotiate to sell the fund interests to AlpInvest. In this manner, AlpInvest's secondary investments team provides liquidity and restructuring alternatives for third-party private equity investors. In 2015, we established a secondary team dedicated to finding opportunities in the energy and infrastructure space. As of

December 31, 2015, our secondary investments program was conducted through 35 fund of funds vehicles totaling, in the aggregate, more than $7.7 billion in AUM.

- Real Estate, Funds of Funds and Co-Secondary Investments. The principal strategic focus in our real estate fund of funds vehicles is on value add/opportunistic real estate investments through direct commitments with 90 highly focused, specialist real estate managers across the globe. As of December 31, 2015, we advised 26 real estate fund of funds vehicles with approximately $1.9 billion in AUM. We also focus on real estate secondaries and coinvestments.

The following table presents certain data about our Investment Solutions segment as of December 31, 2015 (dollar amounts in billions). See "— Structure and Operation of Our Investment Funds — Incentive Arrangements/Fee Structure" in this Item 1 for a discussion of the arrangements with the historical owners and management of AlpInvest regarding the allocation of carried interest in respect of the historical investments of and the historical and certain future commitments to our fund of funds vehicles.

AUM(1)	% of Total AUM	Fee-earning AUM	Fund of Funds Vehicles	Available Capital	Investment Professionals	Amount Invested Since Inception(2)
$46	25%	$28	160	$14	107	$54

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

(2) AlpInvest only.

Investment Approach

Corporate Private Equity

The investment approach of our Corporate Private Equity teams is generally characterized as follows:

- Consistent and Disciplined Investment Process. We believe our successful investment track record is the result in part of a consistent and disciplined application of our investment process. Investment opportunities for our CPE funds are initially sourced and evaluated by one or more of our deal teams. The due diligence and transaction review process places a special emphasis on, among other considerations, the reputation of a target company's shareholders and management, the company's size and sensitivity of cash flow generation, the business sector and competitive risks, the portfolio fit, exit risks and other key factors highlighted by the deal team. In evaluating each deal, we consider what expertise or experience (i.e., the "Carlyle Edge") we can bring to the transaction. An investment opportunity must secure final approval from the investment committee of the applicable investment fund. The investment committee approval process involves a detailed overview of the transaction and investment thesis, business, risk factors and diligence issues, as well as financial models.

- Geographic- and Industry-Focused. We have developed a global network of local investment teams with deep local insight into the areas in which they invest and have adopted an industry-focused approach to investing. Our extensive network of global investment professionals has the knowledge, experience and relationships on a local level that allow them to identify and take advantage of opportunities which may be unavailable to firms who do not have our global reach and resources. We also have particular industry expertise in aerospace, defense and government services, consumer and retail, financial services, healthcare, industrial, telecom, media and technology and transportation. As a result, we believe that our in-depth knowledge of specific industries improves our ability to source and create transactions, conduct effective and more informed due diligence, develop strong relationships with management teams and use contacts and relationships within such industries to identify potential buyers as part of a coherent exit strategy.

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Variable Deal Sizes and Creative Structures. Our teams are staffed not only to effectively pursue large transactions, but also other transactions of varying sizes. We often invest in smaller companies and this has allowed us to obtain greater diversity across our entire portfolio. Additionally, we may undertake large, strategic minority investments with certain control elements or private investment in public equity (PIPE) transactions in large companies with a clear exit strategy. In certain jurisdictions around the world, we may make investments with little or no debt financing and seek alternative structures to opportunistically pursue transactions. We generally seek to obtain board representation and typically appoint our investment professionals and advisors to represent us on the boards of the companies in which we invest. Where our

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funds, either alone or as part of a consortium, are not the controlling investor, we typically, subject to applicable regulatory requirements, acquire significant voting and other control rights with a view to securing influence over the conduct of the business.

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

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

- Expertise: Our investment professionals and our industry specialists, who provide extensive sector-specific knowledge and local market expertise.

- Insight: We engage 26 operating executives and advisors as independent consultants to work with our investment teams during due diligence, provide board-level governance and support and advise our portfolio company CEOs. These advisors are former CEOs or other high level executives of some of the world's most successful corporations and currently sit on the board of directors of a diverse mix of companies. We use this collective group of advisors to provide special expertise to support specific value creation initiatives.

- Data: The goal of our research function is to extract as much information from the portfolio as possible about the current state of the economy and its likely evolution over the near-to-medium term. Our CPE investment portfolio includes over 175 active portfolio companies as of December 31, 2015, across a diverse range of industries and geographies that each generate multiple data points (e.g., orders, shipments, production volumes, occupancy rates, bookings). By evaluating these data on a systematic basis, we work to identify the data with the highest correlation with macroeconomic data and map observed movements in the portfolio to anticipated variation in the economy, including changes in growth rates across industries and geographies.

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

Global Market Strategies

The investment approach of our Global Market Strategies credit-focused funds is generally characterized as follows:

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

- Conduct Fundamental Due Diligence and Perform Capital Structure Analyses. After an opportunity is identified, our GMS teams conduct fundamental due diligence to determine the relative value of the potential investment and capital structure analyses to determine the credit worthiness. Our due diligence approach typically incorporates meetings with management, company facility visits, discussions with industry analysts and consultants and an in-depth examination of financial results and projections.

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

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

Real Assets

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

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

- Pursue Single Asset Transactions. In general, our U.S. real estate funds have focused on single asset transactions. We follow this approach in the U.S. because we believe that pursuing single assets enables us to better understand the factors that contribute to the fundamental value of each property, mitigate concentration risk, establish appropriate asset-by-asset capital structures and maintain governance over major property-level decisions. In addition, direct ownership of assets typically enables us to effectively employ an active asset management approach and reduce financing and operating risk, while increasing the visibility of factors that affect the overall returns of the investment. Historically, we have used an opportunistic real estate investment strategy; however, we have recently expanded our platform to include a core-plus investment strategy. In the U.S., we will continue to focus on single asset transactions in both our opportunistic and core plus investment strategies. Outside the U.S., we continue to opportunistically invest in the Asia and European markets. Currently, we are pursuing a value add strategy in China and focusing on opportunities such as logistics and data center platforms. In Europe, we pursue investment opportunities across asset classes and geographies both for single assets and portfolios, with a focus on opportunistic or value-add strategies.

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

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

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

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

- Manage the Exit of Investments. We believe that “exit management” is as important as traditional asset management in order to take full advantage of the typically short windows of opportunity created by temporary imbalances in capital market forces that affect real estate. In determining when to exit an investment, our real estate teams consider whether an investment has fulfilled its strategic plan, the depth of the market and generally prevailing industry conditions.

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

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

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

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

Investment Solutions

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

- Depth of Investment Expertise. Investment Solutions has dedicated teams for each area of focus, and seeks to attract and retain talent with the required skill-set for each strategy. Investment Solutions professionals have trading, operational, portfolio and risk management expertise. From a top-down perspective, investment professionals seek to position the Investment Solutions business to capitalize on market opportunities through focused research and allocation of resources. From a bottom-up perspective, they seek to build deep relationships with underlying fund managers that are strengthened by the investment professionals’ relevant experience in the broader financial markets.

- Discipline. Investment Solutions professionals focus on diversification, risk management and downside protection. Its processes include the analysis and interpretation of macrodevelopments in the global economy and the assessment of a wide variety of issues that can influence the emphasis placed on sectors, geographies, asset classes and strategies when constructing investment portfolios. After making an investment commitment, the investment portfolios are subject to at least semi-annual reviews conducted by the respective investment team responsible for each investment.

- Innovation. Investment Solutions professionals seek to leverage the intellectual capital throughout the firm to identify emerging trends, market anomalies and new investment technologies to facilitate the formation of new strategies, as well as to set the direction for exiting strategies. This market intelligence provides them with an additional feedback channel for the development of new investment products.

Our Family of Funds

The following chart presents the name (acronym), total capital commitments (in the case of our carry funds, structured credit funds, certain fund of funds vehicles, and the NGP management fee funds), assets under management (in the case of our hedge funds, fund of hedge funds vehicles, and other structured products), gross assets (in the case of our business development companies), and vintage year of the active funds in each of our segments, as of December 31, 2015. We present total capital commitments (as opposed to assets under management) for our closed-end investment funds because we believe this metric provides the most useful information regarding the relative size and scale of such funds. In the case of our hedge funds, fund of hedge funds vehicles, and other structured products which are open-ended and accordingly do not have permanent committed capital, we believe the most useful metric regarding relative size and scale is assets under management.

Corporate Private Equity		
Buyout Carry Funds		
Carlyle Partners (U.S.)		
CP VI	$13.0 bn	2013
CP V	$13.7 bn	2007
CP IV	$7.9 bn	2005
Global Financial Services Partners		
CGFSP II	$1.0 bn	2013
CGFSP I	$1.1 bn	2008
Carlyle Europe Partners		
CEP IV	€3.7 bn	2014
CEP III	€5.3 bn	2007
CEP II	€1.8 bn	2003
Carlyle Asia Partners		
CAP IV	$3.9 bn	2012
CBPF	RMB 2.1 bn	2010
CAP III	$2.6 bn	2008
CAP II	$1.8 bn	2006
CAP I	$750 mm	1998
Carlyle Japan Partners		
CJP III	¥119.5 bn	2013
CJP II	¥165.6 bn	2006
CJP I	¥50.0 bn	2001
Carlyle Mexico Partners		
Mexico	$134 mm	2005
Carlyle MENA Partners		
MENA I	$471 mm	2008
Carlyle South American Buyout Fund		
CSABF I	$776 mm	2009
Carlyle Sub-Saharan Africa Fund		
CSSAF I	$698 mm	2012

Global Market Strategies		
Structured Credit Funds		
Cash CLO Funds		
U.S.	$14.4 bn	1999-2015
Europe	€7.6 bn	2005-2015
Middle Market CLO		
U.S.	$1.2 bn	2011
Global Market Strategies Carry Funds		
Carlyle Mezzanine Partners (Corporate Mezzanine)		
CMP II	$553 mm	2008
CMP I	$436 mm	2004
Carlyle Strategic Partners (Distressed)		
CSP III	$703 mm	2011
CSP II	$1.4 bn	2007
Carlyle Energy Mezzanine Opportunities Fund		
CEMOF II	$2.4 bn	2015
CEMOF I	$1.4 bn	2010
Carlyle Asia Structured Credit Opportunities		
CASCOF	$238 mm	2015
Hedge Funds and Other Vehicles[1]		
Long/Short Credit		
Claren Road Opportunities Fund	$1.1 bn	2008
Claren Road Master Fund	$2.2 bn	2006
Emerging Markets Strategies		
Cross Border Equity Master Fund	$2.4 bn	2002
	$1.3 bn	2011

Real Assets		
Real Estate Carry Funds		
Carlyle Realty Partners (U.S.)		
CRP VII	$4.2 bn	2014
CRP VI	$2.3 bn	2011
CRP V	$3.0 bn	2006
CRP IV	$950 mm	2005
CRP III	$564 mm	2001
Carlyle Europe Real Estate Partners		
CEREP III	€2.2 bn	2007
CEREP II	€763 mm	2005
Carlyle Asia Real Estate Partners		
CAREP II	$486 mm	2008
Natural Resources Funds		
Infrastructure Carry Fund		
CIP I	$1.1 bn	2006
Power Carry Funds		
CPP II	$1.1 bn	2014
CPOCP	$433 mm	2013
International Energy Carry Fund		
CIEP	$2.5 bn	2013
NGP Energy Carry Funds		
NGP XI	$5.3 bn	2014
NGP X	$3.6 bn	2012
NGP Agribusiness Carry Fund		
NGP GAP	$402 mm	2014
NGP Management Fee Funds		
Various[3]	$7.8 bn	2004-2008
Legacy Energy Carry Funds		
Carlyle/Riverstone Global Energy		
Energy IV	$6.0 bn	2008

Carlyle Peru Fund		
CPF I	$308 mm	2012
Carlyle Global Partners		
CGP	$3.3 bn	2015
Growth Carry Funds		
Carlyle U.S. Venture/Growth Partners		
CEOF II	$2.3 bn	2015
CEOF I	$1.1 bn	2011
CUSGF III	$605 mm	2006
CVP II	$602 mm	2001
Carlyle Europe Technology Partners		
CETP III	€657 mm	2014
CETP II	€522 mm	2008
CETP I	€222 mm	2005
Carlyle Asia Venture/Growth Partners		
CAGP IV	$1.0 bn	2008
CAGP III	$680 mm	2005
Carlyle Cardinal Ireland		
CCI	€292 mm	2014

Domestic Opportunity Master Fund		
Emerging Sovereign Group - Various	$622 mm	2002
Commodities		
Carlyle Commodity Management - Various (4)	$1.3 bn	2005-2015
Business Development Companies[2]		
Carlyle GMS Finance, Inc.	$1.1 bn	2013
NF Investment Corp	$254 mm	2013
Investment Solutions		
AlpInvest		
Fund of Private Equity Funds		
48 vehicles	€40.4 bn	2000-2015
Secondary Investments		
35 vehicles	€10.7 bn	2000-2015
Co-Investments		
35 vehicles	€11.9 bn	2000-2015
Metropolitan Real Estate		
Real Estate Fund of Funds		
26 vehicles	$3.2 bn	2003-2015
Diversified Global Asset Management[1]		
Fund of Hedge Funds		
16 vehicles	$2.0 bn	2004-2015

Energy III	$3.8 bn	2005
Energy II	$1.1 bn	2003
Carlyle/Riverstone Renewable Energy		
Renew II	$3.4 bn	2008
Renew I	$685 mm	2006

Note: All funds are closed-end and amounts shown represent total capital commitments as of December 31, 2015, unless otherwise noted. Certain of our recent vintage funds are currently in fundraising and total capital commitments are subject to change.

(1) Open-ended hedge funds and other pooled vehicles. Amounts represent AUM across all products as of December 31, 2015. Our GMS hedge fund partnerships had outstanding redemption requests for $3.1 billion in the aggregate as of the beginning of the first quarter of 2016. As disclosed in Note 3 to the consolidated financial statements, the Partnership commenced a wind down of the operations of Diversified Global Asset Management in the first quarter of 2016.

(2) Amounts represent gross assets as of December 31, 2015.

(3) Includes NGP ETP I, NGP M&R, NGP ETP II, NGP VII, NGP VIII and NGP IX.

(4) Carlyle Commodity Management was formerly known as Vermillion Asset Management.

Organizational Structure

The simplified diagram below depicts our organizational structure. Ownership information in the diagram below is presented as of December 31, 2015. The diagram does not depict all of our subsidiaries, including intermediate holding companies through which certain of the subsidiaries depicted are held. As discussed in greater detail below, The Carlyle Group L.P. holds, through wholly owned subsidiaries, a number of Carlyle Holdings partnership units that is equal to the number of common units that The Carlyle Group L.P. has issued and benefits from the income of Carlyle Holdings to the extent of its equity interests in the Carlyle Holdings partnerships. While the holders of common units of The Carlyle Group L.P. are entitled to all of the economic rights in The Carlyle Group L.P., the limited partners of the Carlyle Holdings partnerships, like the wholly owned subsidiaries of The Carlyle Group L.P., hold Carlyle Holdings partnership units that entitle them to economic rights in Carlyle Holdings to the extent of their equity interests in the Carlyle Holdings partnerships. Public investors do not directly hold equity interests in the Carlyle Holdings partnerships.

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

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

The Carlyle Group L.P. conducts all of its material business activities through Carlyle Holdings. Each of the Carlyle Holdings partnerships was formed to hold our interests in different businesses. Carlyle Holdings I L.P. owns all of our U.S. fee-generating businesses and many of our non-U.S. fee-generating businesses, as well as our carried interests (and other investment interests) that derive income that we believe is not qualifying income for purposes of the U.S. federal income tax publicly-traded partnership rules and certain of our carried interests (and other investment interests) that do not relate to investments in stock of corporations or in debt, such as equity investments in entities that are pass-through for U.S. federal income tax purposes. Carlyle Holdings II L.P. holds a variety of assets, including our carried interests in many of the investments by our carry funds in entities that are treated as domestic corporations for U.S. federal income tax purposes and in certain non-U.S. entities. Certain of our non-U.S. fee-generating businesses, as well as our non-U.S. carried interests (and other investment interests) that derive income that we believe is not qualifying income for purposes of the U.S. federal income tax publicly-traded partnership rules and certain of our non-U.S. carried interests (and other investment interests) that do not relate to investments in stock of corporations or in debt, such as equity investments in entities that are pass-through for U.S. federal income tax purposes are held by Carlyle Holdings III L.P.

The Carlyle Group L.P. has wholly owned subsidiaries that serve as the general partners of the Carlyle Holdings partnerships: Carlyle Holdings I GP Inc. (a Delaware corporation that is a domestic corporation for U.S. federal income tax purposes), Carlyle Holdings II GP L.L.C. (a Delaware limited liability company that is a disregarded entity and not an association taxable as a corporation for U.S. federal income tax purposes) and Carlyle Holdings III GP L.P. (a Québec société en commandite that is a foreign corporation for U.S. federal income tax purposes) serve as the general partners of Carlyle Holdings I L.P., Carlyle Holdings II L.P. and Carlyle Holdings III L.P., respectively. Carlyle Holdings I GP Inc. and Carlyle Holdings III GP L.P. serve as the general partners of Carlyle Holdings I L.P. and Carlyle Holdings III L.P., respectively, through wholly owned subsidiaries that are disregarded for federal income tax purposes. We refer to Carlyle Holdings I GP Inc., Carlyle Holdings II GP L.L.C. and Carlyle Holdings III GP L.P. collectively as the "Carlyle Holdings General Partners."

Holding Partnership Structure

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

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

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

LP Relations

Our diverse and sophisticated investor base includes more than 1,700 active carry fund investors located in 78 countries. Included among our many longstanding fund investors are pension funds, sovereign wealth funds, insurance companies and high net worth individuals in the United States, Asia, Europe, the Middle East and South America. We strive to maintain a systematic fundraising approach to support growth and serve our investor needs. This approach to fundraising has been critical in raising over $16 billion, net of redemptions, in 2015. We work for our fund investors and continuously seek to strengthen and expand our relationships with them through frequent investor engagement and by cross-selling products across our diverse platform. We have a dedicated in-house LP relations group, which includes 27 geographically focused professionals with extensive investor relations and fundraising experience. In addition, we have 18 product specialists with a focus on specific business segments and 10 professionals focused on high net worth distribution. Our LP relations group is supported by 66 support staff responsible for project management and fulfillment. Our LP relations professionals are in constant dialogue with our fund investors, which enables us to monitor client preferences and tailor future fund offerings to meet investor demand. We strive to secure a first-mover advantage with key investors, often by establishing a local presence and providing a broad and diverse range of investment opportunities.

As of December 31, 2015, approximately 92% of commitments to our active carry funds (by dollar amount) were from investors who are committed to more than one active carry fund, and approximately 62% of commitments to our active carry funds (by dollar amount) were from investors who are committed to more than five active carry funds. We believe the loyalty of our fund investor base, as evidenced by our substantial number of multi-fund relationships, enhances our ability to raise new funds and successor funds in existing strategies.

Investor Services

We have a team of over 700 investor services professionals worldwide. The investor services group performs a range of functions to support our investment teams, LP relations group, and the corporate infrastructure of Carlyle. Our investor services professionals provide an important control function, ensuring that transactions are structured pursuant to the partnership agreements, assisting in global regulatory compliance requirements and investor reporting to enable investors to easily monitor the performance of their investments. We have devoted substantial resources to creating comprehensive and timely investor reports, which are increasingly important to our investor base. The investor services group also works closely with each fund’s lifecycle, from fund formation and investments to portfolio monitoring and fund liquidation. We maintain an internal global legal and compliance team, which includes 22 professionals and a government relations group with a presence around the globe, which includes 15 professionals as of December 31, 2015. We intend to continue to build and invest in our legal, regulatory and compliance functions to enable our investment teams to better serve our investors.

Structure and Operation of Our Investment Funds

We conduct the sponsorship and management of our carry funds and other investment vehicles primarily through limited partnerships, which are organized by us, to accept commitments and/or funds for investment from institutional investors and high net worth individuals. Each investment fund that is a limited partnership, or “partnership” fund, has a general partner that is responsible for the management and operation of the fund’s affairs and makes all policy and investment decisions relating to the conduct of the investment fund’s business. The limited partners of such funds take no part in the conduct or control of the business of such funds, have no right or authority to act for or bind such funds and have no influence over the voting or disposition of the securities or other assets held by such funds, although such limited partners may vote on certain partnership matters including the removal of the general partner or early liquidation of the partnership by simple majority vote, as discussed below. In the case of certain separately managed accounts advised by us, the investor, rather than us, may control the asset or the investment decisions related thereto or certain investment vehicles or entities that hold or have custody of such assets.

Each investment fund and in the case of our separately managed accounts, the client, engages an investment adviser. Carlyle Investment Management L.L.C. (“CIM”) or one of its subsidiaries or affiliates serves as an investment adviser for most of our carry funds and is registered under the Investment Advisers Act of 1940, as amended (the “Advisers

Act”). Our investment advisers are generally entitled to a management fee from each investment fund for which they serve as investment advisers. For a discussion of the management fees to which our investment advisers are entitled across our various types of investment funds, see “— Incentive Arrangements / Fee Structure” below.

Our carry funds and hedge funds themselves typically do not register as investment companies under the Investment Company Act of 1940, as amended (the “1940 Act” or the “Investment Company Act”), in reliance on Section 3(c)(7) or Section 7(d) thereof or, typically in the case of funds formed prior to 1997, Section 3(c)(1) thereof. Section 3(c)(7) of the 1940 Act exempts from the 1940 Act’s registration requirements investment funds privately placed in the United States whose securities are owned exclusively by persons who, at the time of acquisition of such securities, are “qualified purchasers” as defined under the 1940 Act and purchase their interests in a private placement. Section 3(c)(1) of the 1940 Act exempts from the 1940 Act’s registration requirements privately placed investment funds whose securities are beneficially owned by not more than 100 persons and purchase their interests in a private placement. In addition, under certain current interpretations of the SEC, Section 7(d) of the 1940 Act exempts from registration any non-U.S. investment fund all of whose outstanding securities are beneficially owned either by non-U.S. residents or by U.S. residents that are qualified purchasers and purchase their interests in a private placement.

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

Our carry funds, fund of funds vehicles, business development companies, and NGP management fee funds are closed-ended funds. In a closed-ended fund structure, once an investor makes an investment, the investor is generally not able to withdraw or redeem its interest, except in very limited circumstances. Furthermore, each limited partnership contains restrictions on an investor’s ability to transfer its interest in the fund. In the open-ended funds we advise, investors are usually locked-up for a period of time after which they may generally redeem their interests on a quarterly basis.

With respect to our carry funds, investors generally agree to fund their commitment over a period of time. For our private equity funds, the commitment period generally runs until the earlier of (i) the sixth anniversary of the initial closing date or the fifth anniversary of the final closing date of the fund; (ii) the date the general partner cancels such obligation due to changes in applicable laws or when at least a significant portion (which may range between 85% and 90%) of the capital commitments to the fund have been invested, committed or reserved for investments; (iii) the date a supermajority in interest (based on capital commitments) of investors vote to terminate the commitment period; or (iv) the failure of certain key persons to devote a specified amount of time to such fund or Carlyle, to control the general partner or the investment adviser or to hold a specified percentage of the economic interests in the general partner, unless upon any of these events the investors vote to continue the investment period. Following the termination of the commitment period, an investor generally will be released from any further obligation with respect to its undrawn capital commitment except to the extent necessary to pay partnership expenses and management fees, fund outstanding borrowings and guarantees, complete investments with respect to transactions committed to prior to the end of the commitment period and make follow-on investments in existing companies. Generally, an investor’s obligation to fund follow-on investments extends for a period of three years following the end of the commitment period, provided that there may be limitations on how much such investor is required to fund for such follow-on investments. In those funds where such limitations exist, they generally range from 15-20% of an investor's capital commitment.

Investors in the latest generation of our real estate funds generally commit to fund their investment for a period of four (Asia and Europe) or five (United States) years from the final closing date, provided that the general partner may unilaterally extend such expiration date for one year and may extend it for another year with the consent of a majority of the limited partners or the investment advisory committee for that fund. Investors in the latest generation of our real estate funds are also obligated to continue to make capital contributions with respect to follow-on investments and to repay indebtedness for a period of time after the original expiration date of the commitment period, as well as to fund partnership expenses and management fees during the life of the fund.

The term of each of the CPE, Real Assets and GMS carry funds generally will end 10 years from the initial closing date, or in some cases, from the final closing date, but such termination date may be earlier in certain limited circumstances or later if extended by the general partner (in many instances with the consent of a majority in interest (based on capital commitments) of the investors or the investment advisory committee) for successive one-year periods, typically up to a maximum of two years.

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

Incentive Arrangements / Fee Structure

Fund Management Fees. The investment adviser of each of our carry funds generally receives an annual management fee that ranges from 1% to 2% of the investment fund or vehicle’s capital commitments during the investment period. Following the expiration or termination of the investment period of such carry funds, the management fees generally step-down to between 0.6% and 2.0% generally on the lower of cost or fair value of capital invested; however, certain of our managed accounts base management fees on contributions for unrealized investments or the current value of the investment at all times. The management fees that we receive from our carry funds typically are payable semi-annually in advance. The investment adviser of our private equity and real estate fund of funds vehicles generally receives an annual management fee that ranges from 0.3% 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 fund of funds vehicles, the management fees generally range from 0.3% to 1.0% on the lower of cost or fair value of the capital invested, the net asset value for unrealized investments, or the contributions for unrealized investments. The management fees for our fund of hedge funds vehicles generally range from 0.2 % to 1.5% of net asset value. The management fees we receive from our fund of funds vehicles typically are payable quarterly in advance. The investment adviser of our hedge funds generally receives management fees that range from 1.5% to 2.0% of net asset value per year. The investment adviser of our business development companies generally receives management fees quarterly in arrears at annual rates that range from 0.25% to 1.00% of gross assets, excluding cash and cash equivalents. The investment adviser of each of our CLOs and other structured products generally receives an annual management fee of 0.15% to 1.00% on the total par amount of assets or the aggregate principal amount of the notes in the CLO. Such management fees are due quarterly or semi-annually based on the terms of the applicable fund documentation and recognized over the respective period. The investment adviser 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. Open-ended funds typically do not have stated termination dates.

With respect to Claren Road, ESG and, for periods prior to July 1, 2015, Carlyle Commodity Management (“CCM”), we retain a specified percentage of the earnings of those businesses based on our 55% ownership in the management companies of those entities. Effective July 1, 2015, our specified percentage of earnings for CCM are based on our approximate 83% economic interest in that entity. The management fees received by our Claren Road, ESG and CCM hedge funds have similar characteristics. Certain of such funds often afford investors increased liquidity through annual, semi-annual, quarterly, or monthly withdrawal or redemption rights in certain cases following the expiration of a specified period of time when capital may not be withdrawn and the amount of management fees to which the investment adviser is entitled with respect thereto will proportionately increase as the net asset value of each investor’s capital account grows and will proportionately decrease as the net asset value of each investor’s capital account decreases. Our equity interest in NGP previously entitled us to an allocation of income equal to 47.5%, which increased to 55% in January 2015, of the management fee-related revenues of the NGP entities that serve as advisors to the NGP management fee funds.

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

Performance Fees. The general partner of each of our carry funds and fund of funds vehicles also receives carried interest from the carry fund or fund of funds vehicle. Carried interest entitles the general partner to a special residual allocation of profit on third-party capital. In the case of our carry funds, carried interest is generally calculated on a “realized gain” basis, and each general partner is generally entitled to a carried interest equal to 20% (or 10% to 20% on external coinvestment vehicles, with most earning no carried interest, or approximately 2% to 10% in the case of most of our fund of funds vehicles) of the net realized profit (generally taking into account unrealized losses) generated by third-party capital invested in such fund. Net realized profit or loss is not netted between or among funds. Our senior Carlyle professionals and other personnel who work in these operations also own interests in the general partners of our carry funds and we generally allocate 45% of any carried interest that we earn to these individuals in order to better align their interests with our own and with those of the investors in the funds. For most carry funds, the carried interest is subject to an annual preferred return of 8% to 9%, subject to a catch-up allocation to the general partner. If, as a result of diminished performance of later investments in the life of a carry fund or fund of funds vehicle, the carry fund or fund of funds vehicle does not achieve investment returns that (in most cases) exceed the preferred return threshold or (in almost all cases) the general partner receives in excess of 20% (or 10% to 20% on external coinvestment vehicles, with most earning no carried interest, or approximately 2% to 10% in the case of most of our fund of funds vehicles) of the net profits on third-party capital over the life of the fund, we will be obligated to repay the amount by which the carried interest that was previously distributed to us exceeds amounts to which we are ultimately entitled. This obligation, which is known as a “giveback” obligation, operates with respect to a given carry fund’s own net investment performance only and is typically capped at the after tax amount of carried interest received by the general partner. Each recipient of carried interest distributions is individually responsible for his or her proportionate share of any "giveback" obligation; however, we may guarantee the full amount of such “giveback” obligation in respect of amounts received by Carlyle and certain other amounts. Our ability to generate carried interest is an important element of our business and carried interest has historically accounted for a significant portion of our income.

The receipt of carried interest in respect of investments of our carry funds is dictated by the terms of the partnership agreements that govern such funds, which generally allow for carried interest distributions in respect of an investment upon a realization event after satisfaction of obligations relating to the return of capital from all realized investments, any realized losses, allocable fees and expenses and the applicable annual preferred return. Carried interest is ultimately realized and distributed when: (i) an underlying investment is profitably disposed of, (ii) certain costs borne by the limited partner investors have been reimbursed, (iii) the investment fund’s cumulative returns are in excess of the preferred return and (iv) we have decided to collect carry rather than return additional capital to limited partner investors. Distributions to eligible senior Carlyle professionals in respect of such carried interest are generally made shortly thereafter. Our decision to realize carry considers such factors as the level of embedded valuation gains, the portion of the fund invested, the portion of the fund returned to limited partner investors, and the length of time the fund has been in carry, as well as other qualitative measures. Although Carlyle has seldom been obligated to pay a giveback obligation, such obligation, if any, in respect of previously realized carried interest, is generally determined and due upon the winding up or liquidation of a carry fund pursuant to the terms of the fund’s partnership agreement although in certain cases the giveback is calculated at prior intervals.

In addition to the carried interest from our carry funds, we are also entitled to receive incentive fees or allocations from certain of our GMS funds. Our hedge funds generally pay annual incentive fees or allocations equal to 20% of the fund’s profits for the year, subject to a high-water mark. The high-water mark is the highest historical NAV attributable to a fund investor’s account on which incentive fees were paid and means that we will not earn incentive fees with respect to such fund investor for a year if the NAV of such investor’s account at the end of the year is lower that year than any prior year-end NAV or the NAV at the date of such fund investor’s investment, generally excluding any contributions and redemptions for purposes of calculating NAV. Certain of our business development companies also earn incentive fees (i) quarterly based on net investment income for the prior quarter and (ii) 20% annually based on the business development company's profits for the year, subject to a high water mark. In these arrangements, incentive fees are recognized when the performance benchmark has been achieved based on the hedge funds’ then-current fair value and are included in performance fees in our consolidated statements of operations. These incentive fees are a component of performance fees in our consolidated financial statements and are treated as accrued until paid to us.

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

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

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

Under our arrangements with the historical owners and management team of DGAM, through the year ended December 31, 2015, the management team and employees are entitled to receive 30% of certain revenues received by DGAM's management company (including revenues from management fees and incentive fees). DGAM investment funds generally pay annual incentive fees equal to 7.5% to 10% of the fund's profits for the year, subject to a high water mark. In February 2016, we decided to restructure our Investment Solutions segment to focus on private market secondaries, co-investment and managed

account activities and, given the challenging market environment, discontinue our fund of hedge funds and liquid alternative initiatives. In connection with the restructuring, we commenced a wind down of the operations of DGAM.
As noted above, in connection with raising new funds or securing additional investments in existing funds, we negotiate terms for such funds and investments with existing and potential investors. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than for prior funds we have advised or funds advised by our competitors. See "Item 1A. Risk Factors — Risks Related to Our Business Operations — Our investors in future funds may negotiate to pay us lower management fees and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues."

Capital Invested in and Alongside Our Investment Funds

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

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

Carlyle and its eligible employees and officers have the right to co-invest with each of the investment funds on a deal-by-deal basis, typically in an amount up to 5% of the investment opportunity (on top of our base commitment).

Corporate Citizenship

We are committed to the principle that building a better business means investing responsibly. In September 2008, Carlyle developed a set of responsible investment guidelines that consider the environmental, social and governance implications of certain investments we make. These guidelines were integral to shaping the corporate social responsibility guidelines later adopted by the members of the Private Equity Growth Capital Council. We have worked to integrate these guidelines into our investment decision-making process for controlling, corporate investments. We also have worked to develop internal expertise in our sustainability work. We are a member of Business for Social Responsibility, a global nonprofit business network dedicated to sustainability. We also educate portfolio companies in which we have a controlling interest on the guidelines and encourage them to review the guidelines at the board level on an annual basis.

We are a member of the British Venture Capital Association and seek to ensure that our U.K.-based portfolio companies are compliant, on a voluntary basis, with the Walker Guidelines for Disclosure and Transparency when such companies become subject to these guidelines. Further, we are also a member of the Bundesverband Deutscher Kapitalbeteiligungsgesellschaften (the "BVK"), the German private equity and venture capital trade association. We believe that we are compliant with the BVK Guidelines for Disclosure and Transparency and seek to ensure that our German portfolio companies comply with these guidelines when they are required to do so.

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

Global Information Technology and Solutions

Global Information Technology and Solutions, which we refer to as GTS, is essential for Carlyle to conduct investment activities, manage internal administration activities and connect a global enterprise. As part of our GTS strategy and governance processes, we develop and routinely refine our technology architecture to leverage solutions that will best serve the needs of our investors. Our systems, data, network and infrastructure are continuously monitored and administered by formal controls and risk management processes that also help protect the data and privacy of our employees and investors. Our business continuity plan is designed to allow all critical business functions to continue in an orderly manner in the event of an emergency.

Competition

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

We generally compete with sponsors of public and private investment funds across all of our segments. Within our CPE segment, we also compete with business development companies and operating companies acting as strategic acquirers. In our GMS segment, we compete with private credit strategies, hedge funds, business development companies, distressed debt funds, mezzanine funds and other CLO issuers. In our Real Assets segment, we also compete with real estate development companies. In our Investment Solutions segment, we generally compete with other fund of funds managers and/or with advisers that are turning their business models towards discretionary investment advisory services.

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

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

Employees

We believe that one of the strengths and principal reasons for our success is the quality and dedication of our people. As of December 31, 2015, we employed more than 1,700 individuals, including more than 700 investment professionals, located in 36 offices across six continents.

Regulatory and Compliance Matters

United States

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

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

TCG Securities, L.L.C. (“TCG Securities”), the affiliate entity through which we conduct U.S.-based marketing and fundraising activities, is registered as a limited purpose broker/dealer with the SEC, is a member of the Financial Industry Regulatory Authority (“FINRA”), and is also registered as a broker/dealer in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico and the Virgin Islands. Additionally, TCG Securities operates under the international broker/dealer exemption in the Canadian provinces of Alberta, British Columbia, Ontario and Quebec. TCG Securities acts as a placement agent, on a best efforts basis, for interests in private funds, as well as interests in special purpose vehicles, specifically debt and equity tranches of collateralized commodities obligations and collateralized loan obligations for which TCG Securities’ affiliates serve as collateral manager. In the first half of 2016, TCG Securities intends to submit an application to FINRA to expand its scope of associated persons. Additionally, FINRA, a self-regulatory organization that is subject to SEC oversight, maintains regulatory authority over all securities firms doing business with the public in the United States (including our broker/dealer), adopts and enforces rules governing the activities of its member firms and conducts cycle examinations and targeted sweep inquiries on issues of immediate concern, among other roles and responsibilities. Our broker dealer is subject to routine periodic and other examinations by the staff of FINRA. No material changes to our broker dealer's operations have been made as a result of such examinations.

Broker/dealers are subject to rules relating to transactions on a particular exchange and/or market, and rules relating to the internal operations of the firms and their dealings with customers including, but not limited to the form or organization of the firm, qualifications of associated persons, officers and directors, net capital and customer protection rules, books and records and financial statements and reporting. In particular, as a result of its registered status, TCG Securities is subject to the SEC’s uniform net capital rule, Rule 15c3-1 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which specifies both the minimum level of net capital a broker/dealer must maintain relative to the scope of its business activities and net capital liquidity parameters. The SEC and FINRA require compliance with key financial responsibility rules, including maintenance of adequate funds to meet expenses and contractual obligations, as well as early warning rules that compel notice to the regulators via accelerated financial reporting anytime a firm’s capital falls below the minimum required level. The uniform net capital rule limits the amount of qualifying subordinated debt that is treated as equity to a specific percentage under the debt-to-equity ratio test, and further limits the withdrawal of equity capital, which is subject to specific notice provisions. Finally, compliance with net capital rules may also limit a firm’s ability to expand its operations, particularly to those activities that require the use of capital. To date, TCG Securities has not had any capital adequacy issues and is currently capitalized in excess of the minimum maintenance amount required by regulators.

In 2013, we launched two business development companies which entities are subject to all relevant provisions under the 1940 Act as registered investment companies. In 2015, we formed a wholly-owned subsidiary of one of the business development companies, which operates as a collateralized loan obligation issuer.

In 2011, the Dodd-Frank Wall Street Reform and Consumer Protection Act amended the Commodity Exchange Act to expand the CFTC's regulatory jurisdiction with respect to certain derivative instruments, including swaps. In 2012, the CFTC rescinded an exemption from CFTC registration traditionally relied upon by private fund managers, narrowed an exception related to registered investment companies and amended related rules and guidance. As a result of these changes, managers of certain pooled investment vehicles with exposure in commodity interests now may be required to register with the CFTC as commodity pool operators ("CPOs") and/or commodity trading advisors ("CTAs") and become members of the National

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Futures Association (the “NFA”). As such, certain of our or our subsidiaries’ risk management or other commodities interest-related activities may be subject to CFTC oversight. Consequently, certain CFTC rules expose alternative asset managers, such as us, to increased registration and reporting requirements in connection with transactions in futures, swaps and other derivatives regulated by the CFTC. Consequently, each of CGMSIM, DGAM, ESG, Emerging Sovereign Partners LLC (“ESP”) and Carlyle Commodity Management, L.L.C. ("CCM") is a NFA member and is registered with the CFTC as a CPO and/or CTA. In addition, certain Carlyle personnel are registered with the CFTC as Principals of certain of these entities. These regulations have required us to reassess certain business practices related to our pooled vehicles, consider registration of additional entities with the CFTC or file for additional exemptions from such registration requirements. In addition, as a result of their commodities interest-related activities, certain of our entities also may be subject to a wide range of other regulatory requirements, such as:

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

In addition, many Carlyle vehicles are subject to the Internal Revenue Service (“IRS”) Foreign Account Tax Compliance Act (“FATCA”) tax regulations intended to address tax compliance issues associated with U.S. taxpayers with foreign accounts. FATCA requires “foreign financial institutions” to report to the IRS information about financial accounts held by U.S. taxpayers and imposes due diligence, withholding, documentation and reporting requirements on such entities. In many instances, however, the precise nature of the FATCA-related requirements to which Carlyle is subject is governed by bilateral Intergovernmental Agreements (“IGAs”) between the United States and the countries in which Carlyle does business. Among other things, FATCA could subject investors within certain Carlyle funds to additional tax withholding.

United Kingdom and the European Union

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

The FSMA says that any firm or individual which carries out a regulated activity in the United Kingdom must be authorized or regulated by the FCA, unless they are exempt. The FCA is responsible monitoring regulated entities’ compliance with the FSMA. Violations of these requirements may result in censures, fines, imposition of additional requirements, injunctions, restitution orders, revocation or modification of permissions or registrations, the suspension or expulsion from certain “controlled functions” within the financial services industry of officers or employees performing such functions or other similar consequences.

Similar to the United States, jurisdictions outside the United States in which we operate, in particular Europe, have become subject to extensive further regulation. Governmental regulators and other authorities in Europe have proposed or implemented a number of initiatives and additional rules and regulations that could adversely affect our business. Certain of our subsidiaries are subject to compliance requirements in connection with the Alternative Investment Fund Managers Directive (the “AIFMD”), which generally became effective in countries across the European Economic Area (the “EEA”) in 2014. The AIFMD imposes significant regulatory requirements on alternative investment fund managers operating or marketing funds to investors within the EEA, as well as prescribing certain conditions with regard to regulatory standards, cooperation and transparency that must be satisfied for non-EEA fund managers to market or manage alternative investment funds into EEA jurisdictions. Authorization under the AIFMD is currently available only to EEA fund managers. One of Carlyle’s subsidiaries, AlpInvest, obtained such authorization in 2015. As such, AlpInvest is now a licensed as an alternative investment fund manager under the AIFMD by the Authority for Financial Markets in the Netherlands (the “AFM”). AlpInvest is also licensed by the AFM to provide investment management services under the Markets in Financial Instruments Directive. Carlyle's other subsidiaries that manage or market alternative investment funds in the EEA do so in accordance with the national private placement regimes of the various EEA jurisdictions. Compliance with the AIFMD's requirements may restrict Carlyle's fund marketing strategy and will place additional compliance obligations in the form of remuneration policies, capital requirements, reporting requirements, leverage oversight and liquidity management.

Additionally, certain of our subsidiaries are subject to various aspects of the European Market Infrastructure Regulation ("EMIR"). Among other things, EMIR imposes a set of requirements on European Union derivatives activities, including risk mitigation, risk management, regulatory reporting and margin and clearing requirements. Given the global scale of the derivatives activity of various Carlyle entities, the various regulatory regimes to which Carlyle is subject could result in duplication of administration and increased transaction costs related to such derivatives activities.

As outlined above, certain of our European subsidiaries must comply with the pan-European regime established by MiFID, which regulates the provision of investment services and conduct of investment activities throughout the EEA. MiFID sets out detailed requirements governing the organization and conduct of business of investment firms and regulated markets. It also includes pre- and post-trade transparency requirements for equity markets and extensive transaction reporting requirements. A review of MiFID by the European regulators has led to the creation of a replacement directive and a new draft regulation (together "MiFID II") which is currently scheduled to become effective in 2017, although a delay to this implementation date is currently being discussed. When effective, MiFID II will enhance numerous aspects of MiFID and will impose many new compliance requirements on CECP and CELF.

Other Jurisdictions

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

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

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

Carlyle Japan Asset Management YK is registered as an investment adviser with the Japan Financial Services Agency.

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

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

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

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

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

Carlyle South Africa Advisors (Proprietary) Limited, a limited company incorporated in the Republic of South Africa, is licensed as a Category 1 Authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act (No. 37 of 2002) and is thereby regulated by the Financial Services Board in South Africa.
Claren Road Asia Limited is licensed by the Hong Kong Securities and Futures Commission to carry on Type 9 (asset management) regulated activity in respect of asset management activities to professional investors.
Carlyle GMS Asia Limited is licensed by the Hong Kong Securities and Futures Commission to carry on Type 9 (asset management) regulated activity in respect of asset management activities to professional investors.
AlpInvest Partners Limited is licensed by the Hong Kong Securities and Futures Commission to carry on Type 1 (dealing in securities) regulated activity in respect of professional investors.
DGAM is licensed by the Ontario Securities Commission as an investment fund manager, an adviser in the category of portfolio manager, and as a dealer in the category of exempt market dealer. DGAM is also registered as a commodity trading advisor with the OSC under the Commodity Futures Act in connection with its direct trading business.
Carlyle Commodity Trading (Shanghai) Co Ltd. (“CCM Trading (Shanghai)”) is licensed as a registered commodities trading company in the Free Trade Zone in Shanghai, China. Pursuant to this registration, CCM Trading (Shanghai) is permitted to import and export physical commodities, partake in onshore and bonded physical commodities market and trade commodity derivatives on China’s domestic exchanges, including but not limited to the Shanghai Futures Exchange, Zhengzhou Commodities Exchange, and the Dalian Commodities Exchange. CCM ceased its investment activities in Shanghai during the first quarter of 2015 but maintains the registration status of CCM Trading (Shanghai) in anticipation of possible future investment activities in Shanghai.
TCG Gestor is licensed by the Securities & Exchange Commission of Brazil as an investment adviser.
AlpInvest is registered as a cross-border discretionary investment management company with the Financial Supervisory Service of South Korea.
In addition, we and/or our affiliates and subsidiaries may become subject to additional regulatory demands in the future to the extent we expand our investment advisory business in existing and new jurisdictions. There are also a number of pending or recently enacted legislative and regulatory initiatives in the United States and around the world that could significantly impact our business. See “Item 1A. Risk Factors-Risks Related to our Company- Extensive regulation in the United States and abroad affects our activities and creates the potential for significant liabilities and penalties,” “-Regulatory changes in the United States could adversely affect our business and the possibility of increased regulatory focus could result in additional burdens and expenses on our business” and “-Recent regulatory changes in jurisdictions outside the United States could adversely affect our business.”
Our businesses have operated for many years within a framework that requires our being able to monitor and comply with a broad range of legal and regulatory developments that affect our activities and we take our obligation to comply with all such laws, regulations and internal policies seriously. Our reputation depends on the integrity and business judgment of our employees and we strive to maintain a culture of compliance throughout the firm. We have developed, and adhere to, compliance policies and procedures such as codes of conduct, compliance systems, education and communication of compliance matters. These policies focus on matters such as insider trading, anti-corruption, document retention, conflicts of interest and other matters. Our legal and compliance team monitors our compliance with all of the legal and regulatory requirements to which we are subject and manages our compliance policies and procedures. Our legal and compliance team also monitors the information barriers that we maintain to restrict the flow of confidential information, including material, nonpublic information, across our business. Our enterprise risk management function analyzes our operations and investment strategies to identify key risks facing the firm and works closely with the legal and compliance team to address them. The firm also has an independent and objective internal audit department that employs a risk-based audit approach that focuses on Sarbanes-Oxley compliance, enterprise risk management functions and other areas of perceived risk and aims to give management and the board of directors of our general partner reasonable assurance that our risks are well managed and controls are appropriate and effective.

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Website and Availability of SEC Filings
Our website address is www.carlyle.com. We make available free of charge on our website or provide a link on our website to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after those reports are electronically filed with, or furnished to, the SEC. To access these filings, go to the "Financial Information" portion of our "Public Investors" page on our website, and then click on "SEC Filings." You may also read and copy any document we file at the SEC's public reference room located at 100 F Street, N.E., Washington, DC 20549. Call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition, the reports and other documents we file with the SEC are available at a website maintained by the SEC at www.sec.gov.
We use our website (www.carlyle.com), our corporate Facebook page (https://www.facebook.com/The-Carlyle-Group-103519702981/) 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 https://ir.carlyle.com/alerts.cfm?. The contents of our website and social media channels are not, however, a part of this Annual Report on Form 10-K and are not incorporated by reference herein.
The Carlyle Group L.P. was formed in Delaware on July 18, 2011. Our principal executive offices are located at 1001 Pennsylvania Avenue, NW, Washington, D.C. 20004-2505.

ITEM 1A. RISK FACTORS
Risks Related to Our Company
Adverse economic and market conditions could negatively impact our business in many ways, including by reducing the value or performance of the investments made by our investment funds and reducing the ability of our investment funds to raise capital, any of which could materially reduce our revenue, earnings and cash flow and adversely affect our financial prospects and condition.

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

Global financial markets have experienced heightened volatility in recent periods, including during August and September 2015 and then again in January 2016, following the decision of the People's Bank of China to reduce the foreign exchange value of the renminbi. We believe this volatility is driven by three primary and interrelated factors: concerns regarding the economic climate in China, crude oil prices and the availability of credit.

With a 35-year track record of growth at an average rate of over 10% per year from about $300 billion in 1980 to about $11 trillion in 2015, China is a country with over $3 trillion in foreign exchange reserves, a $500 billion per year trade surplus and a large and fast growing entrepreneurial sector. Over the last year, China's growth has slowed to below 7% and there has been a significant slowdown in the industrial sector. As China accounts for nearly 25% of global manufacturing output and is a key link in global supply chains, a slowdown in China's industrial sector has a direct negative impact on global industrial orders. At the same time, the decline in Chinese demand for industrial inputs has contributed to a reduction in the capital spending of global businesses operating in the energy, metals, and mining industries because low commodity prices generally do not support new capital investment in businesses in these industries. To the extent China's growth continues to slow, our portfolio companies around the world, especially those in the industrial industries, could be adversely impacted.

Heightened financial market volatility has also been attributed to the ongoing weakness in commodity prices, especially that of crude oil. The International Energy Agency estimates that the global oil market was oversupplied by approximately 2 million barrels per day at the end of 2015. Until the supply of oil is rebalanced to meet demand, it is unlikely the price per barrel will increase in the immediate term. The uncertainty as to when this rebalance will take place has adversely impacted both the debt and equity markets. For example, mark-to-market losses on commodity-related debt were sufficient to pull overall credit returns into negative territory in 2015 and raise financing costs for businesses in unrelated sectors. The fall in the price of oil may increase default risk among energy credits, including sovereign borrowers, and increase the cost or availability of financing for our fund investments. On the other hand, we believe that continued downward pressure on commodity prices may unlock investment opportunities in the energy and mining sectors, which to date has generally received limited private equity investment because sellers have been unwilling to divest assets at prices that compensate acquirers for the risk profile of the sector.

Losses (or anticipated losses) on energy and related credits have been so large that financing sources, particularly in the U.S., are exercising caution in providing new credits in all sectors. This tightening in the debt financing could impact our ability to finance transactions. Credit spreads on the lowest rated high yield bonds have increased by over 600bps from the cyclical lows in June 2014. Interest rates have been at historically low levels for the last few years, although in December 2015, the U.S. Federal Reserve increased the target range of the U.S. federal funds rate for the first time since 2006. Interest rates may rise in future periods, including as a result of further increases in the U.S. federal funds target rate, market conditions or otherwise. Further increases in the U.S. federal funds target rate or the increase in the foreign exchange value of the U.S. dollar could also result in financial market dislocations that could negatively impact deal finance conditions.

To the extent interest rates rise or there is a reduction in the availability of financing, the value of our portfolio could be adversely impacted.
To the extent the uncertainty in the market prompts sellers to readjust their valuations, attractive investment opportunities may present themselves. On the other hand, the reduction in the availability of credit financing, could impact our ability to consummate larger transactions. In 2015, we invested approximately $8.8 billion through our carry funds in 279 transactions and we have committed approximately $4.0 billion to new investments that we expect will close in the first half of 2016. Given the tightening of credit markets, it is possible that certain of these transactions will not be consummated on the anticipated terms or at all or that we will be unable to finance new transactions on attractive terms. In the event that our investment pace slows, it could have an adverse impact on our ability to generate future performance fees and fully invest the capital in our funds. Our funds may also be affected by reduced opportunities to exit and realize value from their investments via a sale or merger upon a general slowdown in corporate mergers and acquisitions activity. Additionally, we may not be able to find suitable investments for the funds to effectively deploy capital and these factors could adversely affect the timing of and our ability to raise new funds.

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

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

Changes in the debt financing markets could negatively impact the ability of certain of our funds and their portfolio companies to obtain attractive financing or re-financing for their investments and could increase the cost of such financing if it is obtained, which could lead to lower-yielding investments and potentially decreasing our net income. A significant contraction in the market for debt financing, such as the contraction that occurred in 2008 and 2009, or other adverse change relating to the terms of such debt financing with, for example, higher rates, higher equity requirements and/or more restrictive covenants, particularly in the area of acquisition financings for leveraged buyout and real assets transactions, could have a material adverse impact on our business. In the event that certain of our funds are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavorable terms, certain of our funds may have difficulty completing otherwise profitable acquisitions or may generate profits that are lower than would otherwise be the case, either of which could lead to a decrease in the income earned by us. For example, in the fourth quarter of 2015, it was widely reported that the banks that committed to finance certain debt related to the acquisition of a large portfolio company by one of our investment funds were unable to syndicate the debt as credit markets weakened and investor demand for financing waned. Average three-year yields on first-lien loans that support large U.S. leveraged buyouts leaped over 100 basis points to 6.91 percent in the fourth quarter of 2015, the highest level since the second quarter of 2007. Between June 2014 and January 2016, spreads on B-rated corporate bonds nearly doubled, from 328 basis points to 650 basis points. These market conditions resulted in our investment funds paying higher interest rates on the debt, though total debt was reduced for the transaction. Similarly, our funds' portfolio companies regularly utilize the corporate debt markets in order to obtain financing for their operations. To the extent that the credit markets render such financing difficult to obtain or more expensive, this may negatively impact the operating performance of those portfolio companies and, therefore, the investment returns of our funds. In addition, to the extent that the markets make it difficult or impossible to refinance debt that is maturing in the near term, some of our portfolio companies may be unable to repay such debt at maturity and may be forced to sell assets, undergo a recapitalization or seek bankruptcy protection.

Our use of leverage and earn-out payments may expose us to substantial risks.

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

From time to time we may access the capital markets by issuing debt securities. For example, in January 2013, we issued $500 million aggregate principal amount of ten-year senior notes at a rate of 3.875%. In March 2013, we issued $400 million aggregate principal amount of thirty-year senior notes at a rate of 5.625% and in March 2014, we issued an additional $200 million aggregate principal amount of thirty-year senior notes at a rate of 5.625%. We also have a credit facility that provides for a term loan (of which $25.0 million was outstanding as of December 31, 2015) and revolving credit borrowings that has a final maturity date of May 5, 2020. The credit facility contains financial and non-financial covenants with which we need to comply to maintain access to this source of liquidity. Non-compliance with any of the financial or non-financial covenants without cure or waiver would constitute an event of default, and an event of default resulting from a breach of certain financial or non-financial covenants could result, at the option of the lenders, in an acceleration of the principal and interest outstanding, and a termination of the revolving credit facility. In addition, to the extent we incur additional debt or experience a decrease in our level of earnings, our credit

rating could be adversely impacted, which would increase our interest expense.
In addition, as part of the consideration for several of the new businesses we have acquired, we expect to incur future expenses related to these acquisitions including amortization of acquired intangibles, cash- and equity-based earn-out payments and fair value adjustments on contingent consideration issued. For example, we have used earn-out payments in several acquisitions to better align the interests of the managers of the acquired businesses with our interests. We have substantial earn-out payments due over the next several years in connection with our strategic investment in NGP and acquisitions of Claren Road, ESG and Metropolitan. Refer to Note 3, Note 6, and Note 9 to our consolidated financial statements included in this Annual Report on Form 10-K for additional information. If our acquisitions do not perform as anticipated, we may not be required to fund these earn-out payments. However, to the extent the performance of an acquisition is significantly below plan, it may be an indication that any goodwill or acquired intangible assets from the acquisition is impaired. An impairment of intangible assets or goodwill would be recognized as an expense on our income statement. For example, we recognized impairment charges totaling approximately $220 million during 2015 related to the impairment of certain acquired intangible

assets and goodwill. See "Risks Related to our Business — We may not be successful in expanding into new investment strategies, markets and businesses, which could adversely affect our business, results of operations and financial condition."

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

Our revenue, earnings and cash flow are variable. For example, our cash flow fluctuates because we receive carried interest from our carry funds and certain fund of funds vehicles only when investments are realized and achieve a certain preferred return. We may also experience fluctuations in our quarterly and annual results, including our revenue and net income, due to a number of other factors, including changes in the carrying values and performance of our funds' investments that can result in significant volatility in the carried interest that we have accrued (or as to which we have reversed prior accruals) from period to period, as well as changes in the amount of distributions, gains, dividends or interest paid in respect of investments, changes in our operating expenses, the degree to which we encounter competition and general economic and market conditions. For instance, during the 2008 and 2009 economic downturn, we recorded significant reductions in the carrying values of many of the investments of the investment funds we advise. The carrying value of fund investments, particularly the public portion of our carry fund portfolios, may be more variable during times of market volatility. As of December 31, 2015, 26% of our carry fund portfolio was in public securities. In addition, transaction fees received by our carry funds can vary from quarter-to-quarter and year-to-year depending on our level of investment activity. For example, in 2015, we received approximately $4 million in transaction fees from our U.S. and European buyout funds and our total transaction fees decreased approximately $43 million from those we received in 2014. This decrease is primarily due to the smaller number of large transactions consummated in 2015 as compared to 2014.

Our hedge fund performance may depend on idiosyncratic factors regarding security selection and other factors that can affect overall investment performance, which can impact our incentive fees and the level and pace of subscriptions and redemptions. Such variability in the timing and amount of our accruals and realizations of carried interest, performance fees and transaction fees may lead to volatility in the trading price of our common units and cause our results and cash flow for a particular period not to be indicative of our performance in a future period. Because of this volatility, we may not achieve steady growth in net income and cash flow on a quarterly basis, which could in turn lead to adverse movements in the price of our common units or increased volatility in our common unit price generally.

During periods in which a significant portion of our AUM is attributable to carry funds and fund of funds vehicles that are in the fundraising period or their investments are in the investment period that precedes harvesting, as has been the case from time to time, we may receive substantially lower distributions. Moreover, even if an investment proves to be profitable, it may be several years before any profits can be realized in cash. A downturn in the equity markets also makes it more difficult to exit investments by selling equity securities at a reasonable value. If we were to have a realization event in a particular quarter, that event may have a significant impact on our quarterly results and cash flow for that particular quarter and may not be replicated in subsequent quarters. We cannot predict precisely when, or if, realizations of investments will occur, where a fund will be in its lifecycle when the realizations occur or whether a fund will realize carried interest. For example, in 2013 and 2012 as compared to 2011, several of our portfolio companies engaged in recapitalization transactions, thereby returning capital to the investors in those companies. None of these transactions, however, produced realized carried interest.

We recognize revenue on investments in our investment funds based on our allocable share of realized and unrealized gains (or losses) reported by such investment funds, and a decline in realized or unrealized gains, or an increase in realized or unrealized losses, would adversely affect our revenue, which could further increase the volatility of our quarterly results and cash flow. Because our carry funds and fund of funds vehicles have preferred investor return thresholds that need to be met prior to us receiving any carried interest, declines in, or failures to increase sufficiently the carrying value of, the investment portfolios of a carry fund or fund of funds vehicle may delay or eliminate any carried interest distributions paid to us with respect to that fund or vehicle. This is because the value of the assets in the fund or vehicle would need to recover to their aggregate cost basis plus the preferred return over time before we

would be entitled to receive any carried interest from that fund or vehicle.
The timing and receipt of realized carried interest also varies with the life cycle of our carry funds and there is often a difference between the time we start accruing carried interest for financial reporting purposes and the realization and distribution of such carried interest. However, performance fees are ultimately realized when (i) an investment is profitably disposed of, (ii) certain costs borne by the limited partner investors have been reimbursed, (iii) the investment fund’s cumulative net returns are in excess of the preferred return and (iv) we have decided to collect carried interest rather than return additional capital to limited partner investors. In deciding to realize carried interest we consider such factors as the level of embedded valuation gains, the portion of the fund invested, the portion of the fund returned to limited partner investors, the length of time the fund has been in carry, and other qualitative measures. When a fund enters into a position to take carried interest, we are generally entitled to a disproportionate “catch-up” level of profit allocation for a period before the amount of profit allocation to which we are entitled returns to a more normalized level. For example, during the period from late 2013 to

early 2015, we benefited from “catch-up” carried interest on some of our largest funds. In the near future, we are unlikely to benefit from “catch-up” carried interest to the extent we have in previous years. In certain circumstances, may also need to reduce the amount of realized carried interest we receive in order to maintain a sufficient level of reserves and reduce the risk of potential future giveback obligations. For financial reporting purposes, we started accruing carried interest in respect of CAP III and CEP III in the fourth quarter of 2013, which resulted in a cumulative catch-up of carried interest. Throughout 2014, CAP III and CEP III remained in a carry position, but profits were allocated to us in respect of these funds at a more normalized rate (i.e., 20%). In order to maintain a sufficient level of reserves and reduce the risk of potential future giveback obligations, we did not realize any carried interest from CEP III until the second quarter of 2014 and from CAP III until the second quarter of 2015. See “— Our investors in future funds may negotiate to pay us lower management fees and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues.”

With respect to certain of the hedge funds and vehicles that we advise, we are entitled to incentive fees that are paid annually, semi-annually or quarterly if the net asset value of an investor's account has increased. The incentive fees we earn are dependent on the net asset value of these funds or vehicles, which could lead to volatility in our quarterly results and cash flow. These funds also have “high-water mark” provisions whereby if the funds have experienced losses in prior periods, we will not be able to earn incentive fees with respect to an investor’s account until the net asset value of the investor’s account exceeds the highest period end value on which incentive fees were previously paid. For our hedge funds, in making their decision whether to increase or maintain allocations to our funds, our investors may consider, among other factors, the absolute performance and relative outperformance and lower volatility versus their respective benchmarks. Several of our hedge funds are currently below their high water marks.

Our fee revenue may also depend on the pace of investment activity in our funds. In many of our carry funds, the base management fee may be reduced when the fund has invested substantially all of its capital commitments or the aggregate fair market value of a fund’s investments is below its cost. We may receive a lower management fee from such funds if there has been a decline in value or after the investing period and during the period the fund is harvesting its investments. As a result, the variable pace at which many of our carry funds invest capital and dispose of investments may cause our management fee revenue to vary from one quarter to the next. Additionally, in certain of our funds that derive management fees only on the basis of invested capital, the pace at which we make investments, the length of time we hold such investment and the timing of dispositions will directly impact our revenues.

The investment period of a fund may expire prior to the raising of a successor fund. Where appropriate, we may work with our limited partners to extend the investment period, which gives us the opportunity to invest any capital that remains in the fund. In general, the end of the original investment period (regardless of whether it is extended) will trigger a change in the capital base on which management fees are calculated from committed capital to invested capital. In some cases, a step-down in the applicable rate used to calculate management fees may also occur. For example, prior to raising a successor fund, the South America buyout fund’s original investment period ended in the second half of 2015, resulting in a change from committed capital to invested capital for the management fee base, despite a one-year extension to the investment period.

In some of our hedge funds, a reduction in the value of our Fee-earning AUM could result in a reduction in the management fees and incentive fees we earn from those funds. For example, our AUM in our GMS hedge fund operations declined $5.1 billion from December 31, 2014 to December 31, 2015, which adversely impacted fund management fees in 2015. Additionally, our hedge fund partnerships had outstanding redemption requests of $3.1 billion in the aggregate as of the beginning of the first quarter of 2016, which will negatively impact management fee revenue in our GMS segment if such redemptions are not replaced with subscriptions. In addition, our failure to successfully replace and grow Fee-earning AUM through the integration of recent acquisitions and anticipated new fundraising initiatives could have an adverse effect on our management fee revenue.

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

We depend on the efforts, skill, reputations and business contacts of our senior Carlyle professionals, including our founders, Messrs. Conway, D’Aniello and Rubenstein, and other key personnel, including members of our executive group, our management committee, the investment committees of our investment funds and senior investment teams, the information and deal flow they and others generate during the normal course of their activities and the synergies among the diverse fields of expertise and knowledge held by our professionals. Our founders have no immediate plans to cease providing services to our firm, but our founders and other key personnel are not obligated to remain employed with us. As part of our on-going succession planning, and to enhance our capabilities, we have and will continue to hire and internally develop senior professionals to assume key leadership positions throughout the firm into the future. Accordingly, the efficacy of future leadership may constitute an adverse risk to our business.

In addition, all of the Carlyle Holdings partnership units held by our founders are vested and a majority of the Carlyle Holdings partnership units that other key personnel received at the time of the Partnership's initial public offering have vested. Several key personnel have left the firm in the past and others may do so in the future, and we cannot predict the impact that the departure of any key personnel will have on our ability to achieve our objectives. The loss of the services of any of them could have a material adverse effect on our revenues, net income and cash flow and could harm our ability to maintain or grow AUM in existing funds or raise additional funds in the future. Under the provisions of the partnership agreements governing most of our carry funds, the departure of various key Carlyle personnel could, under certain circumstances, relieve fund investors of their capital commitments to those funds, if such an event is not cured to the satisfaction of the relevant fund investors within a certain amount of time. We have historically relied in part on the interests of these professionals in the investment funds' carried interest and incentive fees to discourage them from leaving the firm. However, to the extent our investment funds perform poorly, thereby reducing the potential for carried interest and incentive fees, their interests in carried interest and incentive fees become less valuable to them and may become a less effective retention tool.

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

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

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

If legislation were to be enacted by the U.S. Congress, state or local governments or certain foreign governments to treat carried interest as ordinary income rather than as capital gain for tax purposes, such legislation would materially increase the amount of taxes that we and possibly our unitholders would be required to pay, thereby adversely affecting our ability to recruit, retain and motivate our current and future professionals. See "— Risks Related to U.S. Taxation - Our structure involves complex provisions of U.S. federal income tax law and international taxation for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis" and "— Risks Related to our Company - Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership for U.S. federal income tax purposes or required us to hold carried interest through taxable subsidiary corporations; and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted and apply to us, the after-tax income and gain related to our business, as well as our distributions to common unitholders and the market price of our common units, could be reduced." For example, The United Kingdom proposed legislation in April 2015 that could change the scope of and tax rate for carried interest, which would impact certain funds and some of our professionals based in London. While the number of Carlyle professionals that could be materially impacted by this legislation is relatively small, the potential revisions in the new tax regime in the United Kingdom could make employment at the firm less attractive for certain professionals.

Moreover, the value of the deferred restricted common units we may issue to our employees at any given time may subsequently fall (as reflected in the current market price of our common units), which could counteract the intended incentives. For example, at the close of trading on December 31, 2015, the price of our common units was $15.62. This was less than the average grant value of $25.62 per common unit for grants of deferred of restricted common units in 2015 and less than the $22 per common unit value of the grants awarded at the time of the Partnership's initial public offering.

All of the Carlyle Holdings partnership units held by our founders are fully vested. Of the outstanding Carlyle Holdings partnership units held by our other senior Carlyle professionals, 68% are vested and 32% are unvested as of December 31, 2015. The unvested Carlyle Holdings units generally will vest in equal installments over the next three years on May 2 of each year. In addition, as of December 31, 2015, our employees held an aggregate of 18,420,434 unvested deferred restricted common units, which vest over various time periods, generally from one and a half to six years from the date of grant. As of December 31, 2015, our employees also held an aggregate of 6,741 unvested deferred restricted phantom units, which vest over three years from the date of grant. Since our initial public offering we have issued and expect to continue to issue additional equity to retain our employees. In 2015, we incurred equity compensation expenses of $176.2 million in connection with grants of deferred restricted common units. We did not issue any deferred restricted phantom units in 2015. In order to recruit and retain existing and future senior Carlyle professionals and other key personnel, we may need to increase the level of compensation that we pay to them. Accordingly, as we promote or hire new senior Carlyle professionals and other key personnel over time or attempt to retain the services of certain of our key personnel, we may increase the level of compensation we pay to these individuals, which could cause our total employee compensation and benefits expense as a percentage of our total revenue to increase and adversely affect our profitability. The issuance of equity interests in our business in the future to our senior Carlyle professionals and other personnel would also dilute our unitholders.

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

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

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

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

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

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

- our ability to correctly identify and create products that appeal to our investors;
- the diversion of management’s time and attention from our existing businesses;
- management's ability to spend time developing and integrating the new business;
- our ability to properly manage conflicts of interests;
- our ability to obtain requisite approvals and licenses from the relevant governmental authorities and to comply with applicable laws and regulations without incurring undue costs and delays; and

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- our ability to successfully negotiate and enter into beneficial arrangements with our counterparties.

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

In addition to the concerns noted above, the success of our acquisition growth strategy will be affected by, on among other things:

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

- difficulties integrating the acquired business's internal controls and procedures into our existing control structure;

- difficulties and costs associated with the assimilation of employees; and

- the risk that a change in ownership will negatively impact the relationship between an acquiree and the investors in its investment vehicles.

Each acquisition transaction presents unique challenges and if a new product, business or venture developed internally or by acquisition is unsuccessful, we may decide to wind down, liquidate and/or discontinue it. Such actions could negatively impact our relationships with fund investors in those businesses, could subject us to litigation or regulatory inquiries and can expose us to additional expenses, including impairment charges. For example, in February 2016, we decided to restructure our Investment Solutions segment to focus on private market secondaries, co-investment and managed account activities and, given the challenging market environment, discontinue our fund of hedge funds and liquid alternative initiatives. In connection with the restructuring, we commenced a wind down of the operations of DGAM. See Note 3 to our consolidated financial statements included in this Annual Report on Form 10-K for more information regarding DGAM.

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

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

- the required investment of capital and other resources;

- the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk;

- the diversion of management's attention from our core businesses;

- assumption of liabilities in any acquired business;

- the disruption of our ongoing business;

- the increasing demands on or issues related to the combination or integration of operational and management systems and controls;
- compliance with additional regulatory requirements;
- potential increase in investor concentration; and
- the broadening of our geographic footprint, including the risks associated with conducting operations in certain foreign jurisdictions where we currently have no presence.

Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar or from which we are currently exempt, and may lead to increased liability and litigation and regulatory risk and expense. If a new business generates insufficient revenue or if we are unable to efficiently manage our expanded operations, our results of operations may be adversely affected.
Our strategic initiatives may include joint ventures, which may subject us to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under our control. We currently participate in joint advisory arrangements and may elect to participate in additional joint venture opportunities in the future if we believe that operating in such a structure is in our best interests. There can be no assurances that our current joint advisory arrangements will continue in their current form, or at all, in the future or that we will be able to identify acceptable joint venture partners in the future or that our participation in any additional joint venture opportunities will be successful.
Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership for U.S. federal income tax purposes or required us to hold carried interest through taxable subsidiary corporations; and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted and apply to us, the after tax income and gain related to our business, as well as our distributions to common unitholders and the market price of our common units, could be reduced.
Over the past several years, a number of legislative and administrative proposals have been introduced and, in certain cases, have been passed by the U.S. House of Representatives that would have, in general, treated income and gains now treated as capital gains, including gain on disposition of interests, attributable to an investment services partnership interest ("ISPI") as income subject to a new blended tax rate that is higher than the capital gains rate applicable to such income under current law, except to the extent such ISPI would have been considered under the legislation to be a qualified capital interest. Common unitholders' interest in us, our interest in Carlyle Holdings II L.P. and the interests that Carlyle Holdings II L.P. holds in entities that are entitled to receive carried interest may have been classified as ISPIs for purposes of this legislation. It is unclear when or whether the U.S. Congress will vote on this legislation or what provisions will be included in any legislation, if enacted.

Some legislative proposals have provided that, for taxable years beginning ten years after the date of enactment, income derived with respect to an ISPI that is not a qualified capital interest and that is subject to the rules discussed above would not meet the qualifying income requirements under the publicly traded partnership rules. Therefore, if similar legislation is enacted, following such ten-year period, we would be precluded from qualifying as a partnership for U.S. federal income tax purposes or be required to hold all such ISPIs through corporations, possibly U.S. corporations. If we were taxed as a U.S. corporation or required to hold all ISPIs through corporations, our effective tax rate would increase significantly. The federal statutory rate for corporations is currently 35%. In addition, we could be subject to increased state and local taxes. Furthermore, common unitholders could be subject to tax on our conversion into a corporation or any restructuring required in order for us to hold our ISPIs through a corporation.
The Obama administration has previously proposed policies similar to several offered in Congress that would tax income and gain, now treated as capital gains, including gain on disposition of interests, attributable to an ISPI at rates higher than the capital gains rate applicable to such income under current law, except to the extent such ISPI would be considered to be a qualified capital interest. The proposal would also characterize certain income and gain in respect of ISPIs as non-qualifying income under the publicly traded partnership rules after a ten-year transition period from the effective date, with an exception for certain qualified capital interests. More recently, newly-elected Speaker of the House, Paul Ryan, has indicated that comprehensive tax reform will be a high priority for the Republican leadership in Congress. Should comprehensive tax reform be undertaken, it could include a number of proposals that could be contrary to our business interests.

States and other jurisdictions have also considered legislation to increase taxes with respect to carried interest. For example, New York has considered legislation under which common unitholders, even if a nonresident, could be subject to New York state income tax on income in respect of our common units as a result of certain activities of our affiliates in New York, although it is unclear when or whether similar legislation will be enacted. In addition, states and other jurisdictions have considered legislation to increase taxes involving other aspects of our structure and have considered and enacted legislation which could increase taxes imposed on our income and gain. For example, the District of Columbia has passed legislation that could expand the portion of our income that could be subject to District of Columbia income or franchise tax.

Additional proposed changes in the U.S. and foreign taxation of businesses could adversely affect us.

Congress, the Organization for Economic Co-operation and Development (the "OECD") and other government agencies in jurisdictions where we and our affiliates invest or do business have maintained a focus on issues related to the taxation of multinational corporations. The OECD, which represents a coalition of member countries, is contemplating changes to numerous long-standing tax principles through its base erosion and profit shifting ("BEPS") project, an area that focuses in part on payments made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. Additionally, the Obama administration has announced other proposals for potential reform to the U.S. federal income tax rules for businesses, including reducing the deductibility of interest for corporations, anti-inversion rules, reducing the top marginal rate on corporations and subjecting entities currently treated as partnerships for tax purposes to an entity-level income tax similar to the corporate income tax. Several of these proposals for reform, if enacted by the U.S. or by other countries in which we or our affiliates invest or do business, could adversely affect us. It is unclear what any actual legislation would provide, when it would be proposed or what its prospects for enactment would be.

Various members of Congress have proposed the migration of the United States from a "worldwide" system of taxation, pursuant to which U.S. corporations are taxed on their worldwide income, to a territorial system where U.S. corporations are taxed only on their U.S. source income (subject to certain exceptions for income derived in low-tax jurisdictions from the exploitation of tangible assets) at a top corporate tax rate that would be 25%. The territorial tax system proposals envisage a revenue neutral result and consequently include revenue raisers to offset the reduction in the tax rate and base which may or may not be detrimental to us. Other leading members of the Senate have proposed a similar territorial U.S. tax system, but with more expansive U.S. taxation of the foreign profits of non-U.S. subsidiaries of U.S. corporations. Certain of these proposals would also include revenue raises to offset the reduction in the tax rate which may or may not be detrimental to us. As noted above, under " - Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership for U.S. federal income tax purposes or required us to hold carried interest through taxable subsidiary corporations; and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted and apply to us, the after-tax income and gain related to our business, as well as our distributions to common unitholders and the market price of our common units, could be reduced." Speaker of the House, Paul Ryan, has identified comprehensive tax reform as a priority for Congress, either in calendar year 2016 or more likely in the Congressional sessions in 2017-2018. Whether these or other proposals will be enacted by Congress and in what form is unknown, as are the ultimate consequences of the proposed legislation.

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

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

There has been an increase in the frequency and sophistication of the cyber and security threats we face, with attacks ranging from those common to businesses generally to those that are more advanced and persistent, which may target us because, as an alternative asset management firm, we hold confidential and other price sensitive information about our portfolio companies and potential investments. As a result, we may face a heightened risk of a security breach or disruption with respect to sensitive information resulting from an attack by computer hackers, foreign governments, or cyber terrorists. If successful, these types of attacks on our network or other systems could have a material adverse effect on our business and results of operations, due to, among other things, the loss of investor or proprietary data, interruptions or delays in our business, and damage to our reputation. Although we are not currently aware that we have been subject to cyber-attacks or other cyber incidents which, individually or in the aggregate, have materially affected our operations or financial condition, there can be no assurance that the various procedures and controls we

utilize to mitigate these threats will be sufficient to prevent disruptions to our systems. If any of these systems do not operate properly or are disabled for any reason or if there is any unauthorized disclosure of data, whether as a result of tampering, a breach of our network security systems, a cyber-incident or attack or otherwise, we could suffer substantial financial loss, increased costs, a disruption of our businesses, liability to our funds and fund investors, regulatory intervention or reputational damage. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. In addition, cyber security has become a top priority for regulators around the world. For example, the SEC has announced that one of the 2016 examination priorities for the Office of Compliance Inspections and Examinations' (OCIE) is on investment firms' cyber security procedures and controls.
We operate in businesses that are highly dependent on information systems and technology. Our information systems and technology may not continue to be able to accommodate our growth, and the cost of maintaining such systems may increase from its current level. For example, new investment products we may introduce could create a significant risk that our existing systems may not be adequate to identify or control the relevant risks in the investment strategies employed by such new investment products. Such a failure to accommodate growth, or an increase in costs related to such information systems,

could have a material adverse effect on us. In addition, we rely on third-party service providers for certain aspects of our business, including for certain information systems and technology and administration of our hedge funds. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair the quality of the funds' operations and could affect our reputation and hence adversely affect our businesses.

We depend on our headquarters in Washington, D.C., where most of our administrative and operations personnel are located, and our office in Arlington, Virginia, which houses our treasury, tax and finance functions, for the continued operation of our business. However, our global employee base services our investment funds and investor needs out of 36 offices around the world. In order to reduce expenses in the face of a difficult economic environment, we may need to close smaller offices, terminate the employment of a significant number of our personnel or cut back or eliminate the use of certain services or service providers, that, in each case, could be important to our business and without which our operating results could be adversely affected.

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

Failure to maintain the security of our information and technology networks, including personally identifiable and investor information, intellectual property and proprietary business information could have a material adverse effect on us.

We are subject to various risks and costs associated with the collection, handling, storage and transmission of sensitive information, including those related to compliance with U.S. and foreign data collection and privacy laws and other contractual obligations, as well as those associated with the compromise of our systems collecting such information. In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information and intellectual property, and personally identifiable information of our employees and our investors, in our data centers and on our networks. The secure processing, maintenance and transmission of this information are critical to our operations. Although we take various measures and have made, and will continue to make, significant investments to ensure the integrity of our systems and to safeguard against such failures or security breaches, there can be no assurance that these measures and investments will provide protection. A significant actual or potential theft, loss, corruption, exposure, fraudulent use or misuse of investor, employee or other personally identifiable or proprietary business data, whether by third parties or as a result of employee malfeasance or otherwise, non-compliance with our contractual or other legal obligations regarding such data or intellectual property or a violation of our privacy and security policies with respect to such data could result in significant remediation and other costs, fines, litigation or regulatory actions against us by the U.S. federal and state governments, the European Union (the "EU") or other jurisdictions or by various regulatory organizations or exchanges. Such an event could additionally disrupt our operations and the services we provide to investors, damage our reputation, result in a loss of a competitive advantage, impact our ability to provide timely and accurate financial data, and cause a loss of confidence in our services and financial reporting, which could adversely affect our business, revenues, competitive position and investor confidence.

Extensive regulation in the United States and abroad affects our activities, increases the cost of doing business and creates the potential for significant liabilities and penalties.

Our business is subject to extensive regulation, including periodic examinations, by governmental agencies and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. and foreign government agencies and self-regulatory organizations and state securities commissions in the United States, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer or investment adviser from registration or memberships. Even if an investigation or proceeding does not result in a sanction or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the costs incurred in responding to such matters could be material and the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm our reputation and cause us to lose existing fund investors or fail to gain new investors or discourage others from doing business with us. Some of our investment funds invest in businesses that operate in highly regulated industries, including in businesses that are regulated by the U.S. Federal Communications Commission and U.S. federal and state banking authorities. The regulatory regimes to which such businesses are subject may, among other things, condition our funds' ability to invest in those businesses upon the satisfaction of applicable ownership restrictions or qualification requirements. Moreover, our failure to obtain or maintain any regulatory approvals necessary for our funds to invest in such industries may disqualify our funds from participating in certain investments or require our funds to divest themselves of certain assets.

In the past several years, the financial services industry, and private equity in particular, has been the subject of heightened scrutiny by regulators around the globe. In particular, the SEC and its staff have focused more narrowly on issues relevant to alternative asset management firms, including by forming specialized units devoted to examining such firms and, in certain cases, bringing enforcement actions against the firms, their principals and employees. Notably, in 2015, there were a number of enforcement actions within the industry, and it is expected that the SEC will continue to pursue enforcement actions against private fund managers in 2016. This increased enforcement activity may cause us to reevaluate certain practices and adjust our compliance control function as necessary and appropriate.

While the SEC's recent list of examination priorities includes such items as cyber security compliance and controls and conducting risk-based examinations of never-before-examined investment advisory firms, it is generally expected that the SEC's oversight of alternative asset managers will continue to focus substantially on concerns related to transparency and investor disclosure practices. Although the SEC has cited improvements in disclosures and industry practices in this area, it has also indicated that there is room for improvement in particular areas, including fees and expenses (and the allocation of such fees and expenses) and co-investment practices. To this end, many firms have received inquiries during examinations or directly from the SEC Division of Enforcement regarding various transparency-related topics, including the acceleration of monitoring fees, the allocation of broken-deal expenses, the disclosure of operating partner or operating executive compensation, outside business activities of firm principals and employees, group purchasing arrangements and general conflicts of interest disclosures. The SEC's focus in these areas could impact Carlyle in various ways. For example, the SEC has recently requested, on an informal basis, additional information about our historical monitoring fee acceleration practices - a topic of a recent enforcement action within the private equity industry. We are cooperating fully with the SEC's informal request. In addition, our private equity funds frequently engage advisors who often work (generally, on a part-time basis) with our investment teams during due diligence, provide board-level governance and support and advise portfolio company leadership. Advisors generally are third parties, not considered Carlyle personnel and typically retained by us pursuant to consulting agreements. Generally these advisors are involved in non-Carlyle related activities, including serving on boards of companies that are not our portfolio companies. In some cases, an operating executive may be retained by a portfolio company directly and in such instances the portfolio company may compensate the operating executive directly (meaning that investors in our private equity funds may indirectly bear the operating executive's compensation). While we believe we have made appropriate and timely disclosures regarding the engagement and compensation of these advisors, the SEC staff may disagree.

We regularly are subject to requests for information and informal or formal investigations by the SEC and other regulatory authorities, with which we routinely cooperate and, in the current environment, even historical practices that have been previously examined are being revisited. In 2014, the SEC indicated that investment advisers that receive transaction-based compensation for investment banking or acquisition activities relating to fund portfolio companies may be required to register as broker-dealers. Specifically, the Staff has noted that if a firm receives fees from a fund portfolio company in connection with the acquisition, disposition or recapitalization of such portfolio company, such fees could raise broker-dealer concerns under applicable regulations related to broker dealers. To the extent we receive such transaction fees and the SEC takes the position that such activities render us a "broker" under the applicable rules and regulations of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we could be subject to additional regulation. If receipt of transaction fees from a portfolio company is determined to require a broker-dealer license, receipt of such transaction fees in the past or in the future during any time when we did not or do not have a broker-dealer license could subject us to liability for fines, penalties or damages. As noted above, the SEC has informally requested additional information about our historical monitoring fee acceleration practices. We are cooperating fully with the SEC's informal request. Even if a regulatory investigation or proceeding does not result in a sanction or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the adverse publicity relating to such matters could harm our reputation. In addition, our ability to accelerate such fees in the future could be affected.

We regularly rely on exemptions from various requirements of the Securities Act of 1933, as amended (the “Securities Act”), the Exchange Act, the Investment Company Act, the Commodity Exchange Act, and the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), in conducting our asset management activities in the United States.

Similarly, in conducting our asset management activities outside the United States, we rely on available exemptions from the regulatory regimes of various foreign jurisdictions. These exemptions from regulation within the United States and abroad are sometimes highly complex and may, in certain circumstances, depend on compliance by third parties whom we do not control. If for any reason these exemptions were to become unavailable to us, we could become subject to regulatory action or third-party claims and our business could be materially and adversely affected.

For example, in 2014, the SEC amended Rule 506 of Regulation D under the Securities Act to impose “bad actor” disqualification provisions which ban an issuer from offering or selling securities pursuant to the safe harbor in Rule 506 if the issuer, or any other “covered person”, is the subject of a criminal, regulatory or court order or other “disqualifying event” under the rule which has not been waived by the SEC. The definition of “covered person” under the rule includes an issuer’s directors, general partners, managing members and executive officers; affiliates who are also issuing securities in the offering; beneficial owners of 20% or more of the issuer's outstanding equity securities; and promoters and persons compensated for soliciting investors in the offering. Accordingly, our ability to rely on Rule 506 to offer or sell securities would be impaired if we or any "covered person" is the subject of a disqualifying event under the rule and we are unable to obtain a waiver from the SEC. Moreover, the requirements imposed by our regulators are designed primarily to ensure the integrity of the financial markets and to protect investors in our funds and are not designed to protect our unitholders. Consequently, these regulations often serve to limit our activities and impose burdensome compliance requirements. See "Business —Regulatory and Compliance Matters."

We may become subject to additional regulatory and compliance burdens as we expand our product offerings and investment platform. For example, in 2013, we launched two business development companies that are investment companies under the Investment Company Act and subject to the rules thereunder, which, among other things, regulate the relationship between a registered investment company and its investment adviser and prohibit or severely restrict principal transactions and joint transactions. These additional regulatory requirements may expose us to liabilities and penalties if we fail to comply with the applicable rules and regulations.

In addition, the Iran Threat Reduction and Syria Human Rights Act of 2012 (the "ITRA") expanded the scope of U.S. sanctions against Iran and Section 219 of the ITRA amended the Exchange Act to require companies subject to SEC reporting obligations under Section 13 of the Exchange Act to disclose in their periodic reports specified dealings or transactions involving Iran or other individuals and entities targeted by certain sanctions promulgated by the Office Foreign Assets Control ("OFAC") engaged in by the reporting company or any of its affiliates during the period covered by the relevant periodic report. In some cases, the ITRA requires companies to disclose transactions even if they were permissible under U.S. law. Although the ITRA also expanded the scope of U.S. sanctions by requiring foreign entities majority owned or controlled by a U.S. person to abide by U.S. sanctions against Iran to the same extent as a U.S. person, this restriction and certain sanctions were lifted on January 16, 2016, when OFAC issued General License H and the U.S. Government relaxed or revoked other sanctions pursuant to the Joint Comprehensive Plan of Action (the "JCPOA"), a multilateral agreement regarding Iran's nuclear program. The JCPOA did not alter, however, our ITRA obligation to separately file with the SEC a notice that specified activities have been disclosed in our quarterly and annual reports, and the SEC is required to post this notice of disclosure on its website and send the report to the U.S. President and certain U.S. Congressional committees. Disclosure of ITRA-specified activity, even if such activity is not subject to sanctions under applicable law, and any sanctions actually imposed on us or our affiliates as a result of any Iran-related activities, could harm our reputation and have a negative impact on our business. In the past, we have disclosed such dealings and transactions and to date, we have not received notice of any investigation into such activities.

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

As a result of the global financial crisis and highly publicized financial scandals, investors have exhibited concerns over the integrity of the U.S. financial markets and the domestic regulatory environment in which we operate in the United States. There has been an active debate over the appropriate extent of regulation and oversight of private investment funds and their managers. We may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC or other U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. Regulatory focus on our industry has intensified in recent years and is expected to continue to do so.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which imposes significant regulations on almost every aspect of the U.S. financial services industry, including aspects of our business. Among other things, the Dodd-Frank Act includes the following provisions, which could have an adverse impact on our ability to conduct our business:

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The The Dodd-Frank Act imposes a number of restrictions on the relationship and activities of banking organizations with private equity funds and hedge funds and other provisions that will affect the private equity industry, either directly or indirectly. Included in the Dodd-Frank Act is the so-called "Volcker Rule," which takes the form of new Section 13 of the Bank Holding Company Act of 1956. Among other things, the Volcker Rule prohibits any "banking entity" (generally defined as any insured depository institution, any company that controls such an institution, a non-U.S. bank that is treated as a bank holding company for purposes of U.S. banking law and any affiliate or subsidiary of the foregoing entities) from sponsoring or acquiring or retaining an ownership interest in a private equity fund or hedge fund that is not subject to the provisions of the 1940 Act in reliance upon either Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940 (as amended, the "1940 Act"). The Volcker Rule also requires certain nonbank financial companies that have been designated as systemically important by the Financial Stability Oversight Council (FSOC) and subject to supervision by the Federal Reserve to comply with additional capital requirements and comply with certain other quantitative limits on such activities, although such entities are not expressly prohibited from engaging in proprietary trading or sponsoring or investing in such funds. The Dodd-Frank Act, as well as future related legislation, may have an adverse effect on the private equity industry generally and/or us, specifically.

The Dodd-Frank Act also imposes a new regulatory structure on the "swaps" market, including requirements for clearing, exchange trading, capital, margin, reporting, and recordkeeping. In connection with the Dodd-Frank Act, the CFTC has finalized many rules applicable to swap market participants, including business conduct standards for swap dealers, reporting and recordkeeping, mandatory clearing for certain swaps, exchange trading rules applicable to swaps, initial and variation margin requirements for uncleared swap transactions and regulatory requirements for cross-border swap activities. Most recently, on December 16, 2015, the CFTC published a final rule governing margin requirements for uncleared swaps entered into by swap dealers and major swap participants who are not supervised by a "prudential regulator" ("covered swap entities"). The final rule generally requires covered swap entities, subject to certain thresholds and exemptions for inter-affiliate swaps, to collect and post margin in respect of uncleared swap transactions with other covered swap entities and financial end-users. In particular, the final rule requires covered swap entities and financial end-users having "material swaps exposure," defined as such entity and certain affiliates have an average aggregate daily notional amount of uncleared swaps exceeding $8 billion for June, July and August of the previous calendar year, to collect and post a minimum amount of "initial margin" in respect of each uncleared swap. In addition, the final rule requires covered swap entities entering into uncleared swaps with other covered swap entities or financial-end users, regardless of swaps exposure, to post or collect (as appropriate) "variation margin". These newly adopted rules on margin requirements for uncleared swaps could adversely affect our business, including our ability to enter such swaps or our available liquidity.

The Dodd-Frank Act amends the Exchange Act to direct the Federal Reserve and other federal regulatory agencies to adopt rules requiring sponsors of asset-backed securities to retain at least 5% of the credit risk relating to the assets that underlie such asset-backed securities (the "U.S. Risk Retention Rules"). In October 2014, five federal banking and housing agencies (the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Department of Housing and Urban Development, and the Federal Housing Finance Agency) and the SEC issued the final credit risk retention rules. With respect to the regulation of CLOs, the U.S. Risk Retention Rules require that either (i) the "sponsor" (which, in most cases, will be us) or a "majority-owned affiliate" thereof (in each case as defined therein) will retain an "eligible vertical interest" or an "eligible horizontal residual interest" (in each case as defined therein) or any combination thereof in the CLO in the manner required by the U.S. Risk Retention Rules (provided that in certain circumstances, as described therein, a "sponsor" may offset the amount of "eligible interests" (as defined therein) it is required to own by the eligible interests in the CLO acquired by an "originator" (as defined therein) in such CLO) or (ii) the CLO is an "open market CLO" that buys and holds only certain "CLO-eligible loan tranches" (in each case as defined therein). Although the U.S. Risk Retention Rules will not become fully effective until December 24, 2016 (and CLOs issued prior to that date will be exempt from the requirements set forth in the U.S. Risk Retention Rules, except in connection with any offer and sale of securities thereunder after the U.S. Risk Retention Effective Date), the U.S. Risk Retention Rules contain provisions that may have adverse effects on us and/or the holders of the notes issued by our CLOs. While the impact of the rule on the loan securitization market and the leveraged loan market generally are uncertain, it is possible that any negative impact on secondary market liquidity for CLO securities may be experienced immediately, notwithstanding the effective date of the rule as to new transactions, due to effects of the rule on market expectations and the relative appeal of alternative investments not impacted by the rule or other factors. In addition, it is possible that the rule may reduce the number of collateral managers active in the market, which may result in fewer new issue CLOs and reduce the liquidity provided by CLOs to the leveraged loan market generally. A contraction or reduced liquidity in the loan market could reduce opportunities for us and other CLO managers.

- The Dodd-Frank Act authorizes federal regulatory agencies to review and, in certain cases, prohibit compensation arrangements at financial institutions that give employees incentives to engage in conduct deemed to encourage inappropriate risk taking by covered financial institutions. Such restrictions could limit our ability to recruit and retain investment professionals and senior management executives.

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

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

On December 18, 2014, the FSOC released a notice seeking public comment regarding potential risks to U.S. financial stability from asset management products and activities. The notice is intended to seek input from the public about potential risks to the U.S. financial system associated with liquidity and redemptions, leverage, operational functions, and resolution in the asset management industry. To date, the FSOC has not designated any asset managers, including Carlyle, as a systemically important financial institution. However, if we or any of our funds or activities were to be designated as a systemically important financial institution, or otherwise designated by the FSOC as presenting systemic risk, we would be subject to increased costs of doing business by virtue of fees and assessments associated with such designation as well as by virtue of increased regulatory compliance costs, all of which would be likely to adversely affect our competitive position.

In June 2010, the SEC approved Rule 206(4)-5 under the Advisers Act regarding “pay to play” practices by investment advisers involving campaign contributions and other payments to government clients and elected officials able to exert influence on such clients. The rule prohibits investment advisers from providing advisory services for compensation to a government client for two years, subject to very limited exceptions, after the investment adviser, its senior executives or its personnel involved in soliciting investments from government entities make contributions to certain candidates and officials in position to influence the hiring of an investment adviser by such government client. Advisers are required to implement compliance policies designed, among other matters, to track contributions by certain of the adviser’s employees and engagement of third parties that solicit government entities and to keep certain records in order to enable the SEC to determine compliance with the rule. Any failure on our part to comply with the rule could expose us to significant penalties, loss of fees, and reputational damage. FINRA recently proposed its own set of “pay to play” regulations that are similar to the SEC’s regulations. If enacted, the FINRA rule effectively prohibits the receipt of compensation from state or local government agencies for solicitation and distribution activities within two years of a prohibited contribution by a broker-dealer or one of its covered associates. In December 2015, FINRA submitted revised proposals to the SEC for adoption and we are awaiting the release of the final regulations. There have also been similar laws, rules and regulations and/or policies adopted by a number of states and municipal pension plans, which prohibit, restrict or require disclosure of payments to (and/or certain contracts with) state officials by individuals and entities seeking to do business with state entities, including investment by public retirement funds.

In addition, we may be impacted indirectly by guidance recently directed to regulated banking institutions with regard to leveraged lending practices. In March 2013, the U.S. federal banking agencies issued updated guidance on credit transactions characterized by a high degree of financial leverage. To the extent that such guidance limits the amount or increases the cost of financing we are able to obtain for our transactions, the returns on our investments may suffer.

It is difficult to determine the full extent of the impact on us of any new laws, regulations or initiatives that may be proposed or whether any of the proposals will become law. Any changes in the regulatory framework applicable to our business, including the changes described above, may impose additional costs on us, require the attention of our senior management or result in limitations on the manner in which we conduct our business. Moreover, as calls for additional regulation have increased, there may be a related increase in regulatory investigations of the trading and other investment activities of alternative asset management funds, including our funds. Compliance with any new laws or regulations could make compliance more difficult and expensive, affect the manner in which we conduct our business and adversely affect our profitability.

The short-term and long-term impact of the new Basel III capital standards is uncertain.

In June 2011, the Basel Committee on Banking Supervision, an international body comprised of senior representatives of bank supervisory authorities and central banks from 27 countries, including the United States, announced the final framework for a comprehensive set of capital and liquidity standards, commonly referred to as "Basel III," for internationally active banking organizations and certain other types of financial institutions. These new standards, which will be fully phased in by 2019, will require banks to hold more capital, predominantly in the form of common equity, than under the current capital framework. Implementation of Basel III will require implementing regulations and guidelines by member countries. In July 2013, the U.S. federal banking regulators announced the adoption of final regulations to implement Basel III for U.S. banking organizations, subject to various transition periods. Compliance with the Basel III standards may result in significant costs to banking organizations, which in turn may result in higher borrowing costs for the private sector and reduced access to certain types of credit.

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

Capital Requirements Directive IV (and related Regulation) (“CRD IV”), reforms the EU's capital requirements regime for credit institutions and investment firms. CRD IV implements the key Basel III reforms in the EU. These include amendments to the definition of capital and counterparty credit risk and the introduction of a leverage ratio and liquidity requirements. CRD IV has also been used to introduce other reforms, such as the cap on bankers' bonuses, and generally to introduce stricter control on remuneration of key employees and risk takers within certain credit institutions and investment firms. Member states were required to transpose these requirements from January 1, 2014. The extent of CRD IV’s impact will differ based on a variety of factors, including the firm’s size and the nature of its activities. In addition, it is possible that other regulators may seek to impose similar controls on the provisions on renumeration. Currently, Carlyle is not required to comply with CRD IV’s restrictive remuneration provisions. However, to the extent that European regulators determine that Carlyle must comply with these restrictions or such regulators incorporate similar restrictions into other European directives to which Carlyle is subject, it may be necessary for certain of our subsidiaries to change their compensation structures for key personnel, thereby affecting our ability to recruit and retain these personnel.

The AIFMD was implemented in most jurisdictions in the European Economic Area, (the “EEA”), on July 22, 2014. In general, the AIFMD regulates alternative investment fund managers (“AIFMs”) of a broad range of alternative investment funds (“AIFs”) domiciled within and (depending on the circumstances) outside the EEA. The AIFMD also regulates and imposes regulatory obligations in respect of the marketing in the EEA by AIFMs (whether established in the EEA or elsewhere) of AIFs (whether established in the EEA or elsewhere). The AIFMD is intended to have a staged implementation through 2018, but certain key milestones related to the implementation have been delayed. As a result of the business activities of certain of our subsidiaries, such subsidiaries currently are subject to various compliance obligations in connection with the AIFMD, including investor and regulatory reporting, portfolio company asset stripping restrictions, deal-related notifications and remuneration reporting. AlpInvest, one of our subsidiaries, obtained authorization in 2015 and is licensed as an AIFM under the AIFMD by the Authority for Financial Markets in the Netherlands. Further, to the extent that other of our subsidiaries obtain authorization under the AIFMD, additional compliance obligations also will apply to these and other of our entities, including rules relating to the remuneration of certain personnel, minimum regulatory capital requirements and restrictions on use of leverage. These and other AIFMD obligations may have an adverse effect on us and/or our investment funds by, among other things, increasing the regulatory burden and costs of raising money and doing business in EEA jurisdictions, imposing capital requirements on our business, imposing extensive disclosure obligations on certain investment funds and portfolio companies, and disadvantaging our investment funds as bidders for and potential owners of private companies located in the EEA when compared to non-AIF/AIFM competitors which may not be subject to the requirements of the AIFMD.

Certain of our European subsidiaries must comply with the pan-European regime established by MiFID which regulates the provision of investment services and conduct of investment activities throughout the European Economic Area. MiFID sets out detailed requirements governing the organization and conduct of business of investment firms and regulated markets. It also includes pre- and post-trade transparency requirements for equity markets and extensive transaction reporting requirements. As MiFID has been substantially amended over the years and further strengthening of certain provisions was deemed necessary and timely after the financial crisis, European regulators concluded the regulation should be revised, which has led to the creation of a replacement directive and regulation (together “MiFID II”). MiFID II was published in 2014 and is scheduled to become effective in 2017. When effective, MiFID II will

enhance numerous aspects of the existing regulations and is expected to impose many new compliance requirements on our European operations, which will increase our costs of compliance. We may be required to invest significant additional management time and resources to address the new requirements.
Additionally, certain of our subsidiaries are subject to various aspects of the European Market Infrastructure Regulation ("EMIR"). Among other things, EMIR imposes a set of requirements on European Union derivatives activities, including risk mitigation, risk management, regulatory reporting and margin and clearing requirements. Given the global scale of the derivatives activity of various Carlyle entities, the various regulatory regimes to which Carlyle is subject could result in duplication of administration and increased transaction costs related to such derivatives activities.

In December 2011, China's National Development and Reform Commission issued a new circular regulating the activities of private equity funds established in China. The circular includes new rules relating to the establishment, fundraising and investment scope of such funds; risk control mechanisms; basic responsibilities and duties of fund managers; information disclosure systems; and record filing. Compliance with these requirements may impose additional expense. On August 21, 2014, China Securities Regulatory Commission ("CSRC"), the Chinese securities regulator, promulgated the Interim

Regulations on the Supervision and Administration of Private Investment Funds (the “CSRC Regulations”). These new regulations adopt a very broad definition of private investment funds, potentially including private equity and hedge funds.

Changes in tax laws by foreign jurisdictions could arise as a result of BEPS projects being undertaken by the OECD. The OECD, which represents a coalition of member countries, is contemplating changes to numerous tax principles. These contemplated changes, if finalized and adopted by countries, could increase uncertainty faced by us, our business and our investors, change our business model or increase the cost of acquiring businesses. The timing or impact of these proposals is unclear at this point. There are also continual changes to tax laws, regulations and interpretations regularly which could impact our structures or the returns to investors.

The European Union has adopted certain risk retention and due diligence requirements (“EU Risk Retention and Due Diligence Requirements”) in respect of various types of EU-regulated investors including our credit institutions, authorized AIFMs, investment firms, insurance and reinsurance undertakings and Undertakings for Collective Investment in Transferable Securities (UCITS) funds. Among other things, such requirements restrict an investor who is subject to the EU Risk Retention and Due Diligence Requirements, including us, from investing in securitizations unless: (i) the originator, sponsor or original lender in respect of the relevant securitization has explicitly disclosed that it will retain, on an on-going basis, a net economic interest of not less than 5% in respect of certain specified credit risk tranches or securitized exposures; and (ii) is able to demonstrate that it has undertaken certain due diligence in respect of various matters including but not limited to its note position, the underlying assets and (in the case of certain types of investors) the relevant sponsor or originator. The European Commission, on September 30, 2015, proposed new regulations which would, among other things, consolidate and restate the different EU Risk Retention and Due Diligence Requirements into a single rule that would apply to the types of investors subject to the existing EU Risk Retention and Due Diligence Requirements and to certain other types of EU institutional investors. In the proposed regulations, the European Commission proposed that “an entity shall not be considered to be an originator where the entity has been established or operates for the sole purpose of securitising exposures.” These proposed rules are subject to further review and must be adopted by the European Parliament and Council. At this time it is uncertain to what extent any changes in the existing EU Risk Retention and Due Diligence Requirements will apply to existing transactions and there can be no assurances as to whether and to what extent such transactions will be affected by a change in law or regulation relating to the EU Risk Retention and Due Diligence Requirements. Failure to comply with one or more of the requirements may result in various penalties, including, in the case of those investors subject to regulatory capital requirements, the imposition of a punitive capital charge on the notes issued by our CLOs acquired by the relevant investor. In addition such regulations could have a negative impact on the price and liquidity of certain of our EU CLO notes in the secondary market.

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

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

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

The regulation of derivatives and commodity interest transactions in the United States and other countries is a rapidly changing area of law and is subject to ongoing modification by governmental and judicial action. We and our affiliates enter into derivatives and commodity interest transactions for various purposes, including to manage the financial

risks related to our business. Accordingly, the impact of this evolving regulatory regime on our business is difficult to predict, but it could be substantial and adverse.
Among other things, the CFTC adopted certain amendments to its existing rules that potentially subject certain of our affiliated entities to registration, reporting and record-keeping obligations in connection with derivatives transactions (including for hedging/risk management purposes). As such, our business may incur increased ongoing costs associated with monitoring compliance with the CFTC registration and exemption obligations across platforms and complying with the various reporting and record-keeping requirements.

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

Furthermore, the CFTC has proposed rules relating to position limits on derivatives (including futures, options and swaps) with certain underlying reference assets, as well as supplemental rules relating to the aggregation of derivative positions among commonly owned or controlled entities and exemptions from such aggregation. Certain of the CFTC commissioners have indicated publicly that the agency intends to finalize these rules in 2016. In addition to these U.S. requirements, we may be subject to similar position limit requirements in Europe under MiFID II, once it is effective. As proposed, MiFID II includes intra-day aggregation requirements for certain derivative positions. Currently, MiFID II is scheduled to come into effect in January 2017. The finalization of these various rules and our ability to rely on any exemption thereunder may affect the size and types of investments we may make. Moreover, in order to avoid exceeding position limits, it is possible that we and our affiliates may need to significantly alter our business processes related to such trading, including by modifying trading strategies and instructions.

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

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

In addition, to the extent that investors in our investment funds suffer losses resulting from fraud, gross negligence, willful misconduct or other similar misconduct, investors may have remedies against us, our investment funds, our principals or our affiliates. Heightened standards of care or additional fiduciary duties may apply in certain of our managed accounts or other advisory contracts. To the extent we enter into agreements with clients containing such terms or applicable law mandates a heightened standard of care or duties, we could, for example, be liable to certain clients for acts of simple negligence or breach of such duties, which might include the allocation of a client's funds to our affiliated funds. Even in the absence of misconduct, we may be exposed to litigation or other adverse consequences where investments perform poorly and investors in or alongside our funds experience losses. For example, as described in Note 17 to the consolidated financial statements included in this Annual Report on Form 10-K, Urbplan Desenvolvimento Urbano S.A. ("Urbplan") a portfolio investment of certain Carlyle real estate investment funds that we began to consolidate as of September 30, 2013, began facing serious liquidity problems in late 2012 and required additional capital infusions to continue operations. If Urbplan fails to complete its construction projects, customers or other creditors in certain circumstances might seek to assert claims against us under certain consumer protection or other laws. The general partners and investment advisers to our investment funds, including their directors, officers, other employees and affiliates, are generally indemnified with respect to their conduct in connection with the management of the business and affairs of our private equity funds. For example, we have agreed to indemnify directors and officers of Carlyle Capital Corporation Limited in connection with the matters involving that fund discussed under "Part I. Item 3. Legal Proceedings." However, such indemnity generally does not extend to actions determined to have involved fraud, gross negligence, willful misconduct or other similar misconduct.

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

In addition, with a workforce composed of many highly paid professionals, we face the risk of litigation relating to claims for compensation, which may, individually or in the aggregate, be significant in amount. The cost of settling any such claims could negatively impact our business, results of operations and financial condition.

Employee misconduct could harm us by impairing our ability to attract and retain investors in our funds and subjecting us to significant legal liability and reputational harm. Fraud and other deceptive practices or other misconduct at our portfolio companies could similarly subject us to liability and reputational damage and also harm performance.

There is a risk that our employees or advisors could engage in misconduct that adversely affects our business. Our ability to attract and retain investors and to pursue investment opportunities for our funds depends heavily upon the reputation of our professionals, especially our senior Carlyle professionals. We are subject to a number of obligations and standards arising from our asset management business and our authority over the assets managed by our asset management business. The violation of these obligations and standards by any of our employees would adversely affect us and our investment funds and fund investors. Our business often requires that we deal with confidential matters of great significance to companies in which our funds may invest. If our employees were to use or disclose confidential information improperly, we could suffer serious harm to our reputation, financial position and current and future business relationships, as well as face potentially significant litigation. It is not always possible to detect or deter employee misconduct, and the extensive precautions we take to detect and prevent this activity may not be effective in all cases. If any of our employees were to engage in misconduct or were to be accused of such misconduct, whether or not substantiated, our business and our reputation could be adversely affected and a loss of investor confidence could result, which would adversely impact our ability to raise future funds.

In recent years, the U.S. Department of Justice (the “DOJ”) and the SEC have devoted greater resources to enforcement of the Foreign Corrupt Practices Act (the “FCPA”). In addition, the United Kingdom has significantly expanded the reach of its anti-bribery laws. While we have developed and implemented policies and procedures designed to ensure compliance by us and our personnel with the FCPA and the UK anti-bribery laws, such policies and procedures may not be effective in all instances to prevent violations. Any determination that we have violated the FCPA, the UK anti-bribery laws or other applicable anticorruption laws could subject us to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect our business prospects, financial position or the market value of our common units.

In addition, we will also be adversely affected if there is misconduct by personnel of portfolio companies in which our funds invest. For example, failures by personnel at our portfolio companies to comply with anti-bribery, trade sanctions or other legal and regulatory requirements could adversely affect our business and reputation. Such misconduct might also undermine any due diligence efforts with respect to such companies and could negatively affect the valuation of a fund’s investments.

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

We consider our “One Carlyle” philosophy and the ability of our professionals to communicate and collaborate across funds, industries and geographies one of our significant competitive strengths. As a result of the expansion of our platform into various lines of business in the alternative asset management industry, our acquisition of new businesses, and the growth of our managed account business, we are subject to a number of actual and potential conflicts of interest and subject to greater regulatory oversight than that to which we would otherwise be subject if we had just one line of business. In addition, as we expand our platform, the allocation of investment opportunities among our investment funds is expected to become more complex. In addressing these conflicts and regulatory requirements across our various businesses, we have and may continue to implement certain policies and procedures (for example, information barriers). As a practical matter, the establishment and maintenance of such information barriers means that collaboration between our investment professionals across various platforms or with respect to certain investments may be limited, reducing potential synergies that we cultivate across these businesses through our “One

Carlyle" approach. For example, although we maintain ultimate control over the Investment Solutions segment's constituent firms: AlpInvest and Metropolitan, we have erected an information barrier between the management teams at these firms and the rest of Carlyle. See "— Risks Related to Our Business Operations— Our Investment Solutions business is subject to additional risks." In addition, we may come into possession of material, non-public information with respect to issuers in which we may be considering making an investment. As a consequence, we may be precluded from providing such information or other ideas to our other businesses that could benefit from such information.

Risks Related to Our Business Operations

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

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

Poor performance of our investment funds may also make it more difficult for us to raise new capital. Investors in carry funds and fund of funds vehicles might decline to invest in future investment funds we raise and investors in hedge funds or other investment funds might withdraw their investments. Investors and potential investors in our funds continually assess our investment funds' performance, and our ability to raise capital for existing and future investment funds and avoid excessive redemption levels will depend on our investment funds' continued satisfactory performance. Accordingly, poor fund performance may deter future investment in our funds and thereby decrease the capital invested in our funds and ultimately, our management fee income. For example, our AUM in our GMS hedge fund operations declined approximately $5.1 billion from December 31, 2014 to December 31, 2015, which adversely impacted fund management fees in 2015. Additionally, our hedge fund partnerships had outstanding redemption requests of $3.1 billion in the aggregate as of the beginning of the first quarter of 2016, which will negatively impact management fee revenue in our GMS segment if such redemptions are not replaced with subscriptions.

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

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

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

Unlike our closed-end investment funds, our open-ended hedge funds are subject to redemptions on a quarterly or more frequent basis and investors can generally decide to exit their fund investments at any time. For example, our AUM in our GMS hedge fund operations declined $5.1 billion from December 30, 2014 to December 31, 2015, which adversely impacted fund management fees in 2015. Additionally, our hedge fund partnerships had outstanding redemption requests of $3.1 billion in the aggregate as of the beginning of the first quarter of 2016, which will negatively impact management fee revenue in our GMS segment if such redemptions are not replaced with subscriptions.

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

Growing investor demands may also increase our expenses. To address the evolving needs of our investor base, we have expanded our LP relations team, deepened our relationships with intermediaries and made investments in our investor services and global technology and solutions departments. These advances have increased our operating expenses and may continue to do so.

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

In connection with raising new funds or securing additional investments in existing funds, we negotiate terms for such funds and investments with existing and potential investors. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than the terms of prior funds we have advised or funds advised by our competitors. Such terms could restrict our ability to raise investment funds with investment objectives or strategies that compete with existing funds, reduce fee revenues we earn, reduce the percentage of profits on third-party capital that we share in or add expenses and obligations for us in managing the fund or increase our potential liabilities, all of which could ultimately reduce our profitability. For instance, we have received and expect to continue to receive requests from a variety of investors and groups representing investors to increase the percentage of transaction fees we share with our investors (or to decline to receive any transaction fees from portfolio companies owned by our funds). To the extent we accommodate such requests, it could result in a decrease in the amount of fee revenue we earn. See "—A decline in the pace or size of investments by our carry funds or fund of funds vehicles could result in our receiving less revenue from transaction fees. Additionally, a change in terms which increases the amount of fee revenue the fund investors are entitled to could result in a significant decline in revenue generated from transaction fees." Moreover, certain institutional investors have publicly criticized certain fund fee and expense structures, including management fees. We have received and expect to continue to confront requests from a variety of investors and groups representing investors to decrease fees and to modify our carried interest and incentive fee structures, which could result in a reduction in or delay in the timing of receipt of the fees and carried interest and incentive fees we earn. In addition to negotiating the overall fund rate of the management fees offered, certain fund investors have negotiated alternative management fee structures in several of our investment funds. In certain cases, such as our most recent power fund, we have provided "fee holidays" to certain fund investors during which we do not charge management fees for a fixed period of time (such as the first six months) or we have agreed to charge management fees based on invested capital or net asset value as opposed charging management fees on committed capital. Any modification of our existing fee or carry arrangements or the fee or carry structures for new investment funds could adversely affect our results of operations. See "— The alternative asset management business is intensely competitive."

In addition, certain institutional investors, including sovereign wealth funds and public pension funds, have demonstrated an increased preference for alternatives to the traditional investment fund structure, such as managed accounts, smaller funds and co-investment vehicles. There can be no assurance that such alternatives will be as efficient as the traditional investment fund structure, or as to the impact such a trend could have on the cost of our operations or profitability if we were to implement these alternative investment structures. Moreover, certain institutional investors are demonstrating a preference to in-source their own investment professionals and to make direct investments in alternative assets without the assistance of private equity advisers like us. Such institutional investors may become our competitors and could cease to invest in our funds.

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

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

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

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

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

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

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

Moreover, with respect to the historical returns of our investment funds:

- we may create new funds in the future that reflect a different asset mix and different investment strategies, as well as a varied geographic and industry exposure as compared to our present funds, and any such new funds could have different returns than our existing or previous funds;
- the rates of returns of our carry funds reflect unrealized gains as of the applicable measurement date that may never be realized, which may adversely affect the ultimate value realized from those funds' investments;
- unitholders will not benefit from any value that was created in our funds prior to our becoming a public company to the extent such value was previously realized;
- in recent years, there has been increased competition for private equity investment opportunities resulting from the increased amount of capital invested in alternative investment funds, high liquidity in debt markets and strong equity markets, and the increased competition for investments may reduce our returns in the future;
- the rates of returns of some of our funds in certain years have been positively influenced by a number of investments that experienced rapid and substantial increases in value following the dates on which those investments were made, which may not occur with respect to future investments;
- our investment funds' returns in some years have benefited from investment opportunities and general market conditions that may not repeat themselves;
- our current or future investment funds might not be able to avail themselves of comparable investment opportunities or market conditions; and the circumstances under which our funds may make future investments may differ significantly from those conditions prevailing in the past (including, for example, particularly favorable borrowing conditions from 2013 through early 2015 for many of our investments which relied heavily on the use of leverage; however, more recently, debt markets have tightened in the U.S. and may not be as accommodating in future years);
- newly-established funds may generate lower returns during the period that they take to deploy their capital.

The future internal rate of return for any current or future fund may vary considerably from the historical internal rate of return generated by any particular fund, or for our funds as a whole. Future returns will also be affected by the risks described elsewhere in this report, including risks of the industries and businesses in which a particular fund invests. See "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations- Segment Analysis - Fund Performance Metrics" for additional information.

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

Many of our carry funds' and fund of funds vehicles' investments rely heavily on the use of leverage, and our ability to achieve attractive rates of return on investments will depend on our ability to access sufficient sources of indebtedness at attractive rates. For example, in many private equity investments, indebtedness may constitute and historically has constituted up to 70% or more of a portfolio company's or real estate asset's total debt and equity capitalization, including debt that may be incurred in connection with the investment, whether incurred at or above the investment-level entity. The absence of available sources of sufficient debt financing for extended periods of time could therefore materially and adversely affect our CPE and Real Assets businesses. In addition, an increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness would make it more expensive to finance those investments thereby reducing returns. Increases in interest rates could also make it more difficult to locate and consummate private equity investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital or their ability to benefit from a higher amount of cost savings following the acquisition of the asset. In addition, a portion of the indebtedness used to finance private equity investments often includes high-yield debt securities issued in the capital markets. Availability of capital from the high-yield debt markets is subject to significant volatility, and there may be times when we might not be able to access those markets at attractive rates, or at all, when completing an investment. Certain investments may also be financed through borrowings on fund-level debt facilities, which may or may not be available for a refinancing at the end of their respective terms. Additionally, to the extent there is a reduction in the availability of financing for extended periods of time, the purchasing power of a prospective buyer may be more limited, adversely impacting the fair value of our funds' investments and thereby reducing the acquisition price. Finally, the interest payments on the indebtedness used to finance our carry funds' and fund of funds vehicles' investments have historically been deductible expenses for income tax purposes, subject to limitations under applicable tax law and policy. Any change in such tax law or policy to eliminate or substantially limit these income tax deductions, as has been discussed from time to time in various jurisdictions, would reduce the after-tax rates of return on the affected investments, which may have an adverse impact on our business and financial results. On October 5, 2015, the OECD published additional papers under the BEPS initiative. In action 4, the OECD recommends that countries adopt a limitation on excessive deductions under a fixed ratio rule and supplemented by a worldwide group ratio and certain targeted rules as needed. It is anticipated that ratios may range between 10% and 30%. It is still unclear how different countries will implement the various recommendations and it is unclear how this will affect the current deductibility of interest in the various jurisdictions. See "— Our funds make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States." Investments in highly leveraged entities are also inherently more sensitive to declines in revenue, increases in expenses and interest rates and adverse economic, market and industry developments. Furthermore, the incurrence of a significant amount of indebtedness by an entity could, among other things:

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

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

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

Many of our GMS funds may choose to use leverage as part of their respective investment programs and regularly borrow a substantial amount of their capital. The use of leverage poses a significant degree of risk and enhances the possibility of a significant loss in the value of the investment portfolio. A fund may borrow money from time to time to purchase or carry securities or may enter into derivative transactions (such as total return swaps) with counterparties that have embedded leverage. The interest expense and other costs incurred in connection with such borrowing may

not be recovered by appreciation in the securities purchased or carried and will be lost, and the timing and magnitude of such losses may be accelerated or exacerbated, in the event of a decline in the market value of such securities. Gains realized with borrowed funds may cause the fund’s net asset value to increase at a faster rate than would be the case without borrowings. However, if investment results fail to cover the cost of borrowings, the fund’s net asset value could also decrease faster than if there had been no borrowings. Increases in interest rates could also decrease the value of fixed-rate debt investment that our investment funds make.
Any of the foregoing circumstances could have a material adverse effect on our results of operations, financial condition and cash flow.

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

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

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

In addition, we have confronted and expect to continue to confront requests from a variety of investors and groups representing investors to increase the percentage of transaction fees we share with our fund investors (or to decline to receive transaction fees from portfolio companies held by our funds). To the extent we change our current fee practices, it could result in a decrease in the amount of fee revenue we earn. For example, in our latest U.S. buyout fund, fund investors are generally entitled to receive 80% of any transaction fees we generate. See "— Our investors in future funds may negotiate to pay us lower management fees and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues."

The alternative asset management business is intensely competitive.

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

- a number of our competitors in some of our businesses have greater financial, technical, marketing and other resources and more personnel than we do;
- some of our funds may not perform as well as competitors' funds or other available investment products;
- several of our competitors have significant amounts of capital, and many of them have similar investment objectives to ours, which may create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that otherwise could be exploited;
- some of these competitors (including strategic competitors) may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for our funds with respect to investment opportunities;
- some of our competitors may have higher risk tolerances, different risk assessments or lower return thresholds than us, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make;

- some of our competitors may be subject to less regulation and accordingly may have more flexibility to undertake and execute certain businesses or investments than we do and/or bear less compliance expense than us;

- some of our competitors may have more flexibility than us in raising certain types of investment funds under the investment management contracts they have negotiated with their investors;

- some of our competitors may have better expertise or be regarded by investors as having better expertise in a specific asset class or geographic region than we do;

- our competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment;

- there are relatively few barriers to entry impeding the formation of new alternative asset management firms, and the successful efforts of new entrants into our various businesses, including former "star" portfolio managers at large diversified financial institutions as well as such institutions themselves, is expected to continue to result in increased competition;

- some investors may prefer to pursue investments directly instead of investing through one of our funds;

- some investors may prefer to invest with an asset manager that is not publicly traded or is smaller with only one or two investment products that it manages; and

- other industry participants may, from time to time, seek to recruit our investment professionals and other employees away from us.

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

The attractiveness of our investment funds relative to investments in other investment products could decrease depending on economic conditions. This competitive pressure could adversely affect our ability to make successful investments and limit our ability to raise future investment funds, either of which would adversely impact our business, revenue, results of operations and cash flow. See "— Our investors in future funds may negotiate to pay us lower management fees and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues."

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

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

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

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

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

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

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

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

- significant failures of our portfolio companies to comply with laws and regulations applicable to them could affect the ability of our funds to invest in other companies in certain industries in the future and could harm our reputation;
- companies in which private equity investments are made may have limited financial resources and may be unable to meet their obligations, which may be accompanied by a deterioration in the value of their equity securities or any collateral or guarantees provided with respect to their debt;
- companies in which private equity investments are made are more likely to depend on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of those persons could have a material adverse impact on their business and prospects and the investment made;

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

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

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

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

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

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

- under ERISA, a "trade or business" within a "controlled group" can be liable for the ERISA Title IV pension obligations (including withdrawal liability for union multiemployer plans) of any other member of the controlled group. This "controlled group" liability represents one of the few situations in which one entity's liability can be imposed upon another simply because the entities are united by common ownership, but in order for such joint and several liability to be imposed, two tests must be satisfied: (1) the entity on which such liability is to be imposed must be a "trade or business" and (2) a "controlled group" relationship must exist among such entity and the pension plan sponsor or the contributing employer. While a number of cases have held that managing investments is not a "trade or business" for tax purposes, a 2013 federal Circuit Court case concluded that a private equity fund could be a "trade or business" for ERISA purposes (and, consequently, could be liable for underfunded pension liabilities of an insolvent portfolio company) based upon a number of factors present in that case, including the fund's level of involvement in the management of its portfolio companies and the nature of its management fee arrangements; and

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

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

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

- those associated with the burdens of ownership of real property;

- general and local economic conditions;

- changes in supply of and demand for competing properties in an area (as a result, for instance, of overbuilding);
- fluctuations in the average occupancy and room rates for hotel properties;
- the financial resources of tenants;
- changes in building, environmental and other laws;

- energy and supply shortages;
- various uninsured or uninsurable risks;
- natural disasters;
- changes in government regulations (such as rent control);
- changes in real property tax rates;
- changes in interest rates;
- the reduced availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable;
- negative developments in the economy that depress travel activity;
- environmental liabilities;
- contingent liabilities on disposition of assets;
- unexpected cost overruns in connection with development projects;
- terrorist attacks, war and other factors that are beyond our control; and
- dependence on local operating partners.

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

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

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

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

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

Our investment funds may invest in assets denominated in currencies which that differ from the currency in which the Fund is denominated.

When our investment funds invest in assets denominated in currencies that differ from the currency that the relevant fund is denominated in, fluctuations in currency rates could impact the performance of the investment funds. For example, one of our EUR-denominated buyout funds made several US Dollar-denominated investments which benefited significantly from the strength of the US Dollar in 2015. We also have a number of investment funds which are denominated in US Dollars but invest primarily or exclusively in assets denominated in foreign currencies and therefore whose performance can be negatively impacted by strengthening of the US Dollar even if the underlying investments perform well in local currency. Examples include our Buyout, Growth Capital, and Real Estate funds in Asia as well as our Buyout funds in South America and Africa.

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

Our funds make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States.
Many of our investment funds generally invest a significant portion of their assets in the equity, debt, loans or other securities of issuers that are headquartered outside of the United States, such as China, India, Indonesia, Latin America, MENA and Sub-Saharan Africa. A substantial amount of these foreign investments consist of investments made by our carry funds. For example, as of December 31, 2015, approximately 40% of the equity invested by our carry funds was attributable to foreign investments. Investments in non-U.S. securities involve risks not typically associated with investing in U.S. securities, including:

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

- differences in the legal and regulatory environment or enhanced legal and regulatory compliance;
- limitations on borrowings to be used to fund acquisitions or dividends;
- political hostility to investments by foreign or private equity investors, including increased risk of government expropriation;
- less liquid markets;
- reliance on a more limited number of commodity inputs, service providers and/or distribution mechanisms;

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

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

In the event a portfolio company outside the United States experiences financial difficulties, we may consider local laws, corporate organizational structure, potential impacts on other portfolio companies in the region and other factors in developing our business response. Among other actions, we may seek to enhance the management team or make fund capital investments from our investment funds, our senior Carlyle professionals and/or us. To the extent we and/or certain of our senior Carlyle professionals fund additional capital into a company that is experiencing difficulties, we may be required to consolidate the entity into our financial statements under applicable U.S. GAAP. See "—Risks Related to Our Organizational Structure —The Consolidation of Investment Funds, Holding Companies or Operating Businesses of Our Portfolio Companies Could Make it More Difficult to Understand the Operating Performance of the Partnership and Could Create Operational Risks For the Partnership."

Our funds' investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Furthermore, in certain cases, our fund management fees are denominated in foreign currencies. With respect to those funds, we are subject to the risk that the value of a particular currency will change in relation to one or more other currencies in which the fund has incurred expenses or has made investments.

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

If, at the end of the life of a carry fund (or earlier with respect to certain of our funds), the carry fund has not achieved investment returns that (in most cases) exceed the preferred return threshold or (in almost all cases) the general partner receives net profits over the life of the fund in excess of its allocable share under the applicable partnership agreement, we will be obligated to repay an amount equal to the extent to which carried interest that was previously distributed to us exceeds the amounts to which we are ultimately entitled. These repayment obligations may be related to amounts previously distributed to our senior Carlyle professionals prior to the completion of our initial public offering, with respect to which our common unitholders did not receive any benefit. This obligation is known as a “giveback” obligation. As of December 31, 2015, we had accrued a giveback obligation of $252.0 million, inclusive of giveback obligations accrued for Consolidated Funds, representing the giveback obligation that would need to be paid if the carry funds were liquidated at their current fair values at that date. Approximately $215 million of this accrued liability relates to our interests in the Legacy Energy Funds. Any giveback obligation required to be funded on behalf of our Legacy Energy Funds would generally be due upon the liquidation of assets from the funds, which is anticipated to occur in 2017 for Energy II and 2022 for Renew II. If, as of December 31, 2015, all of the investments held by our carry funds were deemed worthless, the amount of realized and distributed carried interest subject to potential giveback would have been $1.9 billion, on an after-tax basis where applicable. Since inception we have paid $53.9 million back to fund investors to satisfy our giveback obligations.

Although a giveback obligation is several to each person who received a distribution, and not a joint obligation, the governing agreements of our funds generally provide that to the extent a recipient does not fund his or her respective share, then we may have to fund such additional amounts beyond the amount of carried interest we retained, although we generally will retain the right to pursue any remedies that we have under such governing agreements against those carried interest recipients who fail to fund their obligations. As of December 31, 2015, approximately $153 million of our accrued giveback obligation is the responsibility of various current and former senior Carlyle professionals. We have historically withheld a portion of the cash from carried interest distributions to individual senior Carlyle professionals and other employees as security for their potential giveback obligations. We also set aside cash reserves from carried interest we receive and retain for potential giveback obligations that we may be required to fund in the future. However, we have not set aside additional cash reserves relating to the secondary liability we retain for the giveback obligations attributable to our individual senior Carlyle professionals and other employees if they fail to satisfy these obligations. We may need to use or reserve cash to repay such giveback obligations instead of using the cash for other purposes. See "Part I. Item 1. Business -Structure and Operation of Our Investment Funds -Incentive Arrangements / Fee Structure" and "Management's Discussion and Analysis of Financial Condition and Results of Operations- Contractual Obligations- Contingent Obligations (Giveback)" and Notes 2 and 11 to the consolidated financial statements.

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

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

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

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

The AlpInvest fund of funds vehicles generally provide for suspension or termination of investment commitments in the event of cause, key person or regulatory events, changes in control of Carlyle or of majority ownership of AlpInvest, and, in some cases, other performance metrics, or in a limited number of cases, the right of a supermajority of the investors to remove the general partner of the fund without cause, but generally have not provided for liquidation without cause. Where AlpInvest fund of funds vehicles include "key person" provisions, they are focused on specific existing AlpInvest personnel. While we believe that existing AlpInvest management have appropriate incentives to remain at AlpInvest, based on equity ownership, profit participation and other contractual provisions, we are not able to guarantee the ongoing participation of AlpInvest management team members in respect of the AlpInvest fund of funds vehicles. In addition, AlpInvest fund of funds vehicles have historically had few or even a single investor. In such cases, an individual investor may hold disproportionate authority over decisions reserved for third-party investors. Investors in our managed accounts or "funds of one" vehicles generally have bespoke rights allowing them to, among other things, terminate the investment period or cause a dissolution of the account or vehicle for a variety of reasons. To the extent these accounts or vehicles cease to invest or are dissolved, the fees generated by them may be reduced.

Third-party investors in our onshore commodity hedge funds have the right to remove the general partner of the fund by a simple majority vote in accordance with specified procedures.

Investors in our hedge funds may generally redeem their investments on an annual, semi-annual or quarterly basis without penalty following the expiration of a specified period of time when capital may not be withdrawn (typically between three months and three years), subject to the applicable fund's specific redemption provisions. In a declining market, the pace of redemptions and consequent reduction in our AUM could accelerate. The decrease in revenues that would result from significant redemptions in our hedge funds could have a material adverse effect on our business, revenue and cash flow. For example, our AUM in our GMS hedge fund operations declined $5.1 billion from December 31, 2014 to December 31, 2015. Additionally, our hedge fund partnerships had outstanding redemption requests of $3.1 billion in the aggregate as of the beginning of the first quarter of 2016, which will negatively impact management fee revenue in our GMS segment if such redemptions are not replaced with subscriptions.

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

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

Investors in our carry funds and fund of funds vehicles make capital commitments to those funds that we are entitled to call from those investors at any time during prescribed periods. We depend on investors fulfilling their commitments when we call capital from them in order for those funds to consummate investments and otherwise pay their obligations (for example, management fees) when due. Any investor that did not fund a capital call would generally be subject to several possible penalties, including having a significant amount of its existing investment forfeited in that fund. However, the impact of the penalty is directly correlated to the amount of capital previously invested by the investor in the fund and if an investor has invested little or no capital, for instance early in the life of the fund, then the forfeiture penalty may not be as meaningful. Investors may also negotiate for lesser or reduced penalties at the outset of the fund, thereby inhibiting our ability to enforce the funding of a capital call. Third-party investors in private equity, real estate assets and venture capital funds typically use distributions from prior investments to meet future capital calls. In cases where valuations of investors' existing investments fall and the pace of distributions slows, investors may be unable to make new commitments to third-party managed investment funds

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

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

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

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

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

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

Certain of our fund investments may be concentrated in particular asset types or geographic regions, which could exacerbate any negative performance of those funds to the extent those concentrated investments perform poorly.

The governing agreements of our investment funds contain only limited investment restrictions and only limited requirements as to diversification of fund investments, either by geographic region or asset type. For example, we advise funds that invest predominantly in the United States, Europe, Asia, South America, Ireland, Peru, Japan, or Sub-Saharan Africa or MENA; and we advise funds that invest in a single industry sector, such as financial services and power. During periods of difficult market conditions or slowdowns in these sectors or geographic regions, decreased revenue, difficulty in obtaining access to financing and increased funding costs experienced by our funds may be exacerbated by this concentration of investments, which would result in lower investment returns for our funds. Such concentration may increase the risk that events affecting a specific geographic region or asset type will have an adverse or disparate impact on such investment funds, as compared to funds that invest more broadly. In addition, certain of our hedge funds may hold large positions in a single issuer or may be focused on particular industries or commodities. Idiosyncratic factors impacting specific companies or securities can materially affect fund performance depending on the size of the position. For example, in September 2014, the performance of one of our hedge funds was adversely impacted when the value of one of its large investments fell following an adverse court ruling.

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

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

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

The price of oil continued to fall dramatically in 2015 and has been volatile into early 2016. Our current exposure to the energy sector is primarily through our Legacy Energy funds, which had approximately $6.3 billion in AUM as of December 31, 2015. Notwithstanding the size of the funds, our economic interest in these funds is limited pursuant to the terms of our relationship with Riverstone. For example, we receive a range of performance fees from our Legacy Energy funds, from 40% from the earlier vintage funds to 16% of the performance fees generated by Energy IV, with a weighted average of 19% based on remaining fair value invested. Due to the performance of the Legacy Energy funds in the fourth quarter, a majority of the Legacy Energy funds were in a giveback position as of December 31, 2015. If investment performance does not improve, Carlyle and certain senior Carlyle professionals will be required to fund such giveback obligation at the end of the life of the relevant fund. See "—We may need to pay "giveback" obligations if and when they are triggered under the governing agreements with our investors" and Note 11 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

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

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

Our private equity funds' performance, and our performance, may be adversely affected by the financial performance of our portfolio companies and the industries in which our funds invest.

Our performance and the performance of our private equity funds are significantly impacted by the value of the companies in which our funds have invested. Our funds invest in companies in many different industries, each of which is subject to volatility based upon economic and market factors. Since the global financial crisis, we have experienced and subsequent recovery has caused significant fluctuations in the value of securities held by our funds. The concomitant recession and recovery in the real economy subsequent to the global financial crisis also exerted a significant impact on overall performance activity and the demands for many of the goods and services provided by portfolio companies of the funds we advise. Although the U.S. economy has registered six consecutive years of growth in real GDP, there remain many obstacles to continued growth in the economy such as geopolitical events, increased risk of deflation interacting with high debt levels, particularly in the energy sector, and external economic weakness. These factors and other general economic trends are likely to impact the performance of portfolio companies in many industries and in particular, industries that anticipated that global GDP would quickly return to its pre-crisis trend. The continued weakness in emerging market economies (EMEs) also creates risk for companies that export or operate in these markets. In addition, the value of our investments in portfolio companies in the financial services industry is impacted by the overall health and stability of the credit markets. The sustained decline in the price of energy and other commodities could have a material and adverse impact on portfolio companies operating in the energy and commodity sectors, including industrial companies that manufacture equipment sold into these end markets. Declines in commodity prices reduce the market value and cash flow performance of loans, bonds, or equity issued by companies in the resources sectors. Continued weakness in EMEs could also increase default risk on U.S. dollar-denominated bonds issued by businesses domiciled in EMEs, particularly in those economies whose currencies have declined sharply relative to the U.S. dollar. An increase in emerging markets corporate or sovereign defaults could further impair funding conditions or depress asset prices in these economies. The performance of our private equity funds, and our performance, may be adversely affected to the extent our fund portfolio companies experience adverse performance or additional pressure due to these downward trends. With respect to real estate, various factors could halt or limit a recovery in the housing market and have an adverse effect on investment performance, including, but not limited to, deflation in consumer prices, a low level of consumer confidence in the economy and/or the residential real estate market and rising mortgage interest rates. In response to financial difficulties that are currently being experienced or that may be experienced in the future by certain portfolio companies or real estate investments, we may consider legal, regulatory, tax or other factors in determining the steps we may take to support such companies or investments, which may include enhancing the management team or funding additional capital investments from our investment funds, our senior Carlyle professionals and/or us. The actions we may take to support companies or investments experiencing financial difficulties may not be successful in remedying the financial difficulties and our investment funds, our senior Carlyle professionals or we may not recoup some or all of any capital investments made in support of such companies or investments. To the extent we and/or certain of our senior Carlyle professionals fund additional capital into a portfolio company or real estate investment that is experiencing difficulties, we may be required to consolidate such entity into our financial statements under applicable U.S. GAAP. See "—Risks Related to Our Organizational Structure-The Consolidation of Investment Funds, Holding Companies or Operating Businesses of Our Portfolio Companies Could Make it More Difficult to Understand the Operating Performance of the Partnership and Could Create Operational Risks For the Partnership."

The financial projections of our portfolio companies could prove inaccurate.

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

Contingent liabilities could harm fund performance.

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

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

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

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

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

The consolidation and elimination of counterparties resulting from the disruption in the financial markets has increased our concentration of counterparty risk and has decreased the number of potential counterparties. Our carry funds generally are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. In the event of the insolvency of a party that is holding our assets or those of our funds as collateral, we and our funds may not be able to recover equivalent assets in full as we and our funds will rank among the counterparty's unsecured creditors. In addition, our and our funds' cash held with a prime broker, custodian or counterparty may not be segregated from the prime broker's, custodian's or counterparty's own cash, and we and our funds therefore may rank as unsecured creditors in relation thereto. The inability to recover our or our investment funds' assets could have a material impact on us or on the performance of our funds. In addition, counterparties have generally reacted to recent market volatility by tightening their underwriting standards and increasing their margin requirements for all categories of financing, which has the result of decreasing the overall amount of leverage available and increasing the costs of borrowing.

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

- labor disputes, work stoppages or shortages of skilled labor

- shortages of fuels or materials,

- slower than projected construction progress and the unavailability or late delivery of necessary equipment,

- delays caused by or in obtaining the necessary regulatory approvals or permits,

- adverse weather conditions and unexpected construction conditions,
- accidents or the breakdown or failure of construction equipment or processes,
- difficulties in obtaining suitable or sufficient financing, and
- force majeure or catastrophic events such as explosions, fires and terrorist activities and other similar events beyond our control.

Such developments could result in substantial unanticipated delays or expenses and, under certain circumstances, and could prevent completion of construction activities once undertaken. Construction costs may exceed estimates for various reasons, including inaccurate engineering and planning, labor and building material costs in excess of expectations and unanticipated problems with project start-up. Such unexpected increases may result in increased debt service costs and funds being insufficient to complete construction. Portfolio investments under development or portfolio investments acquired to be developed may receive little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that make such development less attractive than at the time it was commenced. Any events of this nature could severely delay or prevent the completion of, or significantly increase the cost of, the construction. In addition, there are risks inherent in the construction work which may give rise to claims or demands against one of our portfolio companies from time to time. Delays in the completion of any power project may result in lost revenues or increased expenses, including higher operation and maintenance costs related to such portfolio company.

Investments in electric utility industries both in the United States and abroad continue to experience increasing competitive pressures, primarily in wholesale markets, as a result of consumer demands, technological advances, greater availability of natural gas and other factors. Changes in regulation may support not only consolidation among domestic utilities, but also the disaggregation of vertically integrated utilities into separate generation, transmission and distribution businesses. As a result, additional significant competitors could become active in the independent power industry.

The power and energy sectors are the subject of substantial and complex laws, rules and regulation. These regulators include Federal Energy Regulatory Commission (the "FERC"), which has jurisdiction over the transmission and wholesale sale of electricity in interstate commerce and over the transportation, storage and certain sales of natural gas in interstate commerce, including the rates, charges and other terms and conditions for such services, respectively and the North American Electric Reliability Corporation ("NERC"), the purpose of which is to establish and enforce reliability standards applicable to all users, owners and operators of the bulk power system. These regulators derive their authority from, among other laws, the Federal Power Act, as amended (the "FPA"), The Energy Policy Act of 2005, Natural Gas Act, as amended (the "NGA") and state and, perhaps, local public utility laws. On the state level, some state laws require approval from the state commission before an electric utility operating in the state may divest or transfer electric generation facilities. Most state laws require approval from the state commission before an electric utility company operating in the state may divest or transfer distribution facilities. Failure to comply with applicable laws, rules regulations and standards could result in the prevention of operation of certain facilities or the prevention of the sale of such a facility to a third party, as well as the loss of certain rate authority, refund liability, penalties and other remedies, all of which could result in additional costs to a portfolio company and adversely affect the investment results.

Our Investment Solutions business is subject to additional risks.

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

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

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

- Historically, the main part of AlpInvest capital commitments have been obtained from its initial co-owners, with such owners thereby holding, specific contractual rights with respect to potential suspension or termination of investment commitments made to AlpInvest.

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

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

- Our fund of funds business could be subject to the risk that other sponsors will no longer be willing to provide these fund of funds with investment opportunities as favorable as in the past, if at all, as a result of our ownership of AlpInvest and Metropolitan.

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

Hedge fund investments are subject to additional risks.

Investments by our funds of hedge funds and the hedge funds we advise are subject to additional risks, including the following:

- Generally, there are few limitations on the execution of these hedge funds' investment strategies, which are subject to the sole discretion of the management company or the general partner of such funds.

- These funds may engage in short-selling, which is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. A fund may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if the fund is otherwise unable to borrow securities that are necessary to hedge its positions.

- These funds may be limited in their ability to engage in short selling or other activities as a result of regulatory mandates. Such regulatory actions may limit our ability to engage in hedging activities and therefore impair our investment strategies. In addition, these funds may invest in securities and other assets for which appropriate market hedges do not exist or cannot be acquired on attractive terms.

- These funds are exposed to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the fund to suffer a loss.

- Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This "systemic risk" could have a further material adverse effect on the financial intermediaries (such as prime brokers, clearing agencies, clearing houses, banks, securities firms and exchanges) with which these funds transact on a daily basis.

- The efficacy of investment and trading strategies depend largely on the ability to establish and maintain an overall market position in a combination of financial instruments, which can be difficult to execute.

- These funds may make investments or hold trading positions in markets that are volatile and may become illiquid.

- The IRS may change the tax treatment of these funds, subjecting them to additional federal or state taxes, which may decrease the returns to investors.

- These funds' investments are subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to a theoretically unlimited risk of loss in certain circumstances. In addition, the funds' assets are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or counterparties.

- These funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund's term or otherwise. Although we generally expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, and the general partners of the funds have a limited ability to extend the term of the fund with the consent of fund investors or the advisory board of the fund, as applicable, our funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. This would result in a lower than expected return on the investments and, perhaps, on the fund itself.

- These funds may rely on computer programs, internal infrastructure and services, quantitative models (both proprietary models and those supplied by third parties) and information and data provided by third parties to trade, clear and settle securities and other transactions, among other activities, that are critical to the oversight of certain funds' activities. If any such models, information or data prove to be incorrect or incomplete, any decisions made in reliance thereon could expose the funds to potential risks. Any hedging based on faulty models, information or data may prove to be unsuccessful and adversely impact a fund's profits.

Through our ownership of Carlyle Commodity Management, our funds may hold physical commodities. These investments incur storage and insurance costs and may suffer the risk of loss from storage inadequacy, insurance counterparty default, and spoilage.

Risks Related to Our Organizational Structure

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

Our general partner, Carlyle Group Management L.L.C., which is owned by our senior Carlyle professionals, manages all of our operations and activities. The limited liability company agreement of Carlyle Group Management L.L.C. establishes a board of directors that is responsible for the oversight of our business and operations. Unlike the holders of common stock in a corporation, our common unitholders have only limited voting rights and have no right to remove our general partner or, except in the limited circumstances described below, elect the directors of our general partner. Our common unitholders have no right to elect the directors of our general partner unless, as determined on January 31 of each year, the total voting power held by holders of the special voting units in The Carlyle Group L.P. (including voting units held by our general partner and its affiliates) in their capacity as such, or otherwise held by then-current or former Carlyle personnel (treating voting units deliverable to such persons pursuant to outstanding equity awards as being held by them), collectively, constitutes less than 10% of the voting power of the outstanding voting units of The Carlyle Group L.P. As of December 31, 2015, the percentage of the voting power of The Carlyle Group L.P. limited partners collectively held by those categories of holders and calculated in this manner was approximately 75%. Unless and until the foregoing voting power condition is satisfied, our general partner's board of directors will be elected in accordance with its limited liability company agreement, which provides that directors may be appointed and removed by members of our general partner holding a majority in interest of the voting power of the members, which voting power is allocated to each member ratably according to his or her aggregate relative ownership of our common units and partnership units. As a result, our common unitholders have limited ability to influence decisions regarding our business.

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

TCG Carlyle Global Partners L.L.C., an entity wholly owned by our senior Carlyle professionals, holds a special voting unit that provides it with a number of votes on any matter that may be submitted for a vote of our common unitholders (voting together as a single class on all such matters) that is equal to the aggregate number of vested and unvested Carlyle Holdings partnership units held by the limited partners of Carlyle Holdings. As of December 31, 2015, a special voting unit held by TCG Carlyle Global Partners L.L.C. provided it with approximately 75% of the total voting power of The Carlyle Group L.P. limited partners. Accordingly, our senior Carlyle professionals generally will have sufficient voting power to determine the outcome of those few matters that may be submitted for a vote of the limited partners of The Carlyle Group L.P.

Our common unitholders' voting rights are further restricted by the provision in our partnership agreement stating that any common units held by a person that beneficially owns 20% or more of any class of The Carlyle Group L.P.

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

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

We are permitted to repurchase all of the outstanding common units under certain circumstances, and this repurchase may occur at an undesirable time or price.
We have the right to acquire all of our then-outstanding common units at the then-current trading price either if 10% or less of our common units is held by persons other than our general partner and its affiliates or if we are required to register as an investment company under the Investment Company Act. As a result of our general partner's right to purchase outstanding common units, a holder of common units may have his common units purchased at an undesirable time or price.
We are a limited partnership and as a result qualify for and intend to continue to rely on exceptions from certain corporate governance and other requirements under the rules of the NASDAQ Global Select Market.
We are a limited partnership and qualify for exceptions from certain corporate governance and other requirements of the rules of the NASDAQ Global Select Market. Pursuant to these exceptions, limited partnerships may elect not to comply with certain corporate governance requirements of the NASDAQ Global Select Market, including the requirements (1) that a majority of the board of directors of our general partner consist of independent directors, (2) that we have a compensation committee that is composed entirely of independent directors, (3) that the compensation committee be required to consider certain independence factors when engaging compensation consultants, legal counsel and other committee advisors, (4) that we have independent director oversight of director nominations, and (5) that we obtain unitholder approval for (a) certain private placements of units that equal or exceed 20% of the outstanding common units or voting power, (b) certain acquisitions of stock or assets of another company or (c) a change of control transaction. In addition, we are not required to hold annual meetings of our common unitholders. We intend to continue to avail ourselves of these exceptions. Accordingly, common unitholders generally do not have the same protections afforded to equityholders of entities that are subject to all of the corporate governance requirements of the NASDAQ Global Select Market.
Potential conflicts of interest may arise among our general partner, its affiliates and us. Our general partner and its affiliates have limited fiduciary duties to us and our common unitholders, which may permit them to favor their own interests to the detriment of us and our common unitholders.
Conflicts of interest may arise among our general partner and its affiliates, on the one hand, and us and our common unitholders, on the other hand. As a result of these conflicts, our general partner may favor its own interests and the interests of its affiliates over the interests of our common unitholders. These conflicts include, among others, the following:

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

- our general partner is allowed to take into account the interests of parties other than us and the common unitholders in resolving conflicts of interest, which has the effect of limiting its duties (including fiduciary duties) to our common unitholders. For example, our subsidiaries that serve as the general partners of our investment funds have certain duties and obligations to those funds and their investors as a result of which we expect to regularly take actions in a manner consistent with such duties and obligations but that might adversely affect our near term results of operations or cash flow;

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

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

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

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

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

- our general partner determines whether to allow the senior Carlyle professionals to exchange their Carlyle Holdings partnership units or waive certain restrictions relating to such units pursuant to the terms of the Exchange Agreement;

- our general partner determines how much debt we incur and that decision may adversely affect our credit ratings;

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

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

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

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

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

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

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

Whenever a potential conflict of interest exists between us, any of our subsidiaries or any of our partners, and our general partner or its affiliates, our general partner may resolve such conflict of interest. Our general partner's resolution of the conflict of interest will conclusively be deemed approved by the partnership and all of our partners, and not to constitute a breach of the partnership agreement or any duty, unless the general partner subjectively believes such determination or action is opposed to the best interests of the partnership. A common unitholder seeking to challenge this resolution of the conflict of interest would bear the burden of proving that the general partner subjectively believed that such resolution was opposed to the best interests of the partnership. This is different from the situation with Delaware corporations, where a conflict resolution by an interested party would be presumed to be unfair and the interested party would have the burden of demonstrating that the resolution was fair.

Also, if our general partner obtains the approval of the conflicts committee of our general partner, any determination or action by the general partner will be conclusively deemed to be made or taken in good faith and not a breach by our general partner of the partnership agreement or any duties it may owe to us or our common unitholders. This is different from the situation with Delaware corporations, where a conflict resolution by a committee consisting solely of independent directors may, in certain circumstances, merely shift the burden of demonstrating unfairness to the plaintiff. Common unitholders, in purchasing our common units, are deemed as having consented to the provisions set forth in our partnership agreement, including the provisions regarding conflicts of interest situations that, in the absence of such provisions, might constitute a breach of fiduciary or other duties under applicable state law. As a result, common unitholders will, as a practical matter, not be able to successfully challenge an informed decision by the conflicts committee. See "Part III. Item 13. Certain Relationships, Related Transactions and Director Independence" and "Part III. Items 10. Directors, Executive Officers and Corporate Governance—Committees of the Board of Directors—Conflicts Committee."

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

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

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

The Carlyle Group L.P. is a holding partnership and has no material assets other than the ownership of the partnership units in Carlyle Holdings held through wholly owned subsidiaries. The Carlyle Group L.P. has no independent means of generating revenue. Accordingly, we intend to cause Carlyle Holdings to make distributions to its partners, including The Carlyle Group L.P.'s wholly owned subsidiaries, to fund any distributions The Carlyle Group L.P. may declare on the common units. If Carlyle Holdings makes such distributions, the limited partners of Carlyle Holdings will be entitled to receive equivalent distributions pro rata based on their partnership interests in Carlyle Holdings. Because Carlyle Holdings I GP Inc. must pay taxes and make payments under the tax receivable agreement, the amounts ultimately distributed by The Carlyle Group L.P. to common unitholders are generally expected to be less, on

a per unit basis, than the amounts distributed by the Carlyle Holdings partnerships to the limited partners of the Carlyle Holdings partnerships in respect of their Carlyle Holdings partnership units.
The declaration and payment of any distributions is at the sole discretion of our general partner, which may change our distribution policy at any time. There can be no assurance that any distributions, whether quarterly or otherwise, will or can be paid. Our ability to make cash distributions to our common unitholders depends on a number of factors, including among other things, general economic and business conditions, our strategic plans and prospects, our business and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, including fulfilling our current and future capital commitments, legal, tax and regulatory restrictions,

restrictions and other implications on the payment of distributions by us to our common unitholders or by our subsidiaries to us, payments required pursuant to the tax receivable agreement and such other factors as our general partner may deem relevant.

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

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

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

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

- the timing of exchanges — for instance, the increase in any tax deductions will vary depending on the fair value, which may fluctuate over time, of the depreciable or amortizable assets of Carlyle Holdings at the time of each exchange;
- the price of our common units at the time of the exchange — the increase in any tax deductions, as well as the tax basis increase in other assets, of Carlyle Holdings, is directly proportional to the price of our common units at the time of the exchange;
- the extent to which such exchanges are taxable — if an exchange is not taxable for any reason, increased deductions will not be available; and

- the amount and timing of our income — the corporate taxpayers will be required to pay 85% of the cash tax savings as and when realized, if any. If the corporate taxpayers do not have taxable income, the corporate taxpayers are not required (absent a change of control or other circumstances requiring an early termination payment) to make payments under the tax receivable agreement for that taxable year because no cash tax savings will have been realized. However, any cash tax savings that do not result in realized benefits in a given tax year will likely generate tax attributes that may be utilized to generate benefits in previous or future tax years. The utilization of such tax attributes will result in payments under the tax receivables agreement.

The payments under the tax receivable agreement are not conditioned upon the tax receivable agreement counterparties' continued ownership of us. In the event that The Carlyle Group L.P. or any of its wholly owned subsidiaries that are not treated as corporations for U.S. federal income tax purposes become taxable as a corporation for U.S. federal income tax

purposes, these entities will also be obligated to make payments under the tax receivable agreement on the same basis and to the same extent as the corporate taxpayers.
The tax receivable agreement provides that upon certain changes of control, or if, at any time, the corporate taxpayers elect an early termination of the tax receivable agreement, the corporate taxpayers' obligations under the tax receivable agreement (with respect to all Carlyle Holdings partnership units whether or not previously exchanged) would be calculated by reference to the value of all future payments that the limited partners of the Carlyle Holdings partnerships would have been entitled to receive under the tax receivable agreement using certain valuation assumptions, including that the corporate taxpayers' will have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement and, in the case of an early termination election, that any Carlyle Holdings partnership units that have not been exchanged are deemed exchanged for the market value of the common units at the time of termination.
Assuming that the market value of a common unit were to be equal to $15.62 per common unit, which is the closing price per common unit as of December 31, 2015, and that LIBOR were to be 1.98%, we estimate that the aggregate amount of these termination payments would be approximately $809 million if the corporate taxpayers were to exercise their termination right.
The foregoing number is merely an estimate and the actual payments could differ materially. In addition, the limited partners of the Carlyle Holdings partnerships will not reimburse us for any payments previously made under the tax receivable agreement if such tax basis increase is successfully challenged by the IRS. The corporate taxpayers' ability to achieve benefits from any tax basis increase, and the payments to be made under this agreement, will depend upon a number of factors, including the timing and amount of our future income. As a result, even in the absence of a change of control or an election to terminate the tax receivable agreement, payments to the limited partners of the Carlyle Holdings partnerships under the tax receivable agreement could be in excess of the corporate taxpayers' actual cash tax savings.
Accordingly, it is possible that the actual cash tax savings realized by the corporate taxpayers may be significantly less than the corresponding tax receivable agreement payments. There may be a material negative effect on our liquidity if the payments under the tax receivable agreement exceed the actual cash tax savings that the corporate taxpayers realize in respect of the tax attributes subject to the tax receivable agreement and/or distributions to the corporate taxpayers by Carlyle Holdings are not sufficient to permit the corporate taxpayers to make payments under the tax receivable agreement after they have paid taxes and other expenses. We may need to incur debt to finance payments under the tax receivable agreement to the extent our cash resources are insufficient to meet our obligations under the tax receivable agreement as a result of timing discrepancies or otherwise.
See "Part III. Item 13. Certain Relationships, Related Transactions and Director Independence—Tax Receivable Agreement."

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

- it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or

- absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis.

We believe that we are engaged primarily in the business of providing asset management services and not in the business of investing, reinvesting or trading in securities. We hold ourselves out as an asset management firm and do not propose to engage primarily in the business of investing, reinvesting or trading in securities. Accordingly, we do not believe that The Carlyle Group L.P. is an "orthodox" investment company as defined in section 3(a)(1)(A) of the

Investment Company Act and described in the first bullet point above. Furthermore, The Carlyle Group L.P. does not have any material assets other than its interests in certain wholly owned subsidiaries, which in turn have no material assets other than general partner interests in the Carlyle Holdings partnerships. These wholly owned subsidiaries are the sole general partners of the Carlyle Holdings partnerships and are vested with all management and control over the Carlyle Holdings partnerships. We do not believe that the equity interests of The Carlyle Group L.P. in its wholly owned subsidiaries or the general partner interests of these wholly owned subsidiaries in the Carlyle Holdings partnerships are investment securities. Moreover, because we believe that the capital interests of the general partners of our funds in their respective funds are neither securities nor investment securities, we believe that less than 40% of The Carlyle Group L.P.'s total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis are composed of assets that could be considered investment securities. Accordingly, we do not believe that

The Carlyle Group L.P. is an inadvertent investment company by virtue of the 40% test in section 3(a)(1)(C) of the Investment Company Act as described in the second bullet point above. In addition, we believe that The Carlyle Group L.P. is not an investment company under section 3(b)(1) of the Investment Company Act because it is primarily engaged in a non-investment company business.

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

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

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

For instance, in the last two years, the FASB has issued several accounting standard updates that will change how we account for and report significant areas of our business. Beginning in 2016, we are required to change the way we evaluate certain legal entities for consolidation. This accounting standard update is expected to reduce the number of funds we consolidate and will reduce our total assets, total liabilities and total partners' capital. Further, in May 2014, the FASB issued a final accounting standard that changes the way issuers recognize revenue in their financial statements. This new accounting method is expected to change how and when we account for and report performance fee revenues in our financial statements. The accounting change related to the recognition of revenue is effective January 1, 2018; however, we may choose to adopt the new standard retrospectively.

The changes to GAAP will also impose special demands on issuers in the areas of governance, employee training, internal controls and disclosure and will likely affect how we manage our business, as it will likely affect other business processes such as the design of compensation plans.

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

Under applicable US GAAP standards, we may be required to consolidate certain of our investment funds, holding companies or operating businesses if we determine that these entities are VIEs and that the Partnership is the primary beneficiary of the VIE. The consolidation of such entities could make it difficult for an investor to differentiate the assets, liabilities, and results of operations of the Partnership apart from the assets, liabilities, and results of operations of the consolidated VIEs. The assets of the consolidated VIEs are not available to meet our liquidity requirements and similarly we generally have not guaranteed or assumed any obligation for repayment of the liabilities of the consolidated VIEs. For example, under current US GAAP standards, we generally are required to consolidate onto our financial statements the CLOs that we manage. In 2015, we formed eight new CLOs and consolidated the financial positions and results of operations of such CLOs into our consolidated financial statements beginning on their respective formation dates or closing dates. The total assets and total liabilities of the CLOs included in the Partnership's consolidated financial statements were approximately $18.6 billion and $18.5 billion, respectively, as of December 31, 2015. In some circumstances, the issuance of credit or other financial support could trigger the consolidation of an entity onto our financial statements. For example, commencing with the issuance of credit support in connection with a potential tax liability of Carlyle Europe Real Estate Partners, L.P. ("CEREP I") in July 2012, CEREP I became a VIE and the Partnership became its primary beneficiary. Accordingly, as of that date, the Partnership began to consolidate the fund into its consolidated financial statements. As of December 31, 2015, this fund reported total assets of approximately $2.6 million and total liabilities of approximately $1.6 million.

As a public entity, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and requirements of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition, and provide an annual assessment of the effectiveness of our internal control over financial reporting. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal controls over financial reporting as required by the Exchange Act, significant resources and management oversight are required. We have implemented procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. The VIEs that we consolidate as the primary beneficiary are, subject to certain transition guidelines, included in our annual assessment of the effectiveness of our internal control over financial reporting under the Sarbanes-Oxley Act. As a result, we will need to continue to implement and oversee procedures and processes to integrate such operations into our internal control structure. If we are not able to implement or maintain the necessary procedures and processes, we may be unable to report our financial information on a timely or accurate basis and could be subject adverse consequences, including sanctions by the SEC or violations of applicable Nasdaq listing rules, and could result in a breach of the covenants under the agreements governing our financing arrangements. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements.

Risks Related to Our Common Units

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

The market price of our common units could decline as a result of sales of a large number of common units in the market in the future or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell common units in the future at a time and at a price that we deem appropriate. Subject to the lock-up restrictions described below, we may issue and sell in the future additional common units.

In addition, as of December 31, 2015, limited partners of the Carlyle Holdings partnerships owned an aggregate of 243,619,604 Carlyle Holdings partnership units. Pursuant to our exchange agreement with the limited partners of the Carlyle Holdings partnerships, the limited partners may, subject to any applicable vesting and minimum retained ownership requirements and transfer restrictions applicable to such limited partners as set forth in the partnership agreements of the Carlyle Holdings partnerships, on a quarterly basis (subject to the terms of the exchange agreement), exchange their Carlyle Holdings partnership units for The Carlyle Group L.P. common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. In addition, entities affiliated with Mubadala Development Company, an Abu-Dhabi based strategic development and investment company ("Mubadala") held 23,517,939 Carlyle Holdings partnership units as of December 31, 2015. Mubadala is generally entitled to exchange Carlyle Holdings partnerships units for common units (subject to the terms of the exchange agreement) and such common units would not be subject to transfer restrictions. We have entered into registration rights agreements with the limited partners of Carlyle Holdings that generally require us to register these common units under the Securities Act. See "Part III. Item 13. Certain Relationships, Related Transactions and Director Independence -Registration Rights Agreements." Provisions of the partnership agreements of the Carlyle Holdings partnerships and related agreements that contractually restrict the limited partners of the Carlyle Holdings partnerships' ability to transfer the Carlyle Holdings partnership units or The Carlyle Group L.P. common units they hold may lapse over time or be waived, modified or amended at any time.

Under our Equity Incentive Plan, we have granted 35,471,499 deferred restricted common units as of December 31, 2015. Additional common units and Carlyle Holdings partnership units will be available for future grant under our Equity Incentive Plan, which plan provides for automatic annual increases in the number of units available for future issuance. We have filed a registration statement and intend to file additional registration statements on Form S-8 under the Securities Act to register common units or securities convertible into or exchangeable for common units issued or available for future grant under our Equity Incentive Plan (including pursuant to automatic annual increases). Any such Form S-8 registration statement will automatically become effective upon filing. Accordingly, common units registered under such registration statement will be available for sale in the open market. Morgan Stanley, our equity plan service provider, may, from time to time, act as a broker, dealer, or agent for, or otherwise facilitate sales of our common units on behalf of, plan participants, including in connection with sales of common units to fund tax obligations payable in connection with awards under our Equity Incentive Plan.

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

If securities or industry analysts do not publish research or reports about our business, or if they downgrade their recommendations regarding our common units, our stock price and trading volume could decline.
The trading market for our common units is influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us downgrades our common units or publishes inaccurate or unfavorable research about our business, our common unit stock price may decline. If analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our common unit stock price or trading volume to decline and our common units to be less liquid.

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

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

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

In the past few years, stock markets have experienced extreme price and volume fluctuations. In the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against public companies. This type of litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.
Risks Related to U.S. Taxation
Our structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis.
The U.S. federal income tax treatment of common unitholders depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. You should be aware that the U.S. federal income tax rules are constantly under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and

interpretations. The IRS pays close attention to the proper application of tax laws to partnerships. The present U.S. federal income tax treatment of an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time, possibly on a retroactive basis, and any such action may affect investments and commitments previously made. Changes to the U.S. federal income tax laws and interpretations thereof could make it more difficult or impossible to meet the exception for us to be treated as a partnership for U.S. federal income tax purposes that is not taxable as a corporation (referred to as the "Qualifying Income Exception"), affect or cause us to change our investments and commitments, affect the tax considerations of an investment in us, change the character or treatment of portions of our income (including, for instance, the treatment of carried interest as ordinary income rather than capital gain) and adversely affect an investment in our common units. For example, as discussed above under "—Risks Related to Our Company— Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership for U.S. federal income tax purposes or required us to hold carried interest through taxable subsidiary corporations; and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted and apply to us, the after tax income and gain related to our business, as well as our distributions to you and the market price of our common units, could be reduced," the U.S. Congress has considered various legislative proposals to treat all or part of the capital gain and dividend income that is recognized by an investment partnership and allocable to a partner affiliated with the sponsor of the partnership (i.e., a portion of the carried interest) as ordinary income to such partner for U.S. federal income tax purposes.

Our organizational documents and governing agreements will permit our general partner to modify our limited partnership agreement from time to time, without the consent of the common unitholders, to address certain changes in U.S. federal income tax regulations, legislation or interpretation. In some circumstances, such revisions could have a material adverse impact on some or all common unitholders. For instance, our general partner could elect at some point to treat us as an association taxable as a corporation for U.S. federal (and applicable state) income tax purposes. If our general partner were to do this, the U.S. federal income tax consequences of owning our common units would be materially different. Moreover, we will apply certain assumptions and conventions in an attempt to comply with applicable rules and to report income, gain, deduction, loss and credit to common unitholders in a manner that reflects such common unitholders' beneficial ownership of partnership items, taking into account variation in ownership interests during each taxable year because of trading activity. As a result, a common unitholder transferring units may be allocated income, gain, loss and deductions realized after the date of transfer. However, those assumptions and conventions may not be in compliance with all aspects of applicable tax requirements. It is possible that the IRS will assert successfully that the conventions and assumptions used by us do not satisfy the technical requirements of the Internal Revenue Code and/or Treasury regulations and could require that items of income, gain, deductions, loss or credit, including interest deductions, be adjusted, reallocated or disallowed in a manner that adversely affects common unitholders.

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

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

If we were treated as a corporation for U.S. federal income tax purposes, we would pay U.S. federal income tax on our taxable income at the applicable tax rates. In addition, we would likely be liable for state and local income and/or franchise tax on all our income. Distributions to you would generally be taxed again as corporate distributions, and no income, gains, losses, deductions or credits would otherwise flow through to you. Because a tax would be imposed upon us as a corporation, our distributions to you would be substantially reduced which would cause a reduction in the value of our common units.

Current law may change, causing us to be treated as a corporation for U.S. federal or state income tax purposes or otherwise subjecting us to additional entity level taxation. See "— Risks Related to Our Company— Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership for U.S. federal income tax purposes or required us to hold carried interest through taxable subsidiary corporations; and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted and apply to us, the after tax income and gain related to our business, as well as our distributions to you and the market price of our common units, could be reduced." For example, because of widespread state budget deficits, several states are evaluating ways to subject partnerships to entity level taxation through the imposition of state income, franchise or other forms of taxation. If any state were to impose a tax upon us as an entity, our distributions to you would be reduced.

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

As long as 90% of our gross income for each taxable year constitutes qualifying income as defined in Section 7704 of the Internal Revenue Code and we are not required to register as an investment company under the Investment Company Act on a continuing basis, and assuming there is no change in law, we will be treated, for U.S. federal income tax purposes, as a partnership and not as an association or a publicly traded partnership taxable as a corporation. Accordingly, our common unitholders will be required to take into account their allocable share of our items of income, gain, loss and deduction.

Distributions to our common unitholders generally will be taxable for U.S. federal income tax purposes only to the extent the amount distributed exceeds their tax basis in the common unit. That treatment contrasts with the treatment of a shareholder in a corporation. For example, a shareholder in a corporation who receives a distribution of earnings from the corporation generally will report the distribution as dividend income for U.S. federal income tax purposes. In contrast, a holder of our common units who receives a distribution of earnings from us will not report the distribution as dividend income (and will treat the distribution as taxable only to the extent the amount distributed exceeds the unitholder's tax basis in the common units), but will instead report the holder's allocable share of items of our income for U.S. federal income tax purposes. As a result, you may be subject to U.S. federal, state, local and possibly, in some cases, foreign income taxation on your allocable share of our items of income, gain, loss, deduction and credit (including our allocable share of those items of any entity in which we invest that is treated as a partnership or is otherwise subject to tax on a flow through basis) for each of our taxable years ending with or within your taxable years, regardless of whether or not you receive cash distributions from us. See "—Risks Related to Our Company—Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership for U.S. federal income tax purposes or required us to hold carried interest through taxable subsidiary corporations; and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted and apply to us, the after tax income and gain related to our business, as well as our distributions to common unitholders and the market price of our common units, could be reduced."

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

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

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

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

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

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

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

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

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

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

In light of our intended investment activities, we generally do not expect to generate significant amounts of income treated as effectively connected income with respect to non-U.S. holders of our common units (“ECI”). However, there can be no assurance that we will not generate ECI currently or in the future and, subject to the qualifying income rules, we are under no obligation to minimize ECI. To the extent our income is treated as ECI, non-U.S. holders generally would be subject to withholding tax on their allocable shares of such income, would be required to file a U.S. federal income tax return for such year reporting their allocable shares of income effectively connected with such trade or business and any other income treated as ECI, and would be subject to U.S. federal income tax at regular U.S. tax rates on any such income (state and local income taxes and filings may also apply in that event). In addition, certain income of non-U.S. holders from U.S. sources not connected to any such U.S. trade or business conducted by us could be treated as ECI. Non-U.S. holders that are corporations may also be subject to a 30% branch profits tax on their allocable share of such income. In addition, certain income from U.S. sources that is not ECI allocable to non-U.S. holders will be reduced by withholding taxes imposed at the highest effective applicable tax rate. A portion of any gain recognized by a non-U.S. holder on the sale or exchange of common units could also be treated as ECI. Generally, under the Foreign Investment in Real Property Tax Act of 1980 (“FIRPTA”) provisions of the Internal Revenue Code, certain non-U.S. persons are subject to U.S. federal income tax in the same manner as U.S. persons on any gain realized on the disposition of an interest, other than an interest solely as a creditor, in U.S. real property. In December 2015, the Protecting Americans from Tax Hikes Act of 2015 was signed into law providing some exemptions from FIRPTA tax for certain types of non-U.S. persons. An interest in U.S. real property includes stock in a U.S. corporation (except for certain stock of publicly traded U.S. corporations) if interests in U.S. real property constitute 50% or more by value of the sum of the corporation’s assets used in a trade or business, its U.S. real property interests and its interests in real property located outside the United States (a “United States Real Property Holding Corporation” or “USRPHC”). The FIRPTA tax applies to certain non-U.S. holders holding an interest in a partnership that realizes gain in respect of an interest in U.S. real property or an interest in a USRPHC. We may, from time to time, make certain investments (other than direct investments in U.S. real property), for example, through one of our investment funds held by Carlyle Holdings II GP L.L.C. that could constitute investments in U.S. real property or USRPHCs. If we make such investments certain non U.S. holders will be subject to U.S. federal income tax under FIRPTA on such holder’s allocable share of any gain we realize on the disposition of a FIRPTA interest and will be subject to the tax return filing requirements regarding ECI discussed above.

Tax-exempt entities face unique tax issues from owning common units that may result in adverse tax consequences to them.

In light of our intended investment activities, we generally do not expect to make investments directly in operating businesses that generate significant amounts of unrelated business taxable income for tax-exempt holders of our common units ("UBTI"). However, certain of our investments may be treated as debt-financed investments, which may give rise to debt-financed UBTI. Accordingly, no assurance can be given that we will not generate UBTI currently or in the future and, subject to the qualifying income rules, we are under no obligation to minimize UBTI. Consequently, a holder of common units that is a tax-exempt organization may be subject to "unrelated business income tax" to the extent that its allocable share of our income consists of UBTI. A tax-exempt partner of a partnership could be treated as earning UBTI if the partnership regularly engages in a trade or business that is unrelated to the exempt function of the tax-exempt partner, if the partnership derives income from debt-financed property or if the partnership interest itself is debt-financed.

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

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

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

The sale or exchange of 50% or more of our capital and profit interests will result in the termination of our partnership for U.S. federal income tax purposes. We will be considered to have been terminated for U.S. federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. Our termination would, among other things, result in the closing of our taxable year for all common unitholders and could result in a deferral of depreciation deductions allowable in computing our taxable income.

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

Legislation was recently enacted that significantly changes the rules for U.S. federal income tax audits of partnerships. Such audits will continue to be conducted at the partnership level, but with respect to tax returns for taxable years beginning after December 31, 2017, and, unless a partnership qualifies for and affirmatively elects an alternative procedure, any adjustments to the amount of tax due (including interest and penalties) will be payable by the partnership. Under the elective alternative procedure, a partnership would issue information returns to persons who were partners in the audited year, who would then be required to take the adjustments into account in calculating their own tax liability, and the partnership would not be liable for the adjustments. If a partnership elects the alternative procedure for a given adjustment, the amount of taxes for which its partners would be liable would be increased by any applicable penalties and a special interest charge. There can be no assurance that we will be eligible to make such an election or that we will, in fact, make such an election for any given adjustment. If we do not or are not able to make such an election, then (1) our then-current common unitholders, in the aggregate, could indirectly bear income tax liabilities in excess of the aggregate amount of taxes that would have been due had we elected the alternative procedure, and (2) a given common unitholder may indirectly bear taxes attributable to income allocable to other common unitholders or former common unitholders, including taxes (as well as interest and penalties) with respect to periods prior to such holder's ownership of common units. Amounts available for distribution to our common unitholders may be reduced as a result of our obligation to pay any taxes associated with an adjustment. Many issues and the overall effect of this new legislation on us are uncertain, and we are currently assessing the impact of this new legislation.

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

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

Common unitholders may be subject to state and local taxes and return filing requirements as a result of investing in our common units.

In addition to U.S. federal income taxes, our common unitholders may be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property now or in the future, even if our common unitholders do not reside in any of those jurisdictions. Our common unitholders may also be required to file state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions. Further, common unitholders may be subject to penalties for failure to comply with those requirements. It is the responsibility of each common unitholder to file all U.S. federal, state and local tax returns that may be required of such common unitholder. Our counsel has not rendered an opinion on the state or local tax consequences of an investment in our common units.

We may not be able to furnish to each unitholder specific tax information within 90 days after the close of each calendar year, which means that holders of common units who are U.S. taxpayers should anticipate the need to file annually a request for an extension of the due date of their income tax return. In addition, it is possible that common unitholders may be required to file amended income tax returns.

As a publicly traded partnership, our operating results, including distributions of income, dividends, gains, losses or deductions and adjustments to carrying basis, will be reported on Schedule K-1 and distributed to each unitholder annually. Although we currently intend to distribute Schedule K-1s on or around 90 days after the end of our fiscal year, it may require longer than 90 days after the end of our fiscal year to obtain the requisite information from all lower-tier entities so that K-1s may be prepared for us. For this reason, holders of common units who are U.S. taxpayers should anticipate that they may need to file annually with the IRS (and certain states) a request for an extension past April 15 or the otherwise applicable due date of their income tax return for the taxable year.

In addition, it is possible that a common unitholder will be required to file amended income tax returns as a result of adjustments to items on the corresponding income tax returns of the partnership. Any obligation for a common unitholder to file amended income tax returns for that or any other reason, including any costs incurred in the preparation or filing of such returns, is the responsibility of each common unitholder.

We may hold or acquire certain investments through an entity classified as a PFIC or CFC for U.S. federal income tax purposes.

Certain of our investments may be in foreign corporations or may be acquired through a foreign subsidiary that would be classified as a corporation for U.S. federal income tax purposes. Such an entity may be a PFIC or a CFC for U.S. federal income tax purposes. U.S. holders of common units indirectly owning an interest in a PFIC or a CFC may experience adverse U.S. tax consequences.

Changes in U.S. and foreign tax law could adversely affect our ability to raise funds from certain foreign investors.

Under the Foreign Account Tax Compliance Act (“FATCA”), a broadly defined class of foreign financial institutions are required to comply with a complicated and expansive reporting regime or be subject to certain U.S. withholding taxes. In connection with this regulation, various foreign governments have entered into intergovernmental agreements, or IGAs, with the U.S. government. The reporting obligations imposed under FATCA require foreign financial institutions to enter into agreements with the IRS to obtain and disclose information about certain account holders and investors to the IRS (or in the case of certain foreign financial institutions that are resident in a jurisdiction that has entered into an IGA to implement this legislation, the foreign financial institutions may comply with revised diligence and reporting obligations of such IGA). Additionally, certain non-U.S. entities that are not foreign financial institutions are required to provide certain certifications or other information regarding their U.S. beneficial ownership or be subject to certain U.S. withholding taxes. Failure to comply with these requirements could expose us and/or our investors to a 30% withholding tax on certain U.S. payments (and beginning in 2019, a 30% withholding tax on gross proceeds from the sale of U.S. stocks and securities), and possibly limit our ability to open bank accounts and secure funding in the global capital markets. The administrative and economic costs of compliance with FATCA may discourage some foreign investors from investing in U.S. funds, which could adversely affect our ability to raise funds from these investors. In addition, we expect to incur additional expenses related to our compliance with such regulations. Other countries, such as the United Kingdom and the Cayman Islands, have implemented regimes similar to that of FATCA.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located in leased office space at 1001 Pennsylvania Avenue, NW, Washington, D.C. We also lease the space for our other 35 offices, including our office in Arlington, Virginia, which houses our treasury, tax and finance functions. We do not own any real property. We consider these facilities to be suitable and adequate for the management and operation of our business.

ITEM 3. LEGAL PROCEEDINGS

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

Along with many other companies and individuals in the financial sector, the Partnership and Carlyle Mezzanine Partners, L.P. (“CMP”) are named as defendants in Foy v. Austin Capital, a case filed in June 2009, pending in the State of New Mexico’s First Judicial District Court, County of Santa Fe, which purports to be a qui tam suit on behalf of the State of New Mexico under the state Fraud Against Taxpayers Act (“FATA”). The suit alleges that investment decisions by New Mexico public investment funds were improperly influenced by campaign contributions and payments to politically connected placement agents. The plaintiffs seek, among other things, actual damages for lost income, rescission of the investment transactions described in the complaint and disgorgement of all fees received. In May 2011, the Attorney General of New Mexico moved to dismiss certain defendants including the Partnership and CMP on the grounds that separate civil litigation by the Attorney General is a more effective means to seek recovery for the State from these defendants. The Attorney General has brought two civil actions against certain of those defendants, not including the Partnership defendants. The Attorney General has stated that its investigation is continuing and it may bring additional civil actions. Foy v. Austin Capital was stayed while the plaintiff pursued an interlocutory appeal on the question of whether FATA could be applied retroactively to events that occurred prior to its effective date. In June 2015, the New Mexico Supreme Court ruled that FATA could be applied retroactively in certain circumstances and activity related to the suit resumed in the fall of 2015. A new judge has been appointed to hear the case and the Attorney General recently moved to dismiss the entire litigation so that the Attorney General can pursue its own recovery from the defendants in the action. Oral argument on that motion to dismiss is scheduled for April 2016.

Carlyle Capital Corporation Limited (“CCC”) was a fund sponsored by the Partnership that invested in AAA-rated residential mortgage backed securities on a highly leveraged basis. In March of 2008, amidst turmoil throughout the mortgage markets and money markets, CCC filed for insolvency protection in Guernsey. The Guernsey liquidators who took control of CCC in March 2008 filed a suit on July 7, 2010 against the Partnership, certain of its affiliates and the former directors of CCC in the Royal Court of Guernsey seeking $1.0 billion in damages in a case styled Carlyle Capital Corporation Limited v. Conway et al. The Guernsey liquidators allege that the Partnership and the CCC board of directors were negligent, grossly negligent or willfully mismanaged the CCC investment program and breached certain fiduciary duties allegedly owed to CCC and its shareholders. The liquidators further allege (among other things) that the directors and the Partnership put the interests of the Partnership ahead of the interests of CCC and its shareholders and gave priority to preserving and enhancing the Partnership’s reputation and its “brand” over the best interests of CCC. On July 24, 2013, plaintiffs filed an amended complaint, which contained further detail in support of the existing claims but no new defendants or claims. On December 20, 2013, defendants filed a defense to the amended complaint and on June 30, 2014 plaintiffs filed their reply. In September 2015, the liquidators served expert reports. Expert witness reports for defendants were served during the first week of February 2016. The Court has set a pretrial conference for early April 2016 and trial is scheduled for June 2016.

The Partnership currently is and expects to continue to be, from time to time, subject to examinations, formal and informal inquiries and investigations by various U.S. and non-U.S. governmental and regulatory agencies, including but not limited to, the SEC, Department of Justice, state attorney generals, FINRA and the U.K. Financial Conduct Authority. The Partnership routinely cooperates with such examinations, inquiries and investigations, and they may result in the commencement of civil, criminal, or administrative or other proceedings against the Partnership or its personnel. Recently, the SEC has informally requested additional information about our historical practices relating to the acceleration of monitoring fees received from our portfolio companies. We are cooperating fully with the SEC's inquiry.

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

ITEM 4. MINE SAFETY DISCLOSURES
Not Applicable.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES
Our common units representing limited partner interests in The Carlyle Group L.P. are traded on the NASDAQ Global Select Market under the symbol “CG.” Our common units began trading on the NASDAQ Global Select Market Exchange on May 3, 2012.
The number of holders of record of our common units as of February 19, 2016 was 28. This does not include the number of unitholders that hold shares in “street name” through banks or broker-dealers.
Cash Distribution Policy
It is Carlyle’s intention to cause Carlyle Holdings to make quarterly distributions to its partners, including The Carlyle Group L.P.’s wholly owned subsidiaries, that will enable The Carlyle Group L.P. to pay a quarterly distribution of approximately 75% of Distributable Earnings per common unit, net of taxes and amounts payable under the tax receivable agreement, for the quarter. Carlyle’s general partner may adjust the distribution for amounts determined to be necessary or appropriate to provide for the conduct of its business, to make appropriate investments in its business and its funds or to comply with applicable law or any of its financing agreements, or to provide for future cash requirements such as tax-related payments, clawback obligations and distributions to unitholders for any ensuing quarter. The amount to be distributed could also be adjusted upward in any one quarter.

Notwithstanding the foregoing, the declaration and payment of any distributions will be at the sole discretion of our general partner, which may change our distribution policy at any time. Our general partner will take into account general economic and business conditions, our strategic plans and prospects, our business and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, legal, tax and regulatory restrictions, other constraints on the payment of distributions by us to our common unitholders or by our subsidiaries to us, and such other factors as our general partner may deem relevant.

Distributions for the 2014 fiscal year and prior years, including the fourth quarter distribution, were determined in accordance with Carlyle’s distribution policy in effect for those years. For those periods, Carlyle Holdings made quarterly distributions to its partners, including The Carlyle Group L.P.'s wholly owned subsidiaries, that enabled The Carlyle Group L.P. to pay a quarterly distribution of $0.16 per common unit for each of the first three quarters of each year and for the fourth quarter of each year, to pay a distribution of at least $0.16 per common unit that, taken together with the prior quarterly distributions in respect of that year, represented its share, net of taxes and amounts payable under the tax receivable agreement, of Carlyle's Distributable Earnings in excess of the amount determined by Carlyle's general partner that was necessary or appropriate to provide for the conduct of Carlyle's business, to make appropriate investments in its business and its funds or to comply with applicable law or any of its financing agreements. The aggregate amount of our distributions for those years were less than our Distributable Earnings for that year due to these funding requirements.
Because The Carlyle Group L.P. is a holding partnership and has no material assets other than its ownership of partnership units in Carlyle Holdings held through wholly owned subsidiaries, we will fund distributions by The Carlyle Group L.P., if any, in three steps:

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

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

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

Because our wholly owned subsidiaries must pay taxes and make payments under the tax receivable agreement, the amounts ultimately distributed by us to our common unitholders are expected to be less, on a per unit basis, than the amounts distributed by the Carlyle Holdings partnerships to the other limited partners of the Carlyle Holdings partnerships in respect of their Carlyle Holdings partnership units.

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

Under the Delaware Limited Partnership Act, we may not make a distribution to a partner if after the distribution all our liabilities, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of our assets. If we were to make such an impermissible distribution, any limited partner who received a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act would be liable to us for the amount of the distribution for three years. In addition, the terms of our credit facility provide certain limits on our ability to make distributions. See "Management's Discussion and Analysis of Financial Condition and Results of Operation — Liquidity and Capital Resources."

With respect to distribution year 2015, the Board of Directors of our general partner has declared cumulative distributions to common unitholders totaling approximately $163.7 million, or $2.07 per common unit, consisting of (i) $0.29 per common unit in respect of the fourth quarter of 2015, which is payable on March 2, 2016 to common unitholders of record on February 23, 2016, (ii) $0.56 per common unit in respect of the third quarter of 2015, which was paid on November 24, 2015, (iii) $0.89 per common unit in respect of the second quarter of 2015, which was paid in August 2015, and (iv) $0.33 per common unit in respect of the first quarter of 2015, which was paid in May 2015. Distributions to common unitholders paid during the calendar year ended December 31, 2015 were $251.0 million, representing the distributions paid in March 2015 of $1.61 per common unit with respect to the fourth quarter of 2014, $0.33 per common unit with respect to the first quarter of 2015, $0.89 per common unit with respect to the second quarter of 2015, and $0.56 per common unit with respect to the third quarter of 2015.

With respect to distribution year 2014, the Board of Directors of our general partner declared distributions to common unitholders totaling approximately $143.2 million, or $2.09 per common unit, consisting of $0.16 per common unit in respect of each of the first three quarters of 2014 and an additional distribution in respect of the fourth quarter of 2014 of $1.61 per common unit (approximately $110.9 million), which is payable on March 6, 2015 to holders of record of common units at the close of business on February 23, 2015. Distributions to common unitholders paid during the calendar year ended December 31, 2014 were $102.7 million, representing the amount paid in March 2014 of $1.40 per common unit with respect to the fourth quarter of 2013 and the $0.16 per common unit quarterly distributions paid in each of May, August and November of 2014.

With respect to distribution year 2013, the Board of Directors of our general partner declared distributions to common unitholders totaling approximately $93.5 million, or $1.88 per common unit, consisting of $0.16 per common unit in respect of each of the first three quarters of 2013 and an additional distribution in respect of the fourth quarter of 2013 of $1.40 per common unit ($70.4 million) which was paid in March 2014. Distributions to common unitholders paid during the calendar year ended December 31, 2013 were $59.9 million, representing the amount paid in March 2013 of $0.85 per common unit with respect to the fourth quarter of 2012 and the $0.16 per common unit quarterly distributions paid in each of May, August and November of 2013.

With respect to distribution year 2015, we declared distributions to the other limited partners of Carlyle Holdings totaling approximately $530.1 million, or $2.17 per Carlyle Holdings unit, consisting of (i) $0.35 per Carlyle Holdings unit in respect of the fourth quarter of 2015, which is payable on March 1, 2016 to Carlyle Holdings unitholders of record on February 23, 2016, (ii) $0.60 per Carlyle Holdings unit in respect of the third quarter of 2015, which was paid in November 2015, (iii) $0.89 per Carlyle Holdings unit in respect of the second quarter of 2015, which was paid in August 2015, and (iv)

$0.33 per Carlyle Holdings unit in respect of the first quarter of 2015, which was paid in May 2015. Distributions to the other limited partners of Carlyle Holdings paid during the calendar year ended December 31, 2015 were $848.5 million, representing the distributions paid in March 2015 of $1.61 per Carlyle Holdings unit with respect to the fourth quarter of 2014, $0.33 per Carlyle Holdings unit with respect to the first quarter of 2015, $0.89 per Carlyle Holdings unit with respect to the second quarter of 2015, and $0.60 per Carlyle Holdings unit with respect to the third quarter of 2015.

With respect to distribution year 2014, we declared distributions to the other limited partners of Carlyle Holdings totaling approximately $524.5 million, or $2.09 per Carlyle Holdings unit, consisting of the distributions declared in respect of the first three quarters of 2014 and an additional distribution in respect of the fourth quarter of 2014 of $1.61 per Carlyle Holdings unit (approximately $404.1 million), which is payable on March 5, 2015 to holders of record of Carlyle Holdings units at the close of business on February 23, 2015. Distributions to the other limited partners of Carlyle Holdings paid during the calendar year ended December 31, 2014 were $486.9 million, representing the quarterly distributions paid in each of March, May, August, and November of 2014.

With respect to distribution year 2013, we declared distributions to the other limited partners of Carlyle Holdings totaling approximately $515.9 million, or $1.97 per Carlyle Holdings unit, consisting of the distributions declared in respect of the first three quarters of 2013 and an additional distribution in respect of the fourth quarter of 2013 of $1.40 per Carlyle Holdings unit ($366.5 million), which was paid in March 2014. Distributions to the other limited partners of Carlyle Holdings paid during the calendar year ended December 31, 2013 were $372.9 million, representing the quarterly distributions paid in each of March, May, August, and November of 2013.

The following table sets forth the high and low sales prices per unit of our common units, for the periods indicated:

	Sales Price			
	2015		2014	
	High	Low	High	Low
First Quarter	$29.18	$24.42	$39.38	$31.29
Second Quarter	$31.88	$27.11	$35.99	$28.78
Third Quarter	$28.96	$16.60	$35.99	$29.07
Fourth Quarter	$20.65	$14.78	$30.69	$25.21

No purchases of our common units were made by us or on our behalf during the quarter ended December 31, 2015.

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

Sales of Unregistered Securities

None.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data presents selected data on the financial condition and results of operations of The Carlyle Group L.P. and, for periods prior to May 8, 2012, the financial condition and results of operations of Carlyle Group, the predecessor of The Carlyle Group L.P., which is comprised of the combined accounts of the holding entities that owned our business prior to the reorganization in connection with the initial public offering (the “former Parent Entities”) as well as their majority-owned subsidiaries. Carlyle Group is considered the predecessor of The Carlyle Group L.P. for accounting purposes, and its combined and consolidated financial statements are the historical financial statements of The Carlyle Group L.P. This financial data should be read together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical financial statements and related notes included in this Annual Report on Form 10-K.

We derived the following selected consolidated financial data of The Carlyle Group L.P. as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014, and 2013 from the audited consolidated financial statements included in this Annual Report on Form 10-K. The selected consolidated financial data as of December 31, 2013 were derived from the audited consolidated financial statements of The Carlyle Group L.P. which are not included in this Annual Report on Form 10-K. The selected consolidated financial data as of December 31, 2012 and 2011 and for the years ended December 31, 2012 and

2011 were derived from the historical audited combined and consolidated financial statements of Carlyle Group which are not included in this Annual Report on Form 10-K. Historical results are not necessarily indicative of results for any future period.

For periods prior to the reorganization and initial public offering in May 2012, net income was determined in accordance with U.S. GAAP for partnerships and was not comparable to net income of a corporation. For the periods prior to May 2012, all distributions and compensation for services rendered by senior Carlyle professionals was reflected as distributions from equity rather than compensation expense. The historical consolidated financial statements have been prepared on substantially the same basis for all historical periods presented; however, the consolidated funds are not the same entities in all periods shown due to changes in U.S. GAAP, changes in fund terms and the creation and termination of funds.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(Dollars in millions, except per unit data)				
Statement of Operations Data					
Revenues					
Fund management fees	$1,085.2	$1,166.3	$984.6	$977.6	$915.5
Total Performance fees	824.9	1,674.4	2,375.3	1,041.1	1,121.6
Investment income (loss)	15.2	(7.2)	18.8	36.4	78.4
Interest and other income and revenues	1,080.9	1,046.8	1,062.5	918.0	729.8
Total Revenues	3,006.2	3,880.3	4,441.2	2,973.1	2,845.3
Total Expenses	3,468.4	3,775.4	3,693.9	2,291.2	1,347.1
Other Income (Loss)	864.4	887.0	696.7	1,758.0	(315.4)
Income before provision for income taxes	402.2	991.9	1,444.0	2,439.9	1,182.8
Provision for income taxes	2.1	76.8	96.2	40.4	28.5
Net income	400.1	915.1	1,347.8	2,399.5	1,154.3
Net income (loss) attributable to non-controlling interests in consolidated entities	537.9	485.5	676.0	1,756.7	(202.6)
Net income (loss) attributable to Carlyle Holdings	(137.8)	429.6	671.8	642.8	$1,356.9
Net income (loss) attributable to non-controlling interests in Carlyle Holdings	(119.4)	343.8	567.7	622.5	
Net income (loss) attributable to The Carlyle Group L.P.	$(18.4)	$85.8	$104.1	$20.3	
Net income (loss) attributable to The Carlyle Group L.P. per common unit					
Basic	$(0.24)	$1.35	$2.24	$0.48	
Diluted	$(0.30)	$1.23	$2.05	$0.41	
Distributions declared per common unit	$3.39	$1.88	$1.33	$0.27	

	As of December 31,				
	2015	2014	2013	2012	2011
	(Dollars in millions)				
Balance Sheet Data					
Cash and cash equivalents	$991.5	$1,242.0	$966.6	$567.1	$509.6
Investments and accrued performance fees	$3,874.5	$4,727.2	$4,418.9	$3,073.7	$2,644.0
Investments of Consolidated Funds(1)	$23,998.8	$26,028.8	$26,886.4	$24,815.7	$19,507.3
Total assets	$32,191.0	$35,994.3	$35,622.3	$31,566.6	$24,651.7
Loans payable and senior notes	$1,145.1	$1,146.9	$940.6	$886.3	$860.9
Loans payable of Consolidated Funds	$17,064.7	$16,052.2	$15,220.7	$13,656.7	$9,689.9
Total liabilities	$23,267.5	$23,138.3	$20,892.9	$17,983.8	$13,561.1
Redeemable non-controlling interests in consolidated entities	$2,845.9	$3,761.5	$4,352.0	$2,887.4	$1,923.4
Total partners' capital	$6,077.6	$9,094.5	$10,377.4	$10,695.4	$9,167.2

(1) The entities comprising our Consolidated Funds are not the same entities for all periods presented. On July 1, 2011, we completed the acquisitions of ESG and 60% of AlpInvest and consolidated these entities as well as certain of their managed funds from that date forward. On February 28, 2012, we acquired certain European CLO management contracts from Highland Capital Management L.P. and consolidated those CLOs from that date forward. We also formed four CLOs throughout 2012, six CLOs throughout 2013, eight CLOs throughout 2014, and eight CLOs throughout 2015 and consolidated those CLOs beginning on their respective formation dates or closing dates. The consolidation or deconsolidation of funds generally has the effect of grossing up or down, respectively, reported assets, liabilities, and cash flows, and has no effect on net income attributable to The Carlyle Group L.P. or partners' capital.

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

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

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

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

Overview

We conduct our operations through four reportable segments: Corporate Private Equity, Global Market Strategies, Real Assets and Investment Solutions.

- Corporate Private Equity — Our Corporate Private Equity segment advises our 22 buyout and 10 growth capital funds, which seek a wide variety of investments of different sizes and growth potentials. As of December 31, 2015, our Corporate Private Equity segment had approximately $63 billion in AUM and approximately $41 billion in Fee-earning AUM.

- Global Market Strategies — Our Global Market Strategies segment advises a group of 68 funds that pursue investment opportunities across structured credit, distressed debt, corporate and energy mezzanine debt, middle-market and senior debt, as well as credit, emerging markets and commodities-focused hedge funds and a mutual fund. As of December 31, 2015, our Global Market Strategies segment had approximately $35 billion in AUM and approximately $31 billion in Fee-earning AUM.

- Real Assets — Our Real Assets segment advises our eight U.S. and internationally focused real estate funds, our infrastructure fund, our two power funds, our international energy fund, as well as our five Legacy Energy funds (funds that we jointly advise with Riverstone). The segment also includes six NGP management fee funds and three carry funds advised by NGP. As of December 31, 2015, our Real Assets segment had approximately $38 billion in AUM and approximately $31 billion in Fee-earning AUM.

- Investment Solutions — Our Investment Solutions segment advises a global private equity fund of funds program and related co-investment and secondary activities across 118 fund of funds vehicles. As of December 31, 2015, our Investment Solutions segment had approximately $46 billion in AUM and approximately $28 billion in Fee-earning AUM.

We earn management fees pursuant to contractual arrangements with the investment funds that we manage and fees for transaction advisory and oversight services provided to portfolio companies of these funds. We also typically receive a performance fee from an investment fund, which may be either an incentive fee or a special residual allocation of income, which we refer to as a carried interest, in the event that specified investment returns are achieved by the fund. Under U.S. generally accepted accounting principles ("U.S. GAAP"), we are required to consolidate some of the investment funds that we advise. However, for segment reporting purposes, we present revenues and expenses on a basis that deconsolidates these investment funds. Accordingly, our segment revenues primarily consist of fund management and related advisory fees, performance fees (consisting of incentive fees and carried interest allocations), investment income, including realized and unrealized gains on our investments in our funds and other trading securities, as well as interest and other income. Our segment expenses primarily consist of compensation and benefits expenses, including salaries, bonuses, performance payment arrangements, and equity-based compensation excluding awards granted in our initial public offering or in connection with acquisitions and strategic investments, and general and administrative expenses. Refer to Note 18 to the consolidated financial statements included in this Annual Report on Form 10-K for more information on the differences between our financial results reported pursuant to U.S. GAAP and our financial results for segment reporting purposes.

Trends Affecting our Business

Our results of operations, particularly our quarterly results, are affected by a variety of factors, including global economic, market and financial conditions, particularly in the United States, Europe and Asia. In general, a climate of stable interest rates and liquidity in the debt and equity capital markets provides a positive environment for us to invest, develop and exit investments in our carry funds at attractive returns. Periods of volatility and dislocation in the capital markets also can present us with significant opportunities to invest at reduced valuations that position us for future revenue growth. For our hedge funds, opportunities to generate revenue depend on their respective investment strategies, certain of which may benefit from higher market volatility, including strategies targeted at capitalizing on low levels of correlation in equity and debt markets, differences in market prices versus fundamental value and trading inefficiencies. While our business is subject to global economic and market factors, we believe that our diversified, multi-product global platform, which invests across numerous industries, asset classes and geographies, enhances the stability of our management fee revenues and distributable earnings over the long term. Our diversified platform mitigates our exposure to a negative event associated with any specific fund, investment or vintage. Whether in stable or more volatile economic conditions, of critical importance to the success of our investments is the quality of our management teams as they actively work to monitor shifts in economic conditions and their impact on our investments.

The increase in financial market volatility observed over the course of 2015 and into the beginning of 2016 generally is attributable to three primary and interrelated factors: concerns regarding the economic climate in China, crude oil prices and the availability of credit. In China, there has been a significant slowdown in the industrial sector. As China accounts for nearly 25% of global manufacturing output and is a key link in global supply chains, a slowdown in China's industrial sector has a direct negative impact on global industrial orders. At the same time, the decline in Chinese demand for industrial inputs has contributed to a reduction in the capital spending of global businesses operating in the energy, metals, and mining industries because low commodity prices generally do not support new capital investment in businesses in these industries. The industrial sector of the U.S. economy is also contracting as a result of the significant reduction in energy-related capital spending. In January 2016, the Federal Reserve announced that its industrial production index declined by 0.4% in December, resulting in a full-year decline of 1.8%, the first 12-month decline in U.S. industrial output since 2009. Energy accounted for 70% of U.S. net industrial investment between 2009 and 2014 so with energy-related orders falling by 30%, many manufacturers are reporting their worst numbers since 2009.

The uncertainty around crude oil prices has also contributed to the increasingly uncertain investment environment and has had spillover effects across the chain of energy production, transmission, storage and consumption and has also affected the credit markets. Losses on energy related credit transactions have caused lenders, particularly in the U.S., to exercise caution in extending credit in all sectors, which has caused a tightening of credit availability for our transactions. We have not seen the same level of credit contraction in Europe and Asia and have remained quite active in those markets. In 2015, our European buyout and growth funds invested $1.0 billion in 14 transactions and our Asia buyout and growth funds and Japan buyout funds invested $1.4 billion in 13 transactions and closed 4 initial public offerings. As of December 31, 2015, we had capital available for investment through our carry funds of $44 billion. In 2015, we invested approximately $8.8 billion in new and existing investments across our carry fund portfolio, which is slightly less than our average over the last five years of $9.5 billion. Given increased competition for investments, and the effect, particularly in Europe and Asia, of the strong dollar against foreign currencies, the internal rates of return we are able to generate may be lower than our historical rates, but we continue to follow our core investment tenets and disciplined approach to make investments where we believe we can create value and achieve appreciation. We have a long-term investment horizon and the capital deployed in any one quarter may vary significantly from the capital deployed in any other quarter or the quarterly average of capital deployed in any given year.

The confluence of effects from economic conditions in China, crude prices and tightening credit markets and the resulting market volatility, particularly at the beginning of 2016, also negatively impacted the value of our public portfolio, which accounts for approximately 26% of our total carry fund portfolio as of December 31, 2015. While changing valuations do not have a cash impact on our business until the investment is realized, they are reflected in the quarterly valuations of our portfolio and can adversely impact our quarterly GAAP earnings. Volatility and the corresponding heightened market uncertainty may also impact our ability to execute block trades and pursue initial public offerings as an exit strategy for our privately held portfolio companies. However, while in 2015 global IPO issuances were down 47% year-over-year on a proceeds basis and were at the lowest levels since 2009, our funds completed seven initial public offerings in 2015 as compared to six in 2014.

Recent Transactions

In February 2016, the Board of Directors of our general partner declared a distribution of $0.29 per common unit to common unitholders in respect of the fourth quarter of 2015 payable on March 2, 2016 to holders of record of common units at the close of business on February 23, 2016.

In February 2016, the Board of Directors of the general partner of the Partnership authorized the repurchase of up to $200 million of common units and/or Carlyle Holdings units. Under this unit repurchase program, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. We expect that the majority of repurchases under this program will be done via open market transactions. No units will be repurchased from our executive officers under this program. The timing and actual number of common units and/or Carlyle Holdings units repurchased will depend on a variety of factors, including legal requirements, price, and economic and market conditions. This unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date.

Key Financial Measures

Our key financial measures are discussed in the following pages.

Revenues

Revenues primarily consist of fund management fees, performance fees, investment income, including realized and unrealized gains of our investments in our funds and other trading securities, as well as interest and other income. See "— Critical Accounting Policies — Performance Fees" and Note 2 to the consolidated financial statements included in this Annual Report on Form 10-K for additional information regarding the manner in which management fees and performance fees are generated.

Fund Management Fees. Fund management fees include (i) management fees and (ii) transaction and portfolio advisory fees. Management fees are fees we earn for advisory services we provide to funds in which we hold a general partner interest or with which we have an investment advisory or investment management agreement. Management fees are based on (a) third parties' capital commitments to our investment funds, (b) third parties' remaining capital invested in our investment funds at cost or at the lower of cost or aggregate remaining fair value, (c) gross assets, excluding cash and cash equivalents, (d) for the private equity and real estate fund of funds vehicles following the expiration of the commitment period or weighted-average investment period of such vehicles, the lower of cost or fair value of the capital invested, the net asset value for unrealized investments, or the contributions for unrealized investments, (e) the total par amount of assets for our CLOs and the aggregate principal amount of the notes of our other structured products, or (f) the net asset value ("NAV") of certain of our investment funds, as described in our consolidated financial statements. Additionally, management fees include catch-up management fees, which are episodic in nature and represent management fees charged to fund investors in subsequent closings of a fund which apply to the time period between the fee initiation date and the subsequent closing date.

Management fees for funds in our corporate private equity funds, closed-end carry funds in the global market strategies segment and real assets funds generally range from 1% to 2% of commitments during the investment period of the relevant fund. Large funds tend to have lower effective management fee rates, while smaller funds tend to have effective management fee rates approaching 2.0%. Following the expiration or termination of the investment period of such funds, the management fees generally step-down to between 0.6% and 2.0% generally on the lower of cost or fair value of capital invested; however, certain of our managed accounts base management fees at all times on contributions for unrealized investments or the current value of the investment. Depending upon the contracted terms of investment advisory or investment management and related agreements, these fees are called semiannually in advance and are recognized as earned over the subsequent six month period. As a result, cash on hand and deferred revenue will generally be higher at or around January and July, which are the semiannual due dates for management fees.

Management fees for our private equity and real estate fund of funds vehicles generally range from 0.3% to 1.0% on 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 0.3% to 1.0% on the lower of cost or fair value of the capital invested, the NAV for unrealized investments, or the contributions for unrealized investments. The management fees for our fund of hedge funds vehicles generally range 0.2% to 1.5% of NAV. Management fees for our Investment Solutions segment are generally due quarterly and are recognized over the related quarter.

Our hedge funds generally pay management fees quarterly that range from 1.5% to 2.0% of NAV per year.

Management fees for our business development companies are due quarterly in arrears at annual rates that range from 0.25% to 1.0% of gross assets, excluding cash and cash equivalents. Management fees for our CLOs and other structured products typically range from 0.15% to 1.0% on the total par amount of assets or the aggregate principal amount of the notes in the CLO and are due quarterly or semiannually based on the terms and recognized over the relevant period. Our management fees for our CLOs/structured products and credit opportunities funds are governed by indentures and collateral management agreements.

With respect to Claren Road and ESG, we retain a specified percentage of the management fees of the businesses based on our economic ownership in the management companies of 55%. Through the second quarter of 2015, we retained 55% of the management fees of Carlyle Commodity Management L.L.C. (“CCM” or “Carlyle Commodity Management”, formerly Vermillion) based on our 55% economic interest in Carlyle Commodity Management. Effective July 1, 2015, based on a restructuring of the original acquisition agreements of Carlyle Commodity Management, in which the Partnership's economic interest increased to approximately 83%, we are entitled to approximately 83% of the management fees of Carlyle Commodity Management. Management fees are not subject to repayment but may be offset to the extent that other fees are earned as described below under “—Transaction and Portfolio Advisory Fee.”

Management fees attributable to Carlyle Partners VI, L.P. (“CP VI”), our sixth U.S. buyout fund with approximately $12.0 billion of Fee-earning AUM as of December 31, 2015, were approximately 15% and 14% of total management fees recognized during the years ended December 31, 2015 and 2014, respectively. Management fees attributable to Carlyle Partners V, L.P. (“CP V”), our fifth U.S. buyout fund, were approximately 11% of total management fees recognized during the year ended December 31, 2013. No other fund generated over 10% of total management fees in the periods presented.

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

Transaction and Portfolio Advisory Fees. Transaction and portfolio advisory fees are fees we receive for the transaction and portfolio advisory services we provide to our portfolio companies. When covered by separate contractual agreements, we recognize transaction and portfolio advisory fees for these services when the service has been provided and collection is reasonably assured. We are required to offset our fund management fees earned by a percentage of the transaction and advisory fees earned, which we refer to as the “rebate offsets.” Such rebate offset percentages generally approximate 80% of the fund's portion of the transaction and advisory fees earned. The recognition of portfolio advisory fees and transaction fees can be volatile as they are primarily generated by investment activity within our funds, and therefore are impacted by our investment pace. We have received and expect to continue to receive requests from a variety of investors and groups representing investors to increase the percentage of transaction and advisory fees we share with our investors in future funds; to the extent that we accommodate such requests on future funds, the rebate offset percentages would increase relative to historical levels.

Performance Fees. Performance fees consist principally of the special residual allocation of profits to which we are entitled, commonly referred to as carried interest, from certain of our investment funds, which we refer to as the “carry funds.” We are generally entitled to a 20% allocation (or 10% to 20% on external coinvestment vehicles, with some earning no carried interest, or approximately 2% to 10% in the case of most of our fund of funds vehicles) of the net realized income or gain as a carried interest after returning the invested capital, the allocation of preferred returns of generally 8% to 9% and the return of certain fund costs (subject to catch-up provisions as set forth in the fund limited partnership agreement). Carried interest revenue, which is a component of performance fees in our consolidated financial statements, is recognized by Carlyle upon appreciation of the valuation of our funds’ investments above certain return hurdles as set forth in each respective partnership agreement and is based on the amount that would be due to us pursuant to the fund partnership agreement at each period end as if the funds were liquidated at such date. Accordingly, the amount of carried interest recognized as performance fees reflects our share of the fair value gains and losses of the associated funds’ underlying investments measured at their then-current fair values relative to the fair values as of the end of the prior period. As a result, the performance fees earned in an applicable reporting period are not indicative of any future period, as fair values are based on conditions prevalent as of the reporting date. Refer to “ —Trends Affecting our Business” for further discussion. Carried interest is ultimately realized and distributed when: (i) an underlying investment is profitably disposed of, (ii) certain costs borne by the limited partner investors have been reimbursed, (iii) the investment fund’s cumulative returns are in excess of the preferred return and (iv) we have decided to collect carry rather than return additional capital to limited partner investors. Our decision to realize carry considers such factors as the level of embedded valuation gains, the portion of the fund invested, the portion of the fund returned to limited partner investors, and the length of time the fund has been in carry, as well as other qualitative measures. The portion of performance fees that are realized and unrealized in each period are separately reported in our statement of operations.

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

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

Performance fees from Carlyle Europe Partners III, L.P. ("CEP III"), Carlyle Asia Partners III ("CAP III"), Carlyle Realty Partners VI, L.P. ("CRP VI"), and Carlyle/Riverstone Global Energy and Power Fund III, L.P. ("Energy III") (with total AUM of approximately $4.9 billion, $2.4 billion, $2.9 billion, and $0.5 billion, respectively) were $236.8 million, $184.5 million, $101.1 million, and $(100.3) million, respectively, for the year ended December 31, 2015. Performance fees from CP V and CEP III were $600.8 million and $584.0 million, respectively, for the year ended December 31, 2014. Performance fees from CP V, CEP III, and Carlyle Partners IV, L.P. ("CP IV"), our fourth U.S. buyout fund, were $592.0 million, $509.1 million, and $390.1 million, respectively, for the year ended December 31, 2013. No other fund generated over 10% of performance fees in the periods presented.

Realized carried interest may be clawed-back or given back to the fund if the fund's investment values decline below certain return hurdles, which vary from fund to fund. When the fair value of a fund's investments remains constant or falls below certain return hurdles, previously recognized performance fees are reversed. In all cases, each investment fund is considered separately in evaluating carried interest and potential giveback obligations. For any given period, carried interest income could thus be negative; however, cumulative performance fees can never be negative over the life of a fund. In addition, we are not obligated to pay guaranteed returns or hurdles. If upon a hypothetical liquidation of a fund's investments at the then-current fair values, previously recognized and distributed carried interest would be required to be returned, a liability is established in our financial statements for the potential giveback obligation. As discussed below, each individual recipient of realized carried interest typically signs a guarantee agreement or partnership agreement that personally obligates such person to return his/her pro rata share of any amounts of realized carried interest previously distributed that are later clawed back. Accordingly, carried interest as performance fee compensation is subject to return to the Partnership in the event a giveback obligation is funded. Generally, the actual giveback liability, if any, does not become due until the end of a fund's life.

In addition to the carried interest from our carry funds, we are also entitled to receive incentive fees or allocations from certain of our Global Market Strategies funds when the return on AUM exceeds previous calendar-year ending or date-of-investment high-water marks. Our hedge funds generally pay annual incentive fees or allocations equal to 20% of the fund's profits for the year, subject to a high-water mark. The high-water mark is the highest historical NAV attributable to a fund investor's account on which incentive fees were paid and means that we will not earn incentive fees with respect to such fund investor for a year if the NAV of such investor's account at the end of the year is lower that year than any prior year-end NAV or the NAV at the date of such fund investor's investment, generally excluding any contributions and redemptions for purposes of calculating NAV. In these arrangements, incentive fees are recognized when the performance benchmark has been achieved based on the hedge funds' then-current fair value and are included in performance fees in our consolidated statements of operations. These incentive fees are a component of performance fees in our consolidated financial statements and are treated as accrued until paid to us.

For any given period, performance fee revenue on our statement of operations may include reversals of previously recognized performance fees due to a decrease in the value of a particular fund that results in a decrease of cumulative performance fees earned to date. Since fund return hurdles are cumulative, previously recognized performance fees also may be reversed in a period of appreciation that is lower than the particular fund's hurdle rate. For the years ended December 31, 2015 2014, and 2013, the reversals of performance fees were $253.4 million, $255.4 million, and $63.0 million, respectively.

Additionally, unrealized performance fees reverse when performance fees are realized and can be negative if the amount of realized performance fees exceed total performance fees generated in the period.

As of December 31, 2015, accrued performance fees and accrued giveback obligations were approximately $3.0 billion and $252.0 million, respectively, after amounts eliminated related to the Consolidated Funds. Each balance assumes a hypothetical liquidation of the funds' investments at December 31, 2015 at their then current fair values.

These assets and liabilities will continue to fluctuate in accordance with the fair values of the fund investments until they are realized.

In addition, realized performance fees may be reversed in future periods to the extent that such amounts become subject to a giveback obligation. If at December 31, 2015, all investments held by our carry funds were deemed worthless, the amount of realized and previously distributed performance fees subject to potential giveback would be approximately $1.9 billion, on an after-tax basis where applicable. See the related discussion of “Contingent Obligations (Giveback)” within “— Liquidity and Capital Resources.” Since Carlyle's inception, we have repaid a total of approximately $53.9 million in

aggregate giveback obligations, which was funded primarily through collection of employee receivables related to giveback obligations and from non-controlling interests for their portion of the obligation.
As described above, each investment fund is considered separately in evaluating carried interest and potential giveback obligations. As a result, performance fees within funds will continue to fluctuate primarily due to certain investments within each fund constituting a material portion of the carry in that fund. Additionally, the fair value of investments in our funds may have substantial fluctuations from period to period.
In addition, in our discussion of our non-GAAP results, we use the term "net performance fees" to refer to the performance fees from our funds net of the portion allocated to our investment professionals and certain tax expenses associated with carried interest attributable to certain partners and employees, which are reflected as performance fee related compensation expense. We use the term "realized net performance fees" to refer to realized performance fees from our funds, net of the portion allocated to our investment professionals and certain tax expenses associated with carried interest attributable to certain partners and employees, which are reflected as realized performance fee related compensation expense. See "— Non-GAAP Financial Measures" for the amount of realized and unrealized performance fees recognized each period. See "— Segment Analysis" for the realized and unrealized performance fees by segment and related discussion for each period.
Fair Value Measurement. U.S. GAAP establishes a hierarchal disclosure framework which ranks the observability of market price inputs used in measuring financial instruments at fair value. The observability of inputs is impacted by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices, or for which fair value can be measured from quoted prices in active markets, will generally have a higher degree of market price observability and a lesser degree of judgment applied in determining fair value.

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 type of financial instruments included in Level I include unrestricted securities, including equities and derivatives, listed in active markets. We do not adjust the quoted price for these instruments, even in situations where we hold 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 type of financial instruments in this category includes 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. Investments in hedge funds are classified in this category when their net asset value is redeemable without significant restriction.
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. Financial instruments that are included 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 the fair value is based on unobservable inputs. Investments in fund of funds are generally included in this category.
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. Our 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.

The table below summarizes the valuation of investments and other financial instruments included within our AUM, by segment and fair value hierarchy levels, as of December 31, 2015 (amounts in millions):

	As of December 31, 2015				
	Corporate Private Equity	Global Market Strategies	Real Assets	Investment Solutions	Total
Consolidated Results					
Level I	$8,291	$5,592	$3,740	$1,049	$18,672
Level II	13	1,328	217	1,110	2,668
Level III	27,422	22,815	18,671	30,657	99,565
Total Fair Value	35,726	29,735	22,628	32,816	120,905
Other Net Asset Value	3,206	1,769	(498)	(804)	3,673
Total AUM, Excluding Available Capital Commitments	38,932	31,504	22,130	32,012	124,578
Available Capital Commitments	24,212	3,751	15,861	14,193	58,017
Total AUM	$63,144	$35,255	$37,991	$46,205	$182,595

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.

Investment professionals with responsibility for the underlying investments are responsible for preparing the investment valuations pursuant to the policies, methodologies and templates prepared by our valuation group, which is a team made up of dedicated valuation professionals reporting to our chief accounting officer. The valuation group is responsible for maintaining our valuation policy and related guidance, templates and systems that are designed to be consistent with the guidance found in U.S. GAAP. 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 are comprised of the respective fund head(s), segment head, chief financial officer and chief accounting officer, as well as members from 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 is comprised of our co-chief executive officers, president and chief operating officer, chief risk officer, chief financial officer, chief accounting officer, deputy chief investment officers for Corporate Private Equity, the business segment heads, and observed by the chief compliance officer, the director of internal audit, and our audit committee. Additionally, each quarter a sample of valuations is reviewed by external valuation firms.

In the absence of observable market prices, we value our 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 involves 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 in Note 4 of our consolidated financial statements included in this Annual Report on Form 10-K.

Investment Income, Interest, and Other Income. Investment income, interest, and other income represent the unrealized and realized gains and losses on our principal investments, including our investments in Carlyle funds that are not consolidated, our equity method investments and other principal investments, as well as any interest and other income. Investment income (loss) also includes the related amortization of the basis difference between the carrying value of our investment and our share of the underlying net assets of the investee, as well as the compensation expense associated with compensatory arrangements provided by us to employees of our equity method investee. Realized investment income (loss) is recorded when we redeem all or a portion of our investment or when we receive or are due cash income, such as dividends or distributions. A realized investment loss is also recorded when an investment is deemed to be worthless. Unrealized investment income (loss) results from changes in the fair value of the underlying investment, as well as the reversal of previously recognized unrealized gains (losses) at the time an investment is realized.

Interest and Other Income of Consolidated Funds. Interest and other income of Consolidated Funds primarily represents the interest earned on CLO assets. However, the Consolidated Funds are not the same entities in all periods presented and may change in future periods due to changes in U.S. GAAP, changes in fund terms and terminations of funds.
Revenue of a Consolidated Real Estate VIE. Revenue of a consolidated real estate VIE consists of revenue generated by Urbplan, which primarily is revenue earned for land development services using the completed contract method and investment income earned on Urbplan’s investments. Under the completed contract method of revenue recognition, revenue is not recognized until the period in which the land development services contract is completed.
Net Investment Gains (Losses) of Consolidated Funds. Net investment gains (losses) of Consolidated Funds measures the change in the difference in fair value between the assets and the liabilities of the Consolidated Funds. A gain (loss) indicates that the fair value of the assets of the Consolidated Funds appreciated more (less), or depreciated less (more), than the fair value of the liabilities of the Consolidated Funds. A gain or loss is not necessarily indicative of the investment performance of the Consolidated Funds and does not impact the management or incentive fees received by Carlyle for its management of the Consolidated Funds. The portion of the net investment gains (losses) of Consolidated Funds attributable to the limited partner investors is allocated to non-controlling interests. Therefore a gain or loss is not expected to have a material impact on the revenues or profitability of the Partnership. Moreover, although the assets of the Consolidated Funds are consolidated onto our balance sheet pursuant to U.S. GAAP, ultimately we do not have recourse to such assets and such liabilities are generally non-recourse to us. Therefore, a gain or loss from the Consolidated Funds generally does not impact the assets available to our equity holders.
Expenses
Compensation and Benefits. Compensation includes salaries, bonuses, equity-based compensation, and performance payment arrangements. Bonuses are accrued over the service period to which they relate.
We recognize as compensation expense the portion of performance fees that are due to our employees, senior Carlyle professionals, and advisors in a manner consistent with how we recognize the performance fee revenue. These amounts are accounted for as compensation expense in conjunction with the related performance fee revenue and, until paid, are recognized as a component of the accrued compensation and benefits liability. Compensation in respect of performance fees is paid when the related performance fees are realized, and not when such performance fees are accrued. The funds do not have a uniform allocation of performance fees to our employees, senior Carlyle professionals and advisors. Therefore, for any given period, the ratio of performance fee compensation to performance fee revenue may vary based on the funds generating the performance fee revenue for that period and their particular allocation percentages.
In addition, we have implemented various equity-based compensation arrangements that require senior Carlyle professionals and other employees to vest ownership of a portion of their equity interests over a service period of up to 42 months, which under U.S. GAAP will result in compensation charges over current and future periods. Further, in order to recruit and retain existing and future senior Carlyle professionals and other employees, we have implemented additional equity-based compensation programs that have resulted in increases to our equity-based compensation expenses, which is a trend that may continue in the future if we increase the use of deferred restricted common units. For example, in February 2016, we granted approximately 5 million deferred restricted common units across a significant number of our employees for a total estimated grant-date fair value of approximately $58 million; these awards vest over a period of 18 to 42 months. Compensation charges associated with the equity-based compensation grants issued in our initial public offering in May 2012 or grants issued in acquisitions or strategic investments are excluded from our calculation of Economic Net Income. Compensation charges associated with all equity-based compensation grants are excluded from Fee Related Earnings and Distributable Earnings.
We may hire additional individuals and overall compensation levels may correspondingly increase, which could result in an increase in compensation and benefits expense. As a result of acquisitions, we have charges associated with contingent consideration taking the form of earn-outs and profit participation, some of which are reflected as compensation expense. Our fundraising has increased in recent periods and, as a result, our compensation expense increased in periods in which we closed on increased levels of new capital commitments. Amounts due to employees

related to such fundraising will be expensed when earned even though the benefit of the new capital and related fees will be reflected in operations over the life of the related fund.

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

We also could incur additional expenses in the future related to our acquisitions including amortization of acquired intangibles, earn-outs to equity holders and fair value adjustments on contingent consideration issued, as well as related to our global compliance efforts. As discussed in Note 7 to the consolidated financial statements, we evaluate our intangible assets (including goodwill) for impairment and could record additional impairment losses in future periods.

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

Interest and Other Expenses of a Consolidated Real Estate VIE. Interest and other expenses of a consolidated real estate VIE reflect expenses incurred by Urbplan, consisting primarily of interest expense, general and administrative expenses, compensation and benefits, and costs associated with land development services. Also included in this caption is the change in our estimate of the fair value of Urbplan’s loans payable during the period.

Income Taxes. The Carlyle Holdings partnerships and their subsidiaries primarily operate as pass-through entities for U.S. income tax purposes and record a provision for state and local income taxes for certain entities based on applicable laws and a provision for foreign income taxes for certain foreign entities. In addition, Carlyle Holdings I GP Inc. is subject to additional entity-level taxes that are reflected in our consolidated financial statements.

Income taxes for foreign entities are accounted for using the asset and liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period in which the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some or all of the deferred tax assets will not be realized.

In the normal course of business, we are subject to examination by federal and certain state, local and foreign tax regulators. As of December 31, 2015, our U.S. federal income tax returns for the years 2012 through 2014 are open under the normal three-year statute of limitations and therefore subject to examination. State and local tax returns are generally subject to audit from 2011 to 2014. Foreign tax returns are generally subject to audit from 2008 to 2014. Certain of our affiliates are currently under audit by federal, state and foreign tax authorities.

Non-controlling Interests in Consolidated Entities. Non-controlling interests in consolidated entities represent the component of equity in consolidated entities not held by us. These interests are adjusted for general partner allocations and by subscriptions and redemptions in hedge funds which occur during the reporting period. Non-controlling interests related to hedge funds are subject to quarterly or monthly redemption by investors in these funds following the expiration of a specified period of time or may be withdrawn subject to a redemption fee in the hedge funds during the period when capital may not be withdrawn. As limited partners in these types of funds have been granted redemption rights, amounts relating to third-party interests in such consolidated funds are presented as redeemable non-controlling interests in consolidated entities within the consolidated balance sheets. When redeemable amounts become legally payable to investors, they are classified as a liability and included in other liabilities of Consolidated Funds in the consolidated balance sheets.

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

Non-GAAP Financial Measures

Economic Net Income. Economic net income or "ENI," is a key performance benchmark used in our industry. ENI represents segment net income which includes certain tax expense associated with performance fee compensation and excludes the impact of all other income taxes, changes in the tax receivable agreement liability, acquisition-related items including amortization and any impairment charges of acquired intangibles and contingent consideration taking the form of earn-outs, charges associated with equity-based compensation grants issued in May 2012 upon completion of the initial public offering or grants issued in acquisitions or strategic investments, corporate actions and infrequently occurring or unusual events. We believe the inclusion or exclusion of these items provides investors with a meaningful indication of our core operating performance. For segment reporting purposes, revenues and expenses, and accordingly segment net income, are presented on a basis that deconsolidates the Consolidated Funds. Total Segment ENI equals the aggregate of ENI for all segments. This measure supplements and should be considered in addition to and not in lieu of the results of operations discussed further under "Consolidated Results of Operations" prepared in accordance with U.S. GAAP.

Fee Related Earnings. Fee Related Earnings is a component of Economic Net Income and measures our operating profitability exclusive of performance fees, investment income from investments in our funds, performance fee-related compensation, equity-based compensation expense, and certain general, administrative and other expenses when the timing of any future payment is uncertain. Accordingly, Fee Related Earnings reflect the ability of the business to cover direct base compensation and operating expenses from fee revenues other than performance fees. Fee Related Earnings are reported as part of our segment results. We use Fee Related Earnings from operations to measure our profitability from fund management fees.

Distributable Earnings. Distributable Earnings is FRE plus realized net performance fees and realized investment income. Distributable Earnings is intended to show the amount of net realized earnings without the effects of consolidation of the Consolidated Funds. Distributable Earnings is derived from our segment reported results and is an additional measure to assess performance and amounts potentially available for distribution from Carlyle Holdings to its unitholders. Distributable Earnings is evaluated regularly by management in making resource deployment decisions and in assessing performance of our four segments and for compensation. We believe that reporting Distributable Earnings is helpful to understanding our business and that investors should review the same supplemental financial measure that management uses to analyze our segment performance.

Operating Metrics

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

Fee-earning Assets under Management

Fee-earning assets under management or Fee-earning AUM refers to the assets we manage or advise from which we derive recurring fund management fees. Our Fee-earning AUM generally equals the sum of:

(a) for substantially all carry funds and certain co-investment vehicles where the original investment period has not expired, and for Metropolitan fund of funds vehicles during the weighted-average investment period of the underlying funds, the amount of limited partner capital commitments, and for AlpInvest fund of funds vehicles, the amount of external investor capital commitments during the commitment fee period, and for the NGP management fee funds and certain carry funds advised by NGP, the amount of investor capital commitments before the first investment realization (see "Fee-earning AUM based on capital commitments" in the table below for the amount of this component at each period);

(b) for substantially all carry funds and certain co-investment vehicles where the original investment period has expired and for Metropolitan fund of funds vehicles after the expiration of the weighted-average investment period of the underlying funds, the remaining amount of limited partner invested capital at cost, and for the NGP management fee funds and certain carry funds advised by NGP where the first investment has been realized, the amount of partner commitments less realized and written-off investments (see "Fee-earning AUM based on invested capital" in the table below for the amount of this component at each period);

(c) the amount of aggregate fee-earning collateral balance at par of our collateralized loan obligations ("CLOs"), as defined in the fund indentures (typically exclusive of equities and defaulted positions) as of the quarterly cut-off date for each CLO, and the aggregate principal amount of the notes of our other structured products (see "Fee-earning AUM based on collateral balances, at par" in the table below for the amount of this component at each period);

(d) the net asset value of our mutual fund and the external investor portion of the net asset value (pre-redemptions and subscriptions) of our long/short credit funds, emerging markets, multi-product macroeconomic, fund of hedge funds vehicles and other hedge funds (see "Fee-earning AUM based on net asset value" in the table below for the amount of this component at each period);

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

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

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

	As of December 31,		
	2015	2014	2013
Consolidated Results	(Dollars in millions)		
Components of Fee-earning AUM			
Fee-earning AUM based on capital commitments (1)	$47,745	$38,956	$41,839
Fee-earning AUM based on invested capital (2)	33,823	41,197	43,170
Fee-earning AUM based on collateral balances, at par (3)	17,896	17,631	16,465
Fee-earning AUM based on net asset value (4)	9,634	14,884	13,593
Fee-earning AUM based on lower of cost or fair value and other (5)	21,896	22,912	24,882
Balance, End of Period (6)	$130,994	$135,580	$139,949

(1) Reflects limited partner capital commitments where the original investment period, weighted-average investment period, or commitment fee period has not expired. Increases of $8.8 billion from December 31, 2014 are related primarily to fundraising in our Corporate Private Equity and Real Assets funds, offset by net changes from commitments to invested capital in our Investment Solutions funds and decreases from foreign exchange of $1.0 billion.

(2) Reflects limited partner invested capital at cost and includes amounts committed to or reserved for investments for certain Real Assets and Investment Solutions funds. Decreases of $7.4 billion from December 31, 2014 are primarily related to large distributions for funds outside their original commitment periods in our Corporate Private Equity and Real Assets segments, along with decreases for foreign exchange of approximately $0.5 billion.

(3) Represents the amount of aggregate Fee-earning collateral balances and principal balances, at par, for our CLOs/structured products. The overall increase of $0.3 billion from December 31, 2014 is related to fundraising of $4.6 billion for nine structured products. Fundraising was offset by decreases in the collateral balances, at par, of our structured products, in addition to decreases from foreign exchange of $0.6 billion.

(4) Reflects the net asset value (pre-redemptions and subscriptions) of our hedge funds, mutual fund and fund of hedge funds vehicles. The decrease from December 31, 2014 of $5.3 billion was due to net redemptions and market depreciation in our hedge funds and fund of hedge fund vehicles of $4.5 billion and $0.7 billion, respectively. Our hedge fund partnerships had outstanding redemption requests for $3.1 billion in the aggregate as of the beginning of the first quarter of 2016. Also, as disclosed in Note 3 to the consolidated financial statements, we commenced a wind down of the operations of Diversified Global Asset Management in our Investment Solutions segment in the first quarter of 2016, which had approximately $2 billion of Fee-earning AUM as of December 31, 2015.

(5) Includes funds with fees based on gross asset value. The decrease of $1.0 billion from December 31, 2014 was primarily related to foreign exchange decreases of $1.6 billion and distributions in our funds based on lower of cost or fair value in our Investment Solutions segment.

(6) Energy II, Energy III, Energy IV, Renew I, and Renew II (collectively, the “Legacy Energy Funds”), are managed with Riverstone Holdings LLC and its affiliates. Affiliates of both Carlyle and Riverstone act as investment advisers to each of the Legacy Energy Funds. With the exception of Energy IV and Renew II, where Carlyle has a minority representation on the funds’ management committees, management of each of the Legacy Energy Funds is vested in committees with equal representation by Carlyle and Riverstone, and the consent of representatives of both Carlyle and Riverstone is required for investment decisions. As of December 31, 2015, the Legacy Energy Funds had, in the aggregate, approximately $6.3 billion in AUM and $5.8 billion in Fee-earning AUM. We are no longer raising capital for the Legacy Energy Funds and expect these balances to continue to decrease over time as the funds wind down.

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

	Year Ended December 31,		
	2015	2014	2013
Consolidated Results	(Dollars in millions)		
Fee-earning AUM Rollforward			
Balance, Beginning of Period	$135,580	$139,949	$123,121
Acquisitions	—	2,894	2,235
Inflows, including Commitments (1)	22,950	16,893	27,600
Outflows, including Distributions (2)	(18,940)	(19,143)	(16,522)
Subscriptions, net of Redemptions (3)	(4,528)	(277)	959
Changes in CLO collateral balances (4)	850	1,887	56
Market Appreciation/(Depreciation) (5)	(1,147)	(957)	988
Foreign Exchange and other (6)	(3,771)	(5,666)	1,512
Balance, End of Period	$130,994	$135,580	$139,949

(1) Inflows represent limited partner capital raised and capital invested by our carry funds, NGP management fee funds, and fund of funds vehicles outside the investment period, weighted-average investment period or commitment fee period. Inflows do not include amounts raised of $4.5 billion for which fees have not yet commenced as of December 31, 2015.

(2) Outflows represent limited partner distributions from our carry funds, NGP management fee funds, and fund of funds vehicles and changes in basis for our carry funds and fund of funds vehicles where the investment period, weighted-average investment period or commitment fee period has expired.

(3) Represents the net result of subscriptions to and redemptions from our hedge funds, mutual fund and fund of hedge funds vehicles. Our hedge fund partnerships had outstanding redemption requests for $3.1 billion in the aggregate as of the beginning of the first quarter of 2016. Also, as disclosed in Note 3 to the consolidated financial statements, we commenced a wind down of the operations of Diversified Global Asset Management in our Investment Solutions segment in the first quarter of 2016, which had approximately $2 billion of Fee-earning AUM as of December 31, 2015.

(4) Represents the change in the aggregate Fee-earning collateral balances at par of our CLOs/structured products, as of the quarterly cut-off dates.

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

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

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

Assets under Management

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

(a) the fair value of the capital invested in Carlyle carry funds, co-investment vehicles, NGP management fee funds and fund of funds vehicles 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.

Our carry funds are closed-ended funds and investors are generally not able to redeem their interests under the fund partnership agreements.

We include in our calculation of AUM and Fee-earning AUM certain energy and renewable resources funds that we jointly advise with Riverstone and certain NGP management fee funds and carry funds that are advised by NGP.

For our carry funds, co-investment vehicles, fund of funds vehicles, and NGP management fee 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 at cost, 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 Fee-earning AUM and AUM may differ from the calculations of other alternative asset managers and, as a result, this measure may not be comparable to similar measures presented by others. In addition, our calculation of AUM includes uncalled commitments to, and the fair value of invested capital in, our funds from Carlyle and our personnel, regardless of whether such commitments or invested capital are subject to management or performance fees. Our calculations of Fee-earning AUM or AUM are not based on any definition of Fee-earning AUM or AUM that is set forth in the agreements governing the investment funds that we manage or advise.

We generally use Fee-earning AUM as a metric to measure changes in the assets from which we earn recurring management fees. Total AUM tends to be a better measure of our investment and fundraising performance as it reflects assets at fair value plus available uncalled capital.

Available Capital

Available capital, commonly known as “dry powder,” for our carry funds, fund of funds vehicles and NGP management fee funds refer to the amount of capital commitments available to be called for investments. Amounts previously called may be added back to available capital following certain distributions. “Expired Available Capital” occurs when a fund has passed the investment and follow-on periods and can no longer invest capital into new or existing deals. Any remaining Available Capital, typically a result of either recycled distributions or specific reserves established for the follow-on period that are not drawn, can only be called for fees and expenses and is therefore removed from the Total AUM calculation.

The table below provides the period to period rollforward of Available Capital and Fair Value of Capital, and the resulting rollforward of Total AUM.

	Available Capital	Fair Value of Capital	Total AUM
	(Dollars in millions)		
Consolidated Results			
Balance, As of December 31, 2012	$43,934	$126,222	$170,156
Acquisitions	622	1,599	2,221
Commitments (1)	18,495	—	18,495
Capital Called, net (2)	(13,924)	14,047	123
Distributions (3)	2,552	(26,701)	(24,149)
Subscriptions, net of Redemptions (4)	—	992	992
Changes in CLO collateral balances (5)	—	399	399
Market Appreciation/(Depreciation) (6)	—	18,444	18,444
Foreign exchange and other (7)	339	1,790	2,129
Balance, As of December 31, 2013	$52,018	$136,792	$188,810
Acquisitions	—	2,993	2,993
Commitments (1)	20,306	—	20,306
Capital Called, net (2)	(16,415)	16,198	(217)
Distributions (3)	3,650	(34,230)	(30,580)
Subscriptions, net of Redemptions (4)	—	(160)	(160)
Changes in CLO collateral balances (5)	—	2,087	2,087
Market Appreciation/(Depreciation) (6)	—	19,227	19,227
Foreign exchange and other (7)	(1,688)	(6,305)	(7,993)
Balance, As of December 31, 2014	$57,871	$136,602	$194,473
Commitments (1)	17,456	—	17,456
Capital Called, net (2)	(17,461)	17,278	(183)
Distributions (3)	1,305	(31,306)	(30,001)
Subscriptions, net of Redemptions (4)	—	(4,622)	(4,622)
Changes in CLO collateral balances (5)	—	1,602	1,602
Market Appreciation/(Depreciation) (6)	—	9,773	9,773
Foreign exchange and other (7)	(1,154)	(4,749)	(5,903)
Balance, As of December 31, 2015	$58,017	$124,578	$182,595

(1) Represents capital raised by our carry funds, NGP management fee funds and fund of funds vehicles, net of expired available capital.

(2) Represents capital called by our carry funds, NGP management fee funds and fund of funds vehicles, net of fund fees and expenses and investments in our business development companies. Equity invested amounts may vary from capital called due to timing differences between investment acquisition and capital call dates.

(3) Represents distributions from our carry funds, NGP management fee funds and fund of funds vehicles, net of amounts recycled and distributions from our business development companies. Distributions are based on when proceeds are actually distributed to investors, which may differ from when they are realized.

(4) Represents the net result of subscriptions to and redemptions from our hedge funds, mutual fund, and fund of hedge funds vehicles. Our hedge fund partnerships had outstanding redemption requests for $3.1 billion in the aggregate as of the beginning of the first quarter of 2016. Also, as disclosed in Note 3 to the consolidated financial statements, we commenced a wind down of the operations of Diversified Global Asset Management in our Investment Solutions segment in the first quarter of 2016, which had approximately $2 billion of AUM as of December 31, 2015.

(5) Represents the change in the aggregate collateral balance and principal cash at par of the CLOs/structured products.

(6) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments and changes in the net asset value of our hedge funds, mutual fund, and fund of hedge funds vehicles. Appreciation for the fourth quarter was primarily driven by appreciation in the public portfolio of our carry funds of $1.0 billion (7%) which

was partially offset by depreciation in the private portfolio of our carry funds of $0.1 billion (0%). Remaining market appreciation for the fourth quarter of 2015 primarily relates to appreciation in our fund of funds vehicles of $0.8 billion, partially offset by depreciation on the NGP management fee funds of $0.7 billion. Appreciation for the twelve months ended December 31, 2015 was primarily driven by appreciation in the public portfolio of our carry funds of $2.4 billion (13%) and appreciation in the private portfolio of our carry funds of $1.2 billion (3%). Remaining market appreciation for the twelve months ended December 31, 2015 primarily relates to the fund of funds vehicles ($7.7 billion), offset by depreciation on the NGP management fee funds ($1.5 billion) and hedge funds ($0.7 billion).

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

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

(1) Carry funds only, excluding external coinvestment.

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

(3) Public portfolio includes initial public offerings ("IPO") that occurred in the quarter. Investments may be reported as private in quarters prior to the IPO quarter.

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

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Consolidation of Certain Carlyle Funds and Variable Interest Entities

Pursuant to U.S. GAAP, we consolidate certain Carlyle sponsored funds, related co-investment entities and CLOs that we advise, which we refer to collectively as the Consolidated Funds, in our consolidated financial statements. These funds represent approximately 13.7% of our AUM as of December 31, 2015, approximately 12% of our fund management fees and approximately 4% of our performance fees for the year ended December 31, 2015.

We are not required under U.S. GAAP to consolidate in our financial statements most of the investment funds we advise because such funds provide their limited partners with the right to dissolve the fund without cause by a simple majority vote of the non-Carlyle affiliated limited partners, which overcomes the presumption of control by Carlyle. However, we consolidate certain CLOs that we advise as a result of the application of the accounting standards governing consolidations. As of December 31, 2015, our consolidated CLOs held approximately $19 billion of total assets and comprised 71% of the assets of the Consolidated Funds and substantially all of the loans payable of the Consolidated Funds. As of December 31, 2015, our consolidated AlpInvest fund of funds vehicles had approximately $4 billion of total assets and comprised 16% of the assets of the Consolidated Funds. The remainder of the assets of the Consolidated Funds as of December 31, 2015 primarily relate to our consolidated hedge funds and other consolidated funds. The assets and liabilities of the Consolidated Funds are generally held within separate legal entities and, as a result, the liabilities of the Consolidated Funds are non-recourse to us.

Generally, the consolidation of the Consolidated Funds has a gross-up effect on our assets, liabilities and cash flows but has no net effect on the net income attributable to the Partnership and partners' capital. The majority of the net economic ownership interests of the Consolidated Funds are reflected as non-controlling interests in consolidated entities, redeemable non-controlling interests in consolidated entities, and partners' capital appropriated for Consolidated Funds in the consolidated financial statements. For further information, see Note 2 to the consolidated financial statements included in this Annual Report on Form 10-K.

Because only a small portion of our funds are consolidated, the performance of the Consolidated Funds is not necessarily consistent with or representative of the combined performance trends of all of our funds.

In addition, as described in Note 17 to the consolidated financial statements included in this Annual Report on Form 10-K, as of September 30, 2013, we began consolidating Urbplan, a Brazilian real estate portfolio company of certain of our real estate investment funds. Due to the timing and availability of financial information of Urbplan, we consolidate the financial position and results of operations of Urbplan on a financial reporting lag of 90 days. As of December 31, 2015, our consolidated financial statements included approximately $191 million of assets related to Urbplan.

On February 18, 2015, the FASB issued ASU 2015-2, Consolidation (Topic 810): Amendments to the Consolidation Analysis. ASU 2015-2 provides a revised consolidation model for all reporting entities to use in evaluating whether they should consolidate certain legal entities. All legal entities will be subject to reevaluation under this revised consolidation model. The revised consolidation model, among other things, (i) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, (ii) eliminates the presumption that a general partner should consolidate a limited partnership, and (iii) modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships. This guidance in ASU 2015-2 is effective for us beginning on January 1, 2016. As a result, the Partnership will reduce the number of funds consolidated by the Partnership on January 1, 2016. See Note 2 to our consolidated financial statements included in this Annual Report on Form 10-K for more information.

Consolidated Results of Operations

The following table and discussion sets forth information regarding our consolidated results of operations for the years ended December 31, 2015, 2014 and 2013. Our consolidated financial statements have been prepared on substantially the same basis for all historical periods presented; however, the consolidated funds are not the same entities in all periods shown due to changes in U.S. GAAP, changes in fund terms and the creation and termination of funds. We formed six CLOs in 2013, eight CLOs in 2014, and eight CLOs in 2015 and consolidated those CLOs beginning on their respective formation dates or closing dates. As further described below, the consolidation of these funds had the impact of increasing interest and other income of Consolidated Funds, interest and other expenses of Consolidated Funds, and net investment gains (losses) of Consolidated Funds in the year that the fund is initially consolidated. The consolidation of these funds had no effect on net income attributable to the Partnership for the periods presented. In addition, as described in Note 17 to the consolidated financial statements included in this Annual Report on Form 10-K, as of September 30, 2013, we began consolidating Urbplan, a Brazilian real estate portfolio company of certain of our real estate investment funds.

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions, except unit and per unit data)		
Revenues			
Fund management fees	$1,085.2	$1,166.3	$984.6
Performance fees			
Realized	1,441.9	1,328.7	1,176.7
Unrealized	(617.0)	345.7	1,198.6
Total performance fees	824.9	1,674.4	2,375.3
Investment income (loss)			
Realized	32.9	23.7	14.4
Unrealized	(17.7)	(30.9)	4.4
Total investment income (loss)	15.2	(7.2)	18.8
Interest and other income	18.6	20.6	11.9
Interest and other income of Consolidated Funds	975.5	956.0	1,043.1
Revenue of a consolidated real estate VIE	86.8	70.2	7.5
Total revenues	3,006.2	3,880.3	4,441.2
Expenses			
Compensation and benefits			
Base compensation	632.2	789.0	738.0
Equity-based compensation	378.0	344.0	322.4
Performance fee related			
Realized	650.5	590.7	539.2
Unrealized	(139.6)	282.2	644.5
Total compensation and benefits	1,521.1	2,005.9	2,244.1
General, administrative, and other expenses	712.8	526.8	496.4
Interest	58.0	55.7	45.5
Interest and other expenses of Consolidated Funds	1,039.3	1,042.0	890.6
Interest and other expenses of a consolidated real estate VIE	144.6	175.3	33.8
Other non-operating (income) expense	(7.4)	(30.3)	(16.5)
Total expenses	3,468.4	3,775.4	3,693.9
Other income			
Net investment gains of Consolidated Funds	864.4	887.0	696.7
Income before provision for income taxes	402.2	991.9	1,444.0
Provision for income taxes	2.1	76.8	96.2
Net income	400.1	915.1	1,347.8
Net income attributable to non-controlling interests in consolidated entities	537.9	485.5	676.0
Net income (loss) attributable to Carlyle Holdings	(137.8)	429.6	671.8
Net income (loss) attributable to non-controlling interests in Carlyle Holdings	(119.4)	343.8	567.7
Net income (loss) attributable to The Carlyle Group L.P.	$(18.4)	$85.8	$104.1
Net income (loss) attributable to The Carlyle Group L.P. per common unit			
Basic	$(0.24)	$1.35	$2.24
Diluted	$(0.30)	$1.23	$2.05

Weighted-average common units			
Basic	74,523,935	62,788,634	46,135,229
Diluted	298,739,382	68,461,157	278,250,489

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014 and Year Ended December 31, 2014 Compared to Year Ended December 31, 2013.

Revenues

The decrease in total revenues in 2015 and 2014 was due primarily to lower appreciation in our carry funds resulting in relatively lower performance fees. Total revenues decreased $874.1 million, or 23%, for the year ended December 31, 2015 as compared to 2014 and decreased $560.9 million, or 13%, for the year ended December 31, 2014 as compared to 2013. The following table provides the components of the changes in total revenues for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Total Revenues, prior year	$3,880.3	$4,441.2
Increases (decreases):		
(Decrease) increase in fund management fees	(81.1)	181.7
Decrease in performance fees	(849.5)	(700.9)
Increase (decrease) in investment income	22.4	(26.0)
Increase (decrease) in interest and other income of Consolidated Funds	19.5	(87.1)
Increase in revenue from a consolidated real estate VIE	16.6	62.7
All other changes	(2.0)	8.7
Total decrease	(874.1)	(560.9)
Total Revenues, current year	$3,006.2	$3,880.3

Fund Management Fees. Fund management fees decreased $81.1 million, or 7%, for the year ended December 31, 2015 as compared to 2014, and increased $181.7 million, or 18%, for the year ended December 31, 2014 as compared to 2013, primarily due to the following:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Incremental management fees from the commencement of the investment period for certain newly raised funds and catch-up management fees from subsequent closes of funds that are in the fundraising period	$160.5	$238.4
Incremental management fees related to the acquisitions of Metropolitan and DGAM in November 2013 and February 2014, respectively	—	33.4
(Lower) higher management fees from (lower) higher assets under management in our hedge funds	(82.7)	16.5
(Lower) higher management fees from (lower) higher assets under management in our Investment Solutions funds	(26.8)	2.8
Lower management fees resulting from the change in basis for earning management fees from commitments to invested capital for certain funds and from distributions from funds whose management fees are based on invested capital	(99.1)	(118.2)
(Lower) higher transaction and portfolio advisory fees	(48.1)	22.7
All other changes	15.1	(13.9)
Total increase (decrease) in fund management fees	$(81.1)	$181.7

In addition, fund management fees from consolidated funds decreased $32.7 million for the year ended December 31, 2015 as compared to 2014, and fund management fees from consolidated funds increased $3.0 million for the year ended December 31, 2014 as compared to 2013. These fees eliminate upon consolidation of these funds.

Fund management fees include transaction and portfolio advisory fees, net of rebate offsets, of $25.2 million, $73.3 million, and $50.6 million for the years ended December 31, 2015, 2014, and 2013, respectively. The decrease in transaction and portfolio advisory fees for the year ended December 31, 2015 as compared to 2014 and the increase in transaction and portfolio advisory fees for the year ended December 31, 2014 as compared to 2013 is primarily due to greater investment activity, mainly in our buyout funds, in 2014 as compared to 2015 and 2013, respectively.
Performance Fees. Performance fees decreased $849.5 million for the year ended December 31, 2015 compared to 2014 and decreased $700.9 million for the year ended December 31, 2014 as compared to 2013. Performance fees by segment for the years ended December 31, 2015, 2014 and 2013 comprised the following:

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in Millions)		
Corporate Private Equity	$698.2	$1,340.2	$1,907.4
Global Market Strategies	(41.0)	81.7	208.2
Real Assets	49.3	66.5	79.7
Investment Solutions	118.4	186.0	180.0
Total performance fees	$824.9	$1,674.4	$2,375.3
Total carry fund appreciation	7%	15%	20%

Further, approximately $422.1 million of our performance fees for the year ended December 31, 2015 were related to CEP III, CAP III, CRP VI, and Energy III, while approximately $1,184.8 million of our performance fees for the year ended December 31, 2014 were related to CP V and CEP III and approximately $1,491.2 million of our performance fees for the year ended December 31, 2013 were related to CP V, CEP III, and CP IV.
Greater market volatility, influenced by China, energy prices and credit markets contributed to lower appreciation in our carry funds and our AlpInvest fund of funds vehicles. During 2015, the global economy weakened. We believe this weakness is attributable to three primary and interrelated factors: the economic climate in China, crude oil prices and the availability of credit. In China, there has been a significant reduction in the capital spending of businesses operating in the energy, metals, and mining industries due to low commodity prices, which generally do not support new capital investment in businesses in these industries. The industrial sector of the U.S. has also seen a significant reduction in energy-related capital spending. The industrial production index declined 1.8% in 2015, the first 12-month decline in U.S. industrial output since 2009. This downturn in the industrial sector has created a tightening of credit availability for transactions, resulting in market volatility. This volatility can impact our public portfolio valuations. Amongst these market conditions, our carry fund portfolio appreciated 7% for the year ended December 31, 2015 as compared to carry fund portfolio appreciation of 15% for the year ended December 31, 2014. Furthermore, approximately $219 million in performance fees from our Legacy Energy funds and CEMOF funds were reversed during 2015.
The decrease in performance fees recorded in 2014 as compared to 2013 were due principally to lesser appreciation in our carry funds in 2014 as compared to 2013, as well as the lack of any significant hedge fund incentive fees during 2014 and because two corporate private equity funds, CEP III and CAP III, exceeded their performance thresholds in 2013, resulting in a cumulative catch-up of performance fees in 2013 versus performance fee accruals in 2014 at a normalized rate. For the year ended December 31, 2013, the hedge funds generated incentive fees of $145.7 million, whereas hedge fund incentive fees for 2014 were not significant. During 2014, the general economic climate started the year weaker, but by the second half of the year, the U.S. macroeconomic outlook improved with gross domestic product growth averaging nearly 4% at an annualized rate. This acceleration in growth helped to offset the 2.1% contraction in the first quarter of 2014 and bring GDP growth for the year to roughly 2.5%. Stock markets outside of the U.S. were generally weaker in 2014, with the EuroStoxx index up to 3%, the MSCI ex-U.S. index down by 5.7% and the MSCI Emerging index down by 3.5%.
In addition, performance fees from consolidated funds decreased $2.3 million for the year ended December 31, 2015 as compared to 2014, and performance fees from consolidated funds decreased $37.5 million for the year ended

December 31, 2014 as compared to 2013. These fees eliminate upon consolidation.

Investment Income (Loss). Investment income increased $22.4 million for the year ended December 31, 2015 as compared to 2014, and decreased $26.0 million for the year ended December 31, 2014 as compared to 2013, primarily due to the following:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Decrease (increase) in investment losses from the investment in NGP, primarily due to carried interest reversals in NGP X being higher in 2014 than 2015	$19.5	$(45.3)
(Absence of) investment gain associated with the sale of a European real estate investment in 2014	(22.5)	22.5
Increase (decrease) in investment income from a European real estate investment	41.0	(9.8)
All other changes	(15.6)	6.6
Total increase (decrease) in investment income (loss)	$22.4	$(26.0)

Interest and Other Income of Consolidated Funds. Our CLOs generate interest income primarily from investments in bonds and loans inclusive of amortization of discounts and generate other income from consent and amendment fees. Also included in this balance is interest income and dividend income recognized by the consolidated fund of funds vehicles and consolidated hedge funds. Substantially all interest and other income of the CLOs and other consolidated funds together with interest expense of our CLOs and net investment gains of Consolidated Funds is attributable to the related funds' limited partners or CLO investors and therefore is allocated to non-controlling interests. Accordingly, such amounts have no material impact on net income attributable to the Partnership.

Interest and other income of consolidated funds increased $19.5 million for the year ended December 31, 2015 as compared to 2014, and decreased $87.1 million for the year ended December 31, 2014 as compared to 2013. The following table provides explanations of the changes in interest and other income of consolidated funds for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Increase (decrease) in interest and other income from CLOs	$63.2	$(15.3)
Decrease in interest and dividend income from consolidated fund of funds vehicles	(25.9)	(56.5)
Decrease in interest and dividend income from consolidated hedge funds	(22.5)	(24.3)
All other changes	4.7	9.0
Total increase (decrease) in interest and other income from Consolidated Funds	$19.5	$(87.1)

Revenue of a Consolidated Real Estate VIE. Revenue of a consolidated real estate VIE was $86.8 million for the year ended December 31, 2015 as compared to $70.2 million in 2014 and $7.5 million in 2013. During 2014 and throughout 2015, Urbplan completed several land development projects and, therefore, the increase in revenue of a consolidated real estate VIE in 2015 and 2014 primarily represents an increase in completed land development projects in 2015 relative to 2014 and 2014 relative to 2013. Urbplan recognizes revenue for land development services under the completed contract method. For the year ended December 31, 2013, however, substantially all of Urbplan's revenue was derived from investment income.

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Expenses

Total expenses decreased $307.0 million for the year ended December 31, 2015 as compared to 2014, and increased $81.5 million for the year ended December 31, 2014 as compared to 2013. The following table provides the components of the changes in total expenses for the year ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Total Expenses, prior year	$3,775.4	$3,693.9
Increases (Decreases):		
Decrease in total compensation and benefits	(484.8)	(238.2)
Increase in general, administrative and other expenses	186.0	30.4
(Decrease) increase in interest and other expenses of Consolidated Funds	(2.7)	151.4
(Decrease) increase in interest and other expenses of a consolidated real estate VIE	(30.7)	141.5
All other changes	25.2	(3.6)
Total (decrease) increase	(307.0)	81.5
Total Expenses, current year	$3,468.4	$3,775.4

Total Compensation and Benefits. Total compensation and benefits decreased $484.8 million for the year ended December 31, 2015 as compared to 2014, and decreased $238.2 million for the year ended December 31, 2014 as compared to 2013, due to the following:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
(Decrease) increase in base compensation	$(156.8)	$51.0
Increase in equity-based compensation	34.0	21.6
Decrease in performance fee related compensation	(362.0)	(310.8)
Total decrease in total compensation and benefits	$(484.8)	$(238.2)

Base compensation and benefits. Base compensation and benefits decreased $156.8 million, or 20%, for the year ended December 31, 2015 as compared to 2014, and increased $51.0 million, or 7%, for the year ended December 31, 2014 as compared to 2013, primarily due to the following:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Lower expense associated with employment-related contingent consideration arrangements, primarily related to our hedge funds *	$(83.2)	$(50.5)
(Decrease) increase in headcount, promotions, and bonuses	(73.6)	97.6
All other changes	—	3.9
Total (decrease) increase in base compensation and benefits	$(156.8)	$51.0

* On June 30, 2015, the Partnership restructured the agreements relating to the original acquisition of Carlyle Commodity Management. As a result of the restructuring, the Partnership's economic interest in Carlyle Commodity Management increased from 55% to approximately 83% effective July 1, 2015; no consideration was paid by the Partnership for the increase in economic interest. As a result of the restructuring, the estimated value of the employment-based contingent consideration liability related to Carlyle Commodity Management decreased by $46.3 million during the year ended December 31, 2015.

Equity-based compensation. Equity-based compensation increased $34.0 million, or 10%, for the year ended December 31, 2015 as compared to 2014. The increase in equity-based compensation from 2014 to 2015 is due to the ongoing granting of deferred restricted common units to new and existing employees during 2014 and 2015. Also contributing to the increase in equity-based compensation for the year ended December 31, 2015 as compared to 2014 was a decrease to the estimated forfeiture rates in the first quarter of 2015.

Equity-based compensation increased $21.6 million, or 7%, for the year ended December 31, 2014 as compared to 2013. The increase in equity-based compensation from 2013 to 2014 is due to the ongoing granting of deferred restricted common units to new and existing employees during 2013 and 2014. This increase was partially offset by a reduction in expense of $30.8 million recognized on vesting for the difference between the estimated forfeitures and actual forfeitures on Carlyle Holdings partnership units that vested during these periods.

Performance fee related compensation expense. Performance fee related compensation expense decreased $362.0 million for the year ended December 31, 2015 as compared to 2014 and decreased $310.8 million for the year ended December 31, 2014 as compared to 2013. Performance fee related compensation expense as a percentage of performance fees was 62%, 52%, and 50% in the years ended December 31, 2015, 2014 and 2013, respectively. For our largest segment, Corporate Private Equity, our performance fee related compensation expense is generally 45%. The overall percentage of 62% for the year ended December 31, 2015 is higher than 52% for the year ended December 31, 2014, primarily due to performance fees earned during the year by our private equity fund of funds vehicles in our Investment Solutions segment (which pay a higher ratio of performance fees as compensation) and our Legacy Energy funds within our Real Assets segment (which had carry reversals during the year without the corresponding reversal of performance fee compensation expense).

General, Administrative and Other Expenses. General, administrative and other expenses increased $186.0 million for the year ended December 31, 2015 as compared to 2014, and increased $30.4 million for the year ended December 31, 2014 as compared to 2013, primarily due to:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Higher intangible asset amortization and impairment expenses *	$ 154.2	$ 45.4
Higher expenses for litigation and contingencies (See Note 11)	60.0	2.0
Higher (lower) external fundraising costs	3.3	(24.2)
Foreign exchange adjustments and other changes	(31.5)	7.2
Total increase in general, administrative and other expenses	$ 186.0	$ 30.4

* As discussed in Note 7 to the consolidated financial statements, we evaluate our intangible assets (including goodwill) for impairment and could record additional impairment losses in future periods. In the fourth quarter of 2015, we recorded an impairment loss of $15.0 million to reduce the carrying value of the intangible assets related to the fund of hedge funds within the Investment Solutions segment to their estimated fair value. During the third week of February 2016, we decided to restructure our Investment Solutions segment to focus on private market secondaries, co-investment and managed account activities and, given the challenging market environment, discontinue our fund of hedge funds and liquid alternative initiatives. On February 19, 2016, we commenced a wind down of the operations of Diversified Global Asset Management Corporation ("DGAM") and recorded a goodwill impairment charge of $7.0 million in our results for the year ended December 31, 2015 that had not been previously reflected in our earnings presentation issued on February 10, 2016. In addition, we estimate we will incur between $10.0 million and $15.0 million in employee separation and other contract termination costs associated with the wind down of DGAM in 2016.

Interest. Interest expense for the year ended December 31, 2015 was $58.0 million, an increase of $2.3 million from 2014. Interest expense for the year ended December 31, 2014 was $55.7 million, an increase of $10.2 million from

2013. The increase for the year ended December 31, 2014 as compared to 2013 was due primarily to the interest on $400 million and $200 million of 5.625% senior notes due 2043 issued in March 2013 and March 2014, respectively. The increase in interest expense from 2013 to 2014 was partially offset by $1.9 million of expense recorded in 2013 related to deferred financing costs expensed upon the early extinguishment of debt.

Interest and Other Expenses of Consolidated Funds. Interest and other expenses of Consolidated Funds decreased $2.7 million for the year ended December 31, 2015 as compared to 2014 and increased $151.4 million for the year ended December 31, 2014 as compared to 2013. The decrease for the year ended December 31, 2015 as compared to 2014 is primarily

due to lower interest expense on the consolidated hedge funds and lower other expenses on the consolidated fund of funds vehicles, substantially offset by higher interest expense on the consolidated CLOs. The increase for the year ended December 31, 2014 as compared to 2013 relates primarily to the additional interest expense incurred related to the six CLOs formed throughout 2013 and the eight CLOs formed in 2014.
The CLOs incur interest expense on their loans payable and incur other expenses consisting of trustee fees, rating agency fees and professional fees. Substantially all interest and other income of our CLOs and other consolidated funds together with interest expense of our CLOs and net investment gains (losses) of Consolidated Funds is attributable to the related funds' limited partners or CLO investors and therefore is allocated to non-controlling interests. Accordingly, such amounts have no material impact on net income attributable to the Partnership.
Interest and Other Expenses of a Consolidated Real Estate VIE. Interest and other expenses of a consolidated real estate VIE decreased $30.7 million for the year ended December 31, 2015 as compared to 2014 and increased $141.5 million for the year ended December 31, 2014 as compared to 2013, primarily due to:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Higher expenses associated with land development services as a result of the completion of the related land development projects	$6.6	$41.9
(Lower) higher expenses related to fair market value adjustment for Urbplan loans *	(37.9)	34.1
Higher interest expense	3.7	24.3
(Lower) higher compensation and benefits	(0.5)	8.5
(Lower) higher general, administrative and other expenses	(2.6)	32.7
Total (decrease) increase in interest and other expenses of a Consolidated Real Estate VIE	$(30.7)	$141.5

* The Partnership records the Urbplan loans at fair value at each reporting period and records the change in fair value to interest and other expenses of a consolidated real estate VIE.
Additionally, the increase in interest and other expenses of a consolidated real estate VIE for the year ended December 31, 2014 as compared to 2013 includes Urbplan expenses for 2013 only for the period from September 30, 2013 (the date that the Partnership began consolidating Urbplan) through December 31, 2013, as compared to a full year of operating expenses for 2014.
Other Non-operating (Income) Expenses. For the years ended December 31, 2015, 2014, and 2013, this caption primarily represents the change in the fair value of contingent consideration associated with the Partnership's acquisitions. The contingent consideration arrangements are primarily associated with the Partnership's hedge fund acquisitions.
During the years ended December 31, 2015, 2014, and 2013, the overall estimated fair value of the contingent consideration associated with the Partnership's hedge fund acquisitions decreased based on management's assumptions in the probability-weighted discounted cash flow models used to estimate the fair value of these contingent considerations at December 31, 2015, 2014 and 2013, respectively.
Generally, the contingent consideration associated with the Partnership's acquisitions is payable at future dates over a period of years. Because the estimated fair value of these obligations relies upon estimates of cash flows in those future periods, there will be inherent volatility in the fair value of the Partnership's liability (and as a result, the periodic expense recognized) until such time as the future cash flow projections become more definitive. However, if the financial performance of the acquisitions is consistent with, or exceeds, the Partnership's original financial forecast at acquisition, the fair value of the contingent consideration liabilities will increase over time (with a corresponding expense) as the actual performance measurement date for the payment approaches.

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Net Investment Gains of Consolidated Funds.

For the years ended December 31, 2015, 2014, and 2013 net investment gains of Consolidated Funds was $864.4 million, $887.0 million, and $696.7 million, respectively. This balance is driven predominantly by our consolidated AlpInvest fund of funds vehicles, CLOs, and hedge funds. For the consolidated CLOs, the amount includes the net gain or loss on the fair value adjustment of both the assets and liabilities. The components of net investment gains of consolidated funds for the respective periods are comprised of the following:

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Realized gains	$1,114.7	$1,107.4	$662.0
Net change in unrealized gains (losses)	(688.5)	(249.7)	728.5
Total gains	426.2	857.7	1,390.5
Gains (losses) on liabilities of CLOs	436.5	27.2	(695.1)
Gains on other assets of CLOs	1.7	2.1	1.3
Total investment gains of Consolidated Funds	$864.4	$887.0	$696.7

The unrealized investment gains/losses include the appreciation/depreciation of the equity investments within the consolidated AlpInvest fund of funds vehicles, the appreciation/depreciation of CLO investments in loans and bonds, as well as the appreciation/depreciation of investments made by our consolidated hedge funds and other consolidated funds. The gains/losses on the liabilities of the CLOs reflect the fair value adjustment on the debt of the CLOs.

The net investment gains for the years ended December 31, 2015, 2014 and 2013 were due to the following:

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in Millions)		
Gains attributable to the consolidated AlpInvest fund of funds vehicles	$978.8	$1,428.7	$857.9
(Losses) gains attributable to the consolidated hedge funds	(138.4)	(361.5)	387.2
Losses attributable to other consolidated funds	(10.1)	(8.3)	(82.0)
Net appreciation (depreciation) of CLOs	34.1	(171.9)	(466.4)
Total net investment gains	$864.4	$887.0	$696.7

Net Income Attributable to Non-controlling Interests in Consolidated Entities

Net income attributable to non-controlling interests in consolidated entities was $537.9 million, $485.5 million, and $676.0 million for the years ended December 31, 2015, 2014, and 2013, respectively. These amounts are primarily attributable to the net earnings or losses of the Consolidated Funds for each period, which are substantially all allocated to the related funds’ limited partners or CLO investors. This balance also includes the allocation of Urbplan's net losses that are attributable to non-controlling interests.

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The net income of our Consolidated Funds for the years ended December 31, 2015, 2014, and 2013 is comprised of the following:

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in Millions)		
Net income from the consolidated AlpInvest fund of funds vehicles	$859.3	$1,293.0	$778.2
Net (loss) income from the consolidated hedge funds	(185.9)	(466.0)	266.3
Net loss from the consolidated CLOs	(57.6)	(251.7)	(382.9)
Net loss from other consolidated funds	(12.2)	(7.4)	(86.6)
Total net income of our Consolidated Funds	$603.6	$567.9	$575.0

Net Income (Loss) Attributable to The Carlyle Group L.P.

The net income (loss) attributable to the Partnership was $(18.4) million, $85.8 million, and $104.1 million for the years ended December 31, 2015, 2014, and 2013, respectively. The Partnership is allocated a portion of the monthly net income (loss) attributable to Carlyle Holdings based on the Partnership's ownership in Carlyle Holdings (which was approximately 25%, 21%, and 16% as of December 31, 2015, 2014, and 2013, respectively). Additionally, the Partnership is allocated 100% of the net income or loss attributable to the Partnership's wholly owned taxable subsidiaries, which was net income (loss) of $29.3 million, $2.2 million, and $3.0 million for the years ended December 31, 2015, 2014, and 2013, respectively.

Non-GAAP Financial Measures

The following table sets forth information in the format used by management when making resource deployment decisions and in assessing performance of our segments. These non-GAAP financial measures are presented for the years ended December 31, 2015, 2014 and 2013. The table below shows our total segment Economic Net Income which is the sum of Fee Related Earnings, Net Performance Fees, Investment Income (Loss), Reserve for Litigation and Contingencies and Equity-based compensation expense (excluding equity-based compensation grants issued in May 2012 upon the completion of the initial public offering or grants issued in acquisitions or strategic investments). Our Non-GAAP financial measures exclude the effect of consolidated funds, acquisition-related items including amortization and any impairment charges of acquired intangible assets and contingent consideration taking the form of earn-outs, charges associated with equity-based compensation grants issued in May 2012 upon completion of the initial public offering or grants issued in acquisitions or strategic investments, changes in the tax receivable agreement liability, corporate actions and infrequently occurring or unusual events.

	Year Ended December 31, 2015	2014	2013
	(Dollars in millions)		
Segment Revenues			
Fund level fee revenues			
Fund management fees	$1,197.9	$1,229.3	$1,054.7
Portfolio advisory fees, net	15.4	20.1	25.9
Transaction fees, net	9.8	53.2	24.7
Total fund level fee revenues	1,223.1	1,302.6	1,105.3
Performance fees			
Realized	1,434.8	1,323.7	1,128.6
Unrealized	(525.1)	384.2	1,164.7
Total performance fees	909.7	1,707.9	2,293.3
Investment income (loss)			
Realized	(64.8)	(6.1)	10.6
Unrealized	42.4	(5.0)	(53.2)
Total investment income (loss)	(22.4)	(11.1)	(42.6)
Interest	4.8	2.2	1.8
Other income	17.2	20.4	11.1
Total revenues	2,132.4	3,022.0	3,368.9
Segment Expenses			
Compensation and benefits			
Direct base compensation	477.7	494.0	436.0
Indirect base compensation	172.1	188.5	152.8
Equity-based compensation	121.5	80.4	15.7
Performance fee related			
Realized	646.3	590.9	454.1
Unrealized	(128.3)	309.6	647.8
Total compensation and benefits	1,289.3	1,663.4	1,706.4
General, administrative, and other indirect expenses	362.8	318.1	309.4
Depreciation and amortization expense	25.6	22.4	24.3
Interest expense	58.1	55.7	43.6
Total expenses	1,735.8	2,059.6	2,083.7
Economic Net Income	$396.6	$962.4	$1,285.2
(-) Net Performance Fees	391.7	807.4	1,191.4
(-) Investment Income (Loss)	(22.4)	(11.1)	(42.6)
(+) Equity-based Compensation	121.5	80.4	15.7
(+) Reserve for Litigation and Contingencies	50.0	—	—
(=) Fee Related Earnings	$198.8	$246.5	$152.1
(+) Realized Net Performance Fees	788.5	732.8	674.5
(+) Realized Investment Income (Loss)	(64.8)	(6.1)	10.6
(=) Distributable Earnings	$922.5	$973.2	$837.2

Income before provision for income taxes is the GAAP financial measure most comparable to economic net income, fee related earnings, and distributable earnings. The following table is a reconciliation of income before provision for income taxes to economic net income, to fee related earnings, and to distributable earnings.

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Income before provision for income taxes	$402.2	$991.9	$1,444.0
Adjustments:			
Equity-based compensation issued in conjunction with the initial public offering, acquisitions and strategic investments	259.8	269.2	314.4
Acquisition related charges and amortization of intangibles and impairment	288.8	242.5	260.4
Other non-operating (income) expenses	(7.4)	(30.3)	(16.5)
Tax expense associated with performance fee compensation	(14.9)	(25.3)	(34.9)
Net income attributable to non-controlling interests in consolidated entities	(537.9)	(485.5)	(676.0)
Other adjustments	6.0	(0.1)	(6.2)
Economic Net Income	$396.6	$962.4	$1,285.2
Net performance fees[1]	391.7	807.4	1,191.4
Investment income (loss)[1]	(22.4)	(11.1)	(42.6)
Equity-based compensation	121.5	80.4	15.7
Reserve for litigation and contingencies	50.0	—	—
Fee Related Earnings	$198.8	$246.5	$152.1
Realized performance fees, net of related compensation	788.5	732.8	674.5
Realized investment income (loss)[1]	(64.8)	(6.1)	10.6
Distributable Earnings	$922.5	$973.2	$837.2

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(1) See reconciliation to most directly comparable U.S. GAAP measure below:

	Year Ended December 31, 2015		
	Carlyle Consolidated	Adjustments(2)	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$1,441.9	$(7.1)	$1,434.8
Unrealized	(617.0)	91.9	(525.1)
Total performance fees	824.9	84.8	909.7
Performance fee related compensation expense			
Realized	650.5	(4.2)	646.3
Unrealized	(139.6)	11.3	(128.3)
Total performance fee related compensation expense	510.9	7.1	518.0
Net performance fees			
Realized	791.4	(2.9)	788.5
Unrealized	(477.4)	80.6	(396.8)
Total net performance fees	$314.0	$77.7	$391.7
Investment income (loss)			
Realized	$32.9	$(97.7)	$(64.8)
Unrealized	(17.7)	60.1	42.4
Total investment income (loss)	$15.2	$(37.6)	$(22.4)

	Year Ended December 31, 2014		
	Carlyle Consolidated	Adjustments(2)	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$1,328.7	$(5.0)	$1,323.7
Unrealized	345.7	38.5	384.2
Total performance fees	1,674.4	33.5	1,707.9
Performance fee related compensation expense			
Realized	590.7	0.2	590.9
Unrealized	282.2	27.4	309.6
Total performance fee related compensation expense	872.9	27.6	900.5
Net performance fees			
Realized	738.0	(5.2)	732.8
Unrealized	63.5	11.1	74.6
Total net performance fees	$801.5	$5.9	$807.4
Investment income (loss)			
Realized	$23.7	$(29.8)	$(6.1)
Unrealized	(30.9)	25.9	(5.0)
Total investment income (loss)	$(7.2)	$(3.9)	$(11.1)

	Year Ended December 31, 2013		
	Carlyle Consolidated	Adjustments[(2)]	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$1,176.7	$(48.1)	$1,128.6
Unrealized	1,198.6	(33.9)	1,164.7
Total performance fees	2,375.3	(82.0)	2,293.3
Performance fee related compensation expense			
Realized	539.2	(85.1)	454.1
Unrealized	644.5	3.3	647.8
Total performance fee related compensation expense	1,183.7	(81.8)	1,101.9
Net performance fees			
Realized	637.5	37.0	674.5
Unrealized	554.1	(37.2)	516.9
Total net performance fees	$1,191.6	$(0.2)	$1,191.4
Investment income			
Realized	$14.4	$(3.8)	$10.6
Unrealized	4.4	(57.6)	(53.2)
Total investment income	$18.8	$(61.4)	$(42.6)

(2) Adjustments to performance fees and investment income (loss) relate to (i) amounts earned from the Consolidated Funds, which were eliminated in the U.S. GAAP consolidation but were included in the Non-GAAP results, (ii) amounts attributable to non-controlling interests in consolidated entities, which were excluded from the Non-GAAP results, and (iii) the reclassification of NGP X performance fees, which are included in investment income in the U.S. GAAP financial statements. Adjustments to investment income (loss) also include the reclassification of earnings for the investment in NGP Management to the appropriate operating captions for the Non-GAAP results, the exclusion of charges associated with the investment in NGP Management that are excluded from the Non-GAAP results and adjustments to reflect the Partnership's share of Urbplan's net losses as investment losses for the Non-GAAP results. Adjustments to performance fee related compensation expense relate to the inclusion of certain tax expenses associated with performance fee related compensation. Adjustments are also included in these financial statement captions to reflect Carlyle’s 55% economic interest in each of Claren Road, ESG and, for periods prior to July 1, 2015, Carlyle Commodity Management. Effective July 1, 2015, adjustments are included to reflect the Partnership's approximate 83% economic interest in Carlyle Commodity Management. In addition, adjustments are also included to reflect, for periods prior to August 1, 2013, Carlyle's 60% economic interest in AlpInvest.

Economic Net Income and Distributable Earnings for our reportable segments are as follows:

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Economic Net Income (Loss)			
Corporate Private Equity	$399.5	$861.5	$1,053.6
Global Market Strategies	(40.3)	115.0	227.7
Real Assets	32.9	(58.8)	(33.8)
Investment Solutions	4.5	44.7	37.7
Economic Net Income (Loss)	$396.6	$962.4	$1,285.2
Distributable Earnings			
Corporate Private Equity	$798.0	$790.0	$537.7
Global Market Strategies	38.8	91.4	213.5
Real Assets	72.8	47.7	46.4
Investment Solutions	12.9	44.1	39.6
Distributable Earnings	$922.5	$973.2	$837.2

Segment Analysis

Discussed below is our ENI for our segments for the periods presented. Our segment information is reflected in the manner used by our senior management to make operating decisions, assess performance and allocate resources. Included in our 2015 general, administrative and other expenses for both our U.S. GAAP financial results and ENI is a $50 million reserve for ongoing litigation and contingencies that is excluded from Fee Related Earnings and Distributable Earnings, as the timing of any payment remains uncertain. This reserve has been allocated to our business segments in accordance with our allocation policies for overhead.

For segment reporting purposes, revenues and expenses are presented on a basis that deconsolidates our Consolidated Funds. As a result, segment revenues from management fees, performance fees and investment income are different than those presented on a consolidated U.S. GAAP basis because fund management fees recognized in certain segments are received from Consolidated Funds and are eliminated in consolidation when presented on a consolidated U.S. GAAP basis. Furthermore, segment expenses are different than related amounts presented on a consolidated U.S. GAAP basis due to the exclusion of fund expenses that are paid by the Consolidated Funds. Segment revenue and expenses are also different than those presented on a consolidated U.S. GAAP basis because we present our segment revenues and expenses related to Claren Road, ESG, and, for periods prior to July 1, 2015, Carlyle Commodity Management based on our 55% economic interest in those entities. Effective July 1, 2015, our segment revenue and expenses related to Carlyle Commodity Management are based on our approximate 83% economic interest in that entity. For periods prior to August 1, 2013 (the date we acquired the remaining 40% equity interest in AlpInvest), we present our segment revenues and expenses based on our historical ownership interest in AlpInvest of 60%. Also, ENI excludes expenses associated with equity-based compensation that was issued in our initial public offering or is issued in acquisitions and strategic investments.

Corporate Private Equity

The following table presents our results of operations for our Corporate Private Equity segment:

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Segment Revenues			
Fund level fee revenues			
Fund management fees	$577.4	$564.8	$471.6
Portfolio advisory fees, net	14.3	18.4	23.2
Transaction fees, net	7.7	51.4	20.7
Total fund level fee revenues	599.4	634.6	515.5
Performance fees			
Realized	1,209.5	1,156.3	914.5
Unrealized	(523.1)	197.2	959.1
Total performance fees	686.4	1,353.5	1,873.6
Investment income (loss)			
Realized	23.3	17.7	15.8
Unrealized	(5.2)	13.9	10.4
Total investment income	18.1	31.6	26.2
Interest	1.5	1.4	0.9
Other income	9.8	9.4	5.6
Total revenues	1,315.2	2,030.5	2,421.8
Segment Expenses			
Compensation and benefits			
Direct base compensation	224.2	222.4	212.6
Indirect base compensation	91.5	101.8	95.0
Equity-based compensation	65.1	42.5	7.4
Performance fee related			
Realized	540.9	512.5	401.7
Unrealized	(221.7)	97.1	446.2
Total compensation and benefits	700.0	976.3	1,162.9
General, administrative, and other indirect expenses	172.4	151.1	166.9
Depreciation and amortization expense	12.5	11.0	13.2
Interest expense	30.8	30.6	25.2
Total expenses	915.7	1,169.0	1,368.2
Economic Net Income	$399.5	$861.5	$1,053.6
(-) Net Performance Fees	367.2	743.9	1,025.7
(-) Investment Income	18.1	31.6	26.2
(+) Equity-based Compensation	65.1	42.5	7.4
(+) Reserve for Litigation and Contingencies	26.8	—	—
(=) Fee Related Earnings	$106.1	$128.5	$9.1
(+) Realized Net Performance Fees	668.6	643.8	512.8
(+) Realized Investment Income	23.3	17.7	15.8
(=) Distributable Earnings	$798.0	$790.0	$537.7

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014 and Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Distributable Earnings

Distributable earnings increased $8.0 million for the year ended December 31, 2015 as compared to 2014, and increased $252.3 million for the year ended December 31, 2014 as compared to the same period in 2013. The following table provides the components of the changes in distributable earnings for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Distributable earnings, prior year	$790.0	$537.7
Increases (decreases):		
Increase in realized net performance fees	24.8	131.0
Increase in realized investment income	5.6	1.9
(Decrease) increase in fee related earnings	(22.4)	119.4
Total increase	8.0	252.3
Distributable earnings, current year	$798.0	$790.0

Realized Net Performance Fees. Realized net performance fees increased $24.8 million for the year ended December 31, 2015 as compared to 2014, and increased $131.0 million for the year ended December 31, 2014 as compared to 2013. Realized net performance fees were primarily generated by the following funds for the years ended December 31, 2015, 2014 and 2013, respectively:

Year Ended December 31,		
2015	2014	2013
CP V	CP V	CP V
CEP III	CEP III	CEP III
CP IV	CP IV	CP IV
CAP II		CAP III
CAP III		

Realized Investment Income. Realized investment income increased $5.6 million for the year ended December 31, 2015 as compared to 2014 and increased $1.9 million for the year ended December 31, 2014 as compared to 2013. The increase in realized investment income for the year ended December 31, 2015 as compared to 2014 was primarily due to higher realizations in our U.S. buyout funds. The increase in realized investment income for the year ended December 31, 2014 as compared to 2013 was primarily due to higher realizations in our investments in our U.S. and Europe buyout funds as well as our U.S. growth funds.

Fee Related Earnings

Fee related earnings decreased $22.4 million for the year ended December 31, 2015 as compared to 2014, and increased $119.4 million for the year ended December 31, 2014 as compared to 2013. The following table provides the components of the change in fee related earnings for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Fee related earnings, prior year	$128.5	$9.1
Increases (decreases):		
(Decrease) increase in fee revenues	(35.2)	119.1
Decrease (increase) in direct and indirect base compensation	8.5	(16.6)
Decrease in general, administrative and other expenses	5.5	15.8
All other changes	(1.2)	1.1
Total (decrease) increase	(22.4)	119.4
Fee related earnings, current year	$106.1	$128.5

Fee Revenues. Total fee revenues decreased $35.2 million for the year ended December 31, 2015 as compared to 2014 and increased $119.1 million for the year ended December 31, 2014 as compared to 2013, due to the following:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Higher fund management fees	$12.6	$93.2
(Lower) higher transaction fees	(43.7)	30.7
Lower portfolio advisory fees	(4.1)	(4.8)
Total (decrease) increase in fee revenues	$(35.2)	$119.1

The increase in fund management fees for the year ended December 31, 2015 as compared to 2014 is primarily due to a $23.4 million increase in catch-up management fees from $25.7 million in 2014 to $49.1 million in 2015. The increase in catch-up management fees was driven primarily by subsequent closings in 2015 from our fourth Europe buyout fund ("CEP IV"), CJP III, and our third Europe technology fund ("CETP III"), as compared to subsequent closings in 2014 from our fourth Asia buyout fund ("CAP IV") and our second global financial services fund ("CGFSP II").
The increase in management fees for the year ended December 31, 2014 as compared to 2013 is primarily due to CP VI and CAP IV commencing management fees in 2013 and CEP IV commencing management fees in 2014.
The weighted average management fee rate increased from 1.22% at December 31, 2014 to 1.26% at December 31, 2015. The increase in the weighted average management fee rate reflects new funds being raised with higher management fee rates, namely CEP IV, CAP IV, and CEOF II. Fee-earning AUM was $40.9 billion and $40.2 billion as of December 31, 2015 and 2014, respectively, reflecting an increase of $0.7 billion.
The weighted average management fee rate increased from 1.15% at December 31, 2013 to 1.22% at December 31, 2014. The increase in the weighted average management fee rate reflects new commitments to funds with higher management fee rates, namely CAP IV and CEP IV. Fee-earning AUM was $40.2 billion and $43.0 million as of December 31, 2014 and 2013, respectively, reflecting a decrease of $2.8 billion.

The decrease in transaction fees for the year ended December 31, 2015 as compared to 2014 and the increase in transaction fees for the year ended December 31, 2014 as compared to 2013 is primarily due to higher investment activity, primarily in our buyout funds, in 2014 as compared to 2015 and 2013, respectively.

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Direct and indirect compensation expense. Direct and indirect compensation expense decreased $8.5 million, or 3%, for the year ended December 31, 2015 as compared to 2014, primarily due to foreign exchange rate fluctuations and lower bonuses in 2015. These decreases were partially offset by an increase in headcount as well as increased compensation costs related to fundraising activities of approximately $2.3 million, primarily related to fundraising for our second U.S. mid-market buyout fund ("CEOF II") and CEP IV.

Direct and indirect base compensation expense increased $16.6 million for the year ended December 31, 2014, or 5%, as compared to 2013. The increase is primarily due to incremental compensation related to increased headcount, promotions, and bonuses, primarily for our buyout funds. This increase was partially offset by lower compensation associated with fundraising efforts in 2014 as compared to 2013.

General, administrative and other indirect expenses. General, administrative and other indirect expenses decreased $5.5 million for the year ended December 31, 2015 as compared to 2014 primarily due to lower negative foreign currency adjustments and lower professional fees.

General, administrative and other indirect expenses decreased $15.8 million for the year ended December 31, 2014 as compared to 2013. The decrease is primarily due to lower external costs associated with fundraising activities in 2014 as compared to 2013.

Economic Net Income

Economic net income decreased $462.0 million for the year ended December 31, 2015 as compared to 2014 and decreased $192.1 million for the year ended December 31, 2014 as compared to 2013. The following table provides the components of the change in economic net income for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Economic net income, prior year	$861.5	$1,053.6
Increases (decreases):		
Decrease in net performance fees	(376.7)	(281.8)
(Decrease) increase in investment income	(13.5)	5.4
Increase in equity-based compensation	(22.6)	(35.1)
(Decrease) increase fee related earnings	(22.4)	119.4
Reserve for litigation and contingencies	(26.8)	—
Total decrease	(462.0)	(192.1)
Economic net income, current year	$399.5	$861.5

Performance Fees. Performance fees (realized and unrealized) for the years ended December 31, 2015, 2014, and 2013 are from the following types of funds:

	Performance Fees		
	Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Buyout funds	$636.7	$1,258.2	$1,782.6
Growth Capital funds	49.7	95.3	91.0
Total performance fees	$686.4	$1,353.5	$1,873.6

The $686.4 million of performance fees for the year ended December 31, 2015 was driven primarily by performance fees recognized from the following funds:

•CEP III of $235.9 million,
•CAP III of $184.2 million,
•CP V of $67.9 million,
•CP IV of $44.4 million, and
•our first global financial services fund ("CGFSP I") of $40.7 million.

The $1,353.5 million of performance fees for the year ended December 31, 2014 was driven primarily by performance fees recognized from the following funds:

•CP V of $598.7 million, and
•CEP III of $580.2 million.

The $1,873.6 million of performance fees for the year ended December 31, 2013 was driven primarily by performance fees recognized from the following funds:

•CP V of $584.7 million,
•CEP III of $503.3 million,
•CP IV of $374.8 million, and
•CAP III of $163.5 million.

Performance fees of $686.4 million, $1,353.5 million, and $1,873.6 million are inclusive of performance fees reversed of approximately $12.3 million, $127.1 million, and $14.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The appreciation in remaining value of assets for this segment by type of fund are as follows:

	Year Ended December 31,		
	2015	2014	2013
Buyout funds	13%	23%	30%
Growth Capital funds	14%	25%	32%
Total	13%	23%	30%

Net performance fees as a percentage of total performance fees are as follows:

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Net Performance Fees	$367.2	$743.9	$1,025.7
Percentage of Total Performance Fees	53%	55%	55%

Unrealized performance fees reflect the difference between total performance fees and realized performance fees. The recognition of realized performance fees results in a reversal of accumulated unrealized performance fees, generally resulting in minimal impact on total performance fees. Additionally, because unrealized performance fees can be reversed upon a realization event, in periods where the Partnership generates significant realized performance fees unrealized performance fees can be negative even in periods of portfolio appreciation.

Total Investment Income. Total investment income (realized and unrealized) for the year ended December 31, 2015 was $18.1 million compared to investment income of $31.6 million for the year ended December 31, 2014. The decrease in investment income from 2014 to 2015 relates primarily to lower appreciation on investments in certain buyout funds.

Investment income for the year ended December 31, 2014 was $31.6 million compared to investment income of $26.2 million in 2013. The increase in investment income from 2013 to 2014 relates primarily to higher gains on investments in certain Europe buyout funds.

Equity-based Compensation. Equity-based compensation was $65.1 million, $42.5 million, and $7.4 million for the years ended December 31, 2015, 2014, and 2013, respectively. The increase from 2014 to 2015 and the increase from 2013 to 2014 are due to the ongoing granting of deferred restricted common units to new and existing employees during 2013, 2014 and 2015, and a decrease in the estimated forfeiture rates during 2013 and 2015.
Reserve for Litigation and Contingencies. Corporate Private Equity's share of a reserve for litigation and contingencies was $26.8 million for the year ended December 31, 2015. See Note 11 of the consolidated financial statements included in this Annual Report on Form 10-K for more information.

Fee-earning AUM as of and for each of the Three Years in the Period Ended December 31, 2015.
Fee-earning AUM is presented below for each period together with the components of change during each respective period.
The table below breaks out Fee-earning AUM by its respective components at each period.

	As of December 31,		
	2015	2014	2013
	(Dollars in millions)		
Corporate Private Equity			
Components of Fee-earning AUM (1)			
Fee-earning AUM based on capital commitments	$25,438	$22,228	$18,948
Fee-earning AUM based on invested capital	13,647	16,709	23,244
Fee-earning AUM based on lower of cost or fair value and other	1,841	1,312	841
Total Fee-earning AUM	$40,926	$40,249	$43,033
Weighted Average Management Fee Rates (2)			
All Funds	1.26 %	1.22 %	1.13 %
Funds in Investment Period	1.43 %	1.43 %	1.42 %

(1) For additional information concerning the components of Fee-earning AUM, see “—Fee-earning Assets under Management.”
(2) Represents the aggregate effective management fee rate of each fund in the segment, weighted by each fund’s Fee-earning AUM, as of the end of each period presented.

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

	Twelve Months Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Corporate Private Equity			
Fee-earning AUM Rollforward			
Balance, Beginning of Period	$40,249	$43,033	$33,840
Inflows, including Commitments (1)	6,425	4,824	17,241
Outflows, including Distributions (2)	(4,854)	(6,529)	(7,480)
Market Appreciation/Depreciation (3)	(267)	198	—
Foreign Exchange (4)	(627)	(1,277)	(568)
Balance, End of Period	$40,926	$40,249	$43,033

(1) Inflows represent limited partner capital raised and capital invested by carry funds outside the investment period.
(2) Outflows represent distributions from funds outside the investment period and changes in basis for our carry funds where the investment period has expired.
(3) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments in our carry funds based on the lower of cost or fair value.

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

Fee-earning AUM was $40.9 billion at December 31, 2015, an increase of $0.7 billion, or 2%, compared to $40.2 billion at December 31, 2014. Inflows of $6.4 billion were primarily related to limited partner commitments raised by CEP IV, CJP III, and the activation of commitments in CEOF II. This was offset by outflows of $4.9 billion which were principally a result of distributions from several buyout funds that were outside of their investment period, in addition to the reduction in management fee basis from commitments to invested equity for funds at the end of their original investment period and $0.6 billion in foreign exchange loss. As of December 31, 2015, approximately 15% of the total external commitments raised for our global buyout fund ("CGP") in current and prior periods are reflected in fee-earning AUM, as this fund is based on invested equity. Investment and distribution activity by funds still in the investment period does not impact Fee-earning AUM as these funds are based on commitments.

Fee-earning AUM was $40.2 billion at December 31, 2014, a decrease of $2.8 billion, or 6%, compared to $43.0 billion at December 31, 2013. Outflows of $6.5 billion were principally a result of distributions from several buyout funds that were outside of their investment period, in addition to the reduction in management fee basis for funds at the end of their original investment period and $1.3 billion in foreign exchange loss. This was offset by inflows of $4.8 billion, primarily related to limited partner commitments raised by CAP IV, CEP IV, CGFSP II, and CETP III.

Fee-earning AUM was $43.0 billion at December 31, 2013, an increase of $9.2 billion, or approximately 27%, compared to $33.8 billion at December 31, 2012. Inflows of $17.2 billion were primarily related to limited partner commitments raised by CP VI, CAP IV, and CGFSP II, as well as equity invested by various funds outside of their investment period. Outflows of $7.5 billion were partially driven by (a) a $3.9 billion decrease resulting from the change in basis from commitments to invested capital for CP V, CAP III, and our first global financial services fund ("CGFSP I"), and (b) $3.6 billion of distributions from several funds that were outside of their investment period.

Total AUM as of and for each of the Three Years in the Period Ended December 31, 2015.
The table below provides the period to period rollforwards of Available Capital and Fair Value of Capital, and the resulting rollforward of Total AUM.

	Available Capital	Fair Value of Capital	Total AUM
	(Dollars in millions)		
Corporate Private Equity			
Balance, As of December 31, 2012	$17,642	$35,696	$53,338
Commitments (1)	11,470	—	11,470
Capital Called, net (2)	(5,313)	4,998	(315)
Distributions (3)	946	(10,974)	(10,028)
Market Appreciation/(Depreciation) (4)	—	10,289	10,289
Foreign exchange and other (5)	(2)	113	111
Balance, As of December 31, 2013	$24,743	$40,122	$64,865
Commitments (1)	6,663	—	6,663
Capital Called, net (2)	(7,380)	6,818	(562)
Distributions (3)	997	(14,742)	(13,745)
Market Appreciation/(Depreciation) (4)	—	9,330	9,330
Foreign exchange and other (5)	(584)	(1,299)	(1,883)
Balance, As of December 31, 2014	$24,439	$40,229	$64,668
Commitments (1)	7,917	—	7,917
Capital Called, net (2)	(8,355)	7,745	(610)
Distributions (3)	693	(13,505)	(12,812)
Market Appreciation/(Depreciation) (4)	—	5,359	5,359
Foreign exchange and other (5)	(482)	(896)	(1,378)
Balance, As of December 31, 2015	$24,212	$38,932	$63,144

(1) Represents capital raised by our carry funds, net of expired available capital.

(2) Represents capital called by our carry funds, net of fund fees and expenses. Equity invested amounts may vary from capital called due to timing differences between acquisition and capital call dates.

(3) Represents distributions from our carry funds, net of amounts recycled. Distributions are based on when proceeds are actually distributed to investors, which may differ from when they are realized.

(4) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments.

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

Total AUM was $63.1 billion at December 31, 2015, a decrease of $1.6 billion, or 2%, compared to $64.7 billion at December 31, 2014. This decrease was primarily driven by $13.5 billion in distributions, of which $0.7 billion is recallable, and $1.4 billion of foreign exchange loss. Offsetting this were increases of $7.9 billion from new commitments driven by fundraising in CEP IV, CEOF II, CGP, CJP III and other funds and coinvestment vehicles and $5.4 billion of market appreciation, representing a 13% increase in our portfolio of carry funds for the period. Our public portfolio appreciated 22% ($3.0 billion), our private portfolio appreciated 6% ($1.3 billion), and the remainder of our appreciation was in our coinvestment vehicles. The carry funds driving appreciation for the period included $1.3 billion attributable to CEP III (25% appreciation), $1.0 billion attributable to CAP III (45% appreciation), and $0.4 billion attributable to CP V (3% appreciation).

Total AUM was $64.7 billion at December 31, 2014, a decrease of $0.2 billion, or 0.30%, compared to $64.9 billion at December 31, 2013. This decrease was primarily driven by (a) distributions of $14.7 billion, of which $1.0 billion is recallable, and (b) foreign exchange loss of $1.9 billion. Offsetting this decrease were (a) commitments of $6.7 billion in CAP IV, CEP IV, CETP III, CGFSP II and other funds and coinvestment vehicles, and (b) a total 2014 appreciation in remaining fair value of assets of 23%, leading to market appreciation in the segment of $9.3 billion. Our public portfolio appreciated 36% ($5.6 billion), our private portfolio appreciated 12% ($2.2 billion), and the remainder of our appreciation was in our coinvestment vehicles. The carry funds driving appreciation for the period included $3.2 billion attributable to CP V (24% appreciation), $2.8 billion attributable to CEP III (46% appreciation), and $0.4 billion attributable to CP IV (9% appreciation).

Total AUM was $64.9 billion at December 31, 2013, an increase of $11.6 billion, or approximately 22%, compared to $53.3 billion at December 31, 2012. This increase was primarily driven by (a) $11.5 billion of new commitments for several funds, including CP VI, CAP IV, CGFSP II, CSSAF I, CJP III, our Ireland fund (“CCI”) and various co-investments, and (b) market appreciation across our portfolio of $10.3 billion. The total 2013 appreciation in the remaining value of assets for funds in this segment was approximately 30%, driven by a 30% increase in the buyout funds and a 32% increase in the growth funds. Our public portfolio appreciated 48% ($6.4 billion), our private portfolio appreciated 17% ($3.1 billion), and the remainder of our appreciation was in our coinvestment vehicles. The carry funds driving appreciation for the period included $3.2 billion attributable to CP V (30% appreciation), $2.1 billion attributable to CP IV (33% appreciation), and $1.8 billion attributable to CEP III (33% appreciation).

Fund Performance Metrics

Fund performance information for our investment funds that generally have at least $1.0 billion in capital commitments, cumulative equity invested or total value as of December 31, 2015, which we refer to as our “significant funds,” is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns. See “Item 1A. Risk Factors — Risks Related to Our Business Operations — The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.”

The following tables reflect the performance of our significant funds in our Corporate Private Equity business. See “Item 1. Business — Our Family of Funds” for a legend of the fund acronyms listed below.

			TOTAL INVESTMENTS as of December 31, 2015					REALIZED/PARTIALLY REALIZED INVESTMENTS(5) as of December 31, 2015			
	Fund Inception Date (1)	Committed Capital	Cumulative Invested Capital (2)	Total Fair Value (3)	MOIC(4)	Gross IRR (7)	Net IRR(8)	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gr IR
Corporate Private Equity	(Reported in Local Currency, in Millions)							(Reported in Local Currency, in Millions)			
Fully Invested Funds(6)											
CP II	10/1994	$1,331.1	$1,362.4	$4,072.2	3.0x	34 %	25 %	$1,362.4	$4,072.2	3.0x	34
CP III	2/2000	$3,912.7	$4,031.6	$10,146.9	2.5x	27 %	21 %	$4,031.6	$10,146.9	2.5x	27
CP IV	12/2004	$7,850.0	$7,612.6	$18,011.6	2.4x	16 %	13 %	$6,827.6	$17,226.8	2.5x	18
CP V	5/2007	$13,719.7	$13,001.4	$24,823.9	1.9x	18 %	13 %	$7,690.0	$19,485.4	2.5x	27
CEP I	12/1997	€1,003.6	€981.6	€2,126.5	2.2x	18 %	11 %	€981.6	€2,126.5	2.2x	18
CEP II	9/2003	€1,805.4	€2,048.8	€3,953.9	1.9x	36 %	20 %	€1,489.4	€3,573.9	2.4x	55
CEP III	12/2006	€5,294.9	€5,064.7	€10,908.5	2.2x	19 %	15 %	€3,191.1	€8,074.6	2.5x	22
CAP I	12/1998	$750.0	$627.7	$2,521.8	4.0x	25 %	18 %	$627.7	$2,521.8	4.0x	25
CAP II	2/2006	$1,810.0	$1,633.6	$2,899.2	1.8x	11 %	8 %	$720.0	$2,194.6	3.0x	24
CAP III	5/2008	$2,551.6	$2,527.3	$4,868.5	1.9x	21 %	15 %	$1,382.8	$2,592.4	1.9x	19
CJP I	10/2001	¥50,000.0	¥47,291.4	¥139,633.4	3.0x	61 %	37 %	¥39,756.6	¥131,454.6	3.3x	65
CJP II	7/2006	¥165,600.0	¥141,866.7	¥186,534.6	1.3x	6 %	2 %	¥64,306.1	¥102,010.1	1.6x	10
CGFSP I	9/2008	$1,100.2	$1,075.4	$2,092.5	1.9x	20 %	14 %	$427.9	$1,019.3	2.4x	28
CEOF I	5/2011	$1,119.1	$1,105.6	$1,500.1	1.4x	21 %	14 %	$169.3	$540.1	3.2x	78
CETP II	2/2007	€521.6	€436.4	€1,036.4	2.4x	26 %	17 %	€216.9	€820.0	3.8x	35
CAGP IV	6/2008	$1,041.4	$949.6	$1,393.9	1.5x	14 %	8 %	$155.0	$377.3	2.4x	32
All Other Funds (9)	Various		$3,849.2	$6,156.2	1.6x	17 %	7 %	$3,004.9	$5,121.6	1.7x	20
Coinvestments and Other (10)	Various		$8,290.0	$21,335.9	2.6x	36 %	33 %	$4,867.6	$14,893.0	3.1x	36
Total Fully Invested Funds			$56,910.5	$122,122.6	2.1x	27 %	19 %	$38,520.6	$97,992.8	2.5x	29
Funds in the Investment Period(6)											
CP VI (12)	5/2012	$13,000.0	$4,658.3	$4,955.3	1.1x	NM	NM				
CEP IV (12)	8/2013	€3,669.5	€800.0	€918.8	1.1x	NM	NM				
CAP IV (12)	11/2012	$3,880.4	$1,631.0	$1,625.4	1.0x	NM	NM				
CGFSP II (12)	4/2013	$1,000.0	$359.6	$433.3	1.2x	NM	NM				
CJP III (12)	8/2013	¥119,505.1	¥35,200.0	¥43,902.0	1.2x	NM	NM				
CEOF II (12)	3/2015	$2,299.0	$429.2	$408.4	1.0x	NM	NM				
All Other Funds (11)	Various		$1,581.6	$1,421.3	0.9x	(10)%	(21)%				
Total Funds in the Investment Period			$9,821.7	$10,207.4	1.0x	4 %	(6)%	$193.5	$349.4	1.8x	41
TOTAL CORPORATE PRIVATE EQUITY(13)			$66,732.2	$132,330.0	2.0x	26 %	19 %	$38,714.1	$98,342.2	2.5x	29

(1) The data presented herein that provides “inception to date” performance results of our segments relates to the period following the formation of the first fund within each segment. For our Corporate Private Equity segment our first fund was formed in 1990.

(2) Represents the original cost of all capital called for investments since inception of the fund.

(3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest.

(4) Multiple of invested capital ("MOIC") represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.

(5) An investment is considered realized when the investment fund has completely exited, and ceases to own an interest in, the investment. An investment is considered partially realized when the total amount of proceeds received in respect of such investment, including dividends, interest or other distributions and/or return of capital, represents at least 85% of invested capital and such investment is not yet fully realized. Because part of our value creation strategy involves pursuing best exit alternatives, we believe information regarding Realized/Partially Realized MOIC and Gross IRR, when considered together with the other investment performance metrics presented, provides investors with meaningful information regarding our investment performance by removing the impact of investments where significant realization

activity has not yet occurred. Realized/Partially Realized MOIC and Gross IRR have limitations as measures of investment performance, and should not be considered in isolation. Such limitations include the fact that these measures do not include the performance of earlier stage and other investments that do not satisfy the criteria provided above. The exclusion of such investments will have a positive impact on Realized/Partially Realized MOIC and Gross IRR in instances when the MOIC and Gross IRR in respect of such investments are less than the aggregate MOIC and Gross IRR. Our measurements of Realized/Partially Realized MOIC and Gross IRR may not be comparable to those of other companies that use similarly titled measures. We do not present Realized/Partially Realized performance information separately for funds that are still in the investment period because of the relatively insignificant level of realizations for funds of this type. However, to the extent such funds have had realizations, they are included in the Realized/Partially Realized performance information presented for Total Corporate Private Equity.

(6) Fully Invested funds are past the expiration date of the investment period as defined in the respective limited partnership agreement. In instances where a successor fund has had its first capital call, the predecessor fund is categorized as fully invested.

(7) Gross Internal Rate of Return ("Gross IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value before management fees, expenses and carried interest.

(8) Net Internal Rate of Return ("Net IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest.

(9) Aggregate includes the following funds: CP I, CMG, CVP I, CVP II, CUSGF III, CEVP, CETP I, CAVP I, CAVP II, CAGP III, Mexico, and MENA.

(10) Includes coinvestments and certain other stand-alone investments arranged by us.

(11) Aggregate includes the following funds: CGP, CSABF, CSSAF, CPF I, CCI, and CETP III.

(12) Returns are not considered meaningful, as the investment period commenced in May 2012 for CP VI, November 2012 for CAP IV, April 2013 for CGFSP II, August 2013 for CEP IV, August 2014 for CJP III, and March 2015 for CEOF II.

(13) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

	Remaining Fair Value(1)	Unrealized MOIC(2)	Total MOIC(3)	% Invested(4)	In Accrued Carry/ (Clawback) (5)	LTM Realized Carry (6)	Catch up Rate	Fee Initiation Date(7)	Quarters Since Fee Initiation	Original Investm Period End Da
	As of December 31, 2015									
Corporate Private Equity										
CP V	$8,939.1	1.7x	1.9x	95 %	X	X	100%	Jun-07	35	May-13
CP VI	$5,727.9	1.0x	1.1x	36 %			100%	Jun-13	11	May-18
CEP III	€3,926.6	2.2x	2.2x	96 %	X	X	100%	Jul-07	34	Dec-12
CAP III	$2,136.2	1.9x	1.9x	99 %	X	X	100%	Jun-08	31	May-14
CAP IV	$1,768.5	0.9x	1.0x	42 %			100%	Jul-13	10	Nov-18
CGFSP I	$1,133.8	1.7x	1.9x	98 %	X	X	100%	Oct-08	29	Sep-14
CEOF I	$1,106.7	1.2x	1.4x	99 %	X		80 %	Sep-11	18	May-17
CAGP IV	$990.6	1.2x	1.5x	91 %			100%	Aug-08	30	Jun-14
CP IV	$986.3	1.3x	2.4x	97 %	X	X	80 %	Apr-05	43	Dec-10
CEP IV	€836.9	1.1x	1.1x	22 %			100%	Sep-14	6	Aug-19
CJP II	¥101,775.1	1.2x	1.3x	86 %			80 %	Oct-06	37	Jul-12
CAP II	$772.1	0.9x	1.8x	90 %	(X)		80 %	Mar-06	40	Feb-12
CGFSP II	$483.7	1.2x	1.2x	36 %	X		100%	Jun-13	11	Dec-17
CEOF II	$437.5	1.0x	1.0x	19 %			80 %	Nov-15	1	Mar-21

CJP III	¥44,288.0	1.3x	1.2x	29 %			100%	Sep-13	10	Feb-20
CETP II	€332.1	1.4x	2.4x	84 %	X	X	100%	Jan-08	32	Jul-13
CEP II	€263.2	0.5x	1.9x	113%	X	X	80 %	Sep-03	50	Sep-08
All Other Funds (8)	$2,402.2	1.0x	2.2x		NM	NM				
Coinvestment and Other (9)	$5,003.6	1.8x	2.6x		NM	NM				
Total Corporate Private Equity (10)	$38,926.1	1.4x	2.0x							

(1) Net asset value of our carry funds. Reflects significant funds with remaining fair value of greater than $100 million.

(2) Unrealized multiple of invested capital ("MOIC") represents remaining fair market value, before management fees, expenses and carried interest, divided by investment cost.

(3) Total MOIC represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital. For certain funds, represents the original cost of investments net of investment-level recallable proceeds, which is adjusted to reflect recyclability of invested capital for the purpose of calculating the fund MOIC.

(4) Represents cumulative equity invested as of the reporting period divided by total commitments. Amount can be greater than 100% due to the re-investment of recallable distributions to fund investors.

(5) Fund has accrued carry/(clawback) as of the reporting period.

(6) Fund has realized carry in the last twelve months.

(7) Represents the date of the first capital contribution for management fees.

(8) Aggregate includes the following funds: CMG, CP I, CP II, CP III, CEP I, CAP I, CBPF, CJP I, CEVP, CETP I, CETP III, CCI, CAVP I, CAVP II, CAGP III, Mexico, MENA, CSABF, CSSAF, CPF, CGP, CVP I, CVP II, and CUSGF III. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.

(9) Includes co-investments, prefund investments and certain other stand-alone investments arranged by us. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.

(10) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

Global Market Strategies

For purposes of presenting our results of operations for this segment, we include only our 55% economic interest in the results of operations of Claren Road, ESG and, for periods prior to July 1, 2015, Carlyle Commodity Management. Effective July 1, 2015, our results of operations for this segment reflects our approximate 83% economic interest of Carlyle Commodity Management. The following table presents our results of operations for our Global Market Strategies segment:

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Segment Revenues			
Fund level fee revenues			
Fund management fees	$210.7	$259.3	$275.2
Portfolio advisory fees, net	0.7	0.9	1.4
Transaction fees, net	—	0.2	0.1
Total fund level fee revenues	211.4	260.4	276.7
Performance fees			
Realized	38.0	36.0	151.9
Unrealized	(63.1)	76.5	32.4
Total performance fees	(25.1)	112.5	184.3
Investment income (loss)			
Realized	5.4	8.4	17.5
Unrealized	(15.7)	(3.6)	(1.5)
Total investment income (loss)	(10.3)	4.8	16.0
Interest	2.8	0.3	0.7
Other income	3.9	5.5	3.5
Total revenues	182.7	383.5	481.2
Segment Expenses			
Compensation and benefits			
Direct base compensation	101.2	110.6	99.6
Indirect base compensation	28.3	24.6	21.8
Equity-based compensation	19.0	13.9	3.0
Performance fee related			
Realized	16.6	17.4	42.1
Unrealized	(27.7)	35.4	13.7
Total compensation and benefits	137.4	201.9	180.2
General, administrative, and other indirect expenses	69.8	52.9	60.9
Depreciation and amortization expense	5.0	4.0	4.5
Interest expense	10.8	9.7	7.9
Total expenses	223.0	268.5	253.5
Economic Net Income (Loss)	$(40.3)	$115.0	$227.7
(-) Net Performance Fees	(14.0)	59.7	128.5
(-) Investment Income (Loss)	(10.3)	4.8	16.0
(+) Equity-based Compensation	19.0	13.9	3.0
(+) Reserve for Litigation and Contingencies	9.0	—	—
(=) Fee Related Earnings	$12.0	$64.4	$86.2
(+) Realized Net Performance Fees	21.4	18.6	109.8
(+) Realized Investment Income	5.4	8.4	17.5
(=) Distributable Earnings	$38.8	$91.4	$213.5

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014 and Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Distributable Earnings
The decrease in Distributable Earnings in 2015 was primarily driven by lower Fee Related Earnings and the decrease in 2014 was primarily driven by lower realized performance fees. Distributable earnings decreased $52.6 million for the year ended December 31, 2015 as compared to 2014, and decreased $122.1 million for the year ended December 31, 2014 as compared to 2013. The following table provides the components of the changes in distributable earnings for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Distributable earnings, prior year	$91.4	$213.5
Increases (decreases):		
Increase (decrease) in realized net performance fees	2.8	(91.2)
Decrease in realized investment income	(3.0)	(9.1)
Decrease in fee related earnings	(52.4)	(21.8)
Total decrease	(52.6)	(122.1)
Distributable earnings, current year	$38.8	$91.4

Realized Net Performance Fees. Realized net performance fees increased $2.8 million for the year ended December 31, 2015 as compared to 2014 and decreased $91.2 million for the year ended December 31, 2014 as compared to 2013. The majority of realized net performance fees were generated by the following funds for the years ended December 31, 2015, 2014 and 2013, respectively:

Year Ended December 31,		
2015	2014	2013
Structured Credit Funds	Claren Road	Claren Road
ESG	ESG	ESG
Business Development Companies		

Realized Investment Income. Realized investment income decreased $3.0 million for the year ended December 31, 2015 as compared to 2014 and decreased $9.1 million for the year ended December 31, 2014 as compared to 2013. The decrease in realized investment income for the year ended December 31, 2015 as compared to 2014 was primarily due to lower realizations on our distressed debt funds. The decrease in realized investment income for the year ended December 31, 2014 as compared to 2013 was primarily due to lower realizations in our investments in one of our business development companies.

Fee Related Earnings

Fee related earnings decreased $52.4 million for the year ended December 31, 2015 as compared to 2014, and decreased $21.8 million for the year ended December 31, 2014 as compared to 2013. The following table provides the components of the change in fee related earnings for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Fee related earnings, prior year	$64.4	$86.2
Increases (Decreases):		
Decrease in fee revenues	(49.0)	(16.3)
Decrease (increase) in direct and indirect base compensation	5.7	(13.8)
(Increase) decrease in general, administrative and other expenses	(7.9)	8.0
All other changes	(1.2)	0.3
Total decrease	(52.4)	(21.8)
Fee related earnings, current year	$12.0	$64.4

Fee Revenues. Total fee revenues decreased $49.0 million for the year ended December 31, 2015 as compared to 2014 and decreased $16.3 million for the year ended December 31, 2014 as compared to 2013, due to the following:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Lower fund management fees	$(48.6)	$(15.9)
(Lower) higher transaction fees	(0.2)	0.1
Lower portfolio advisory fees	(0.2)	(0.5)
Total decrease in fee revenues	$(49.0)	$(16.3)

The decrease in fund management fees for the year ended December 31, 2015 as compared to 2014 is primarily from the hedge funds as a result of $4.3 billion of net redemptions in 2015 and depreciation that reduced total hedge fund assets under management from approximately $13.4 billion at December 31, 2014 to approximately $8.3 billion at December 31, 2015.

The decrease in fund management fees for the year ended December 31, 2014 as compared to 2013 is primarily due to the absence in 2014 of approximately $10.0 million of “catch-up” management fees earned from subsequent closings of our third distressed and corporate opportunities fund (“CSP III”) during the year ended December 31, 2013, approximately $7.4 million in subordinated management fees recognized in 2013 from two CLOs that were liquidated in 2013, and lower AUM in the Carlyle Commodity Management hedge funds. Offsetting these decreases were increases in management fees from the Claren Road and ESG hedge funds from greater assets under management of $16.3 million.

The weighted average management fee rate on our hedge funds decreased from 1.73% at December 31, 2014 to 1.59% at December 31, 2015 due to reduced AUM from net redemptions in our Claren Road funds, which charge a higher rate. The weighted average management fee rate on our carry funds decreased from 1.48% at December 31, 2014 to 1.38% at December 31, 2015 due to the reduction in both the fee basis and rate of CSP III and CEMOF I as they switched from commitments to invested equity at the end of their respective original investment periods.

The weighted average management fee rate on our hedge funds decreased from 1.77% at December 31, 2013 to 1.73% at December 31, 2014 due to higher AUM in the ESG hedge funds, which charge a lower rate, and decreases in AUM in the Carlyle Commodity Management hedge funds. The weighted average management fee rate on our carry funds decreased from 1.53% at December 31, 2013 to 1.48% at December 31, 2014 due to a step down in fee basis from commitments to invested capital on our second corporate mezzanine fund (“CMP II”).

Direct and indirect compensation expense. Direct and indirect compensation expense decreased $5.7 million for the year ended December 31, 2015 as compared to 2014 primarily due to lower headcount and bonuses in 2015, partially offset by incremental compensation costs of $4.5 million related to fundraising activities, primarily associated with our second energy mezzanine fund (“CEMOF II”).
Direct and indirect base compensation increased $13.8 million for the year ended December 31, 2014 as compared to 2013, which primarily relates to incremental compensation costs related to increased headcount, promotions, and bonuses.
General, administrative and other indirect expenses. General, administrative and other indirect expenses increased $7.9 million for the year ended December 31, 2015 as compared to 2014 primarily due to higher external costs associated with fundraising activities of $10.4 million, mostly related to our second energy mezzanine fund, partially offset by lower negative foreign currency adjustments.
General, administrative and other indirect expenses decreased $8.0 million for the year ended December 31, 2014 as compared to 2013. The decrease is primarily due to higher external costs associated with fundraising activities for the business development companies and for carry funds during 2013 as compared to 2014.
Economic Net Income (Loss)
Economic net income (loss) decreased $155.3 million for the year ended December 31, 2015 as compared to 2014, and decreased $112.7 million for the year ended December 31, 2014 as compared to 2013. The following table provides the components of the change in economic net income (loss) for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Economic net income (loss), prior year	$ 115.0	$ 227.7
Increases (decreases):		
Decrease in net performance fees	(73.7)	(68.8)
Decrease in investment income	(15.1)	(11.2)
Increase in equity-based compensation	(5.1)	(10.9)
Decrease in fee related earnings	(52.4)	(21.8)
Reserve for litigation and contingencies	(9.0)	—
Total decrease	(155.3)	(112.7)
Economic net income (loss), current year	$ (40.3)	$ 115.0

Performance Fees. Performance fees (realized and unrealized) for the years ended December 31, 2015, 2014, and 2013 are from the following types of funds:

	Performance Fees		
	Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Carry funds	$ (62.9)	$ 84.6	$ 62.5
Hedge funds	10.5	(3.0)	115.1
Structured credit funds	20.9	27.6	6.7
Business development companies	6.4	3.3	—
Total performance fees	$ (25.1)	$ 112.5	$ 184.3

The $(25.1) million of performance fees for the year ended December 31, 2015 was driven primarily by performance fees recognized from the following funds:

•our first energy mezzanine fund (“CEMOF”) of $(43.1) million,
•CMP II of $(19.3) million, and
•ESG funds of $7.3 million.

The $112.5 million of performance fees for the year ended December 31, 2014 was driven primarily by performance fees recognized from the following funds:

•CSP III of $34.4 million,
•CEMOF of $29.6 million, and
•CMP II of $27.9 million.

The $184.3 million of performance fees for the year ended December 31, 2013 was driven primarily by performance fees recognized from the following funds:

•Claren Road Master Fund of $39.9 million,
•ESG Cross Border Equity Fund of $39.6 million,
•our second distressed and corporate opportunities fund (“CSP II”) of $38.3 million, and
•Claren Road Opportunities Fund of $19.1 million.

Performance fees of $(25.1) million, $112.5 million, and $184.3 million are inclusive of performance fees reversed of approximately $63.1 million, $12.0 million, and $0.7 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The appreciation (depreciation) in remaining value of assets for this segment's carry funds are as follows:

	Year Ended December 31,		
	2015	2014	2013
Carry funds	(8)%	20%	28%

Net performance fees decreased $73.7 million to $(14.0) million for the year ended December 31, 2015 compared to $59.7 million in 2014. Net performance fees decreased $68.8 million to $59.7 million for the year ended December 31, 2014 compared to $128.5 million in 2013.

Total Investment Income (Loss). Total investment loss (realized and unrealized) for the year ended December 31, 2015 was $10.3 million compared to investment income of $4.8 million for the year ended December 31, 2014. The decrease in investment income from 2014 to 2015 relates primarily to depreciation on U.S.-denominated collateralized loan obligations as well as investment losses in 2015 in CEMOF as compared to investment income in 2014.
Total investment income was $4.8 million for the year ended December 31, 2014 compared to investment income of $16.0 million in 2013. The decrease in investment income was due primarily to a realization of a debt investment in 2013 that resulted in a net investment gain of approximately $4.7 million. Also contributing to the decrease was lower appreciation on our CLO investments in 2014 as compared to 2013, which resulted in a decrease in investment income of $4.2 million from 2013 to 2014.
Equity-based Compensation. Equity-based compensation was $19.0 million, $13.9 million, and $3.0 million for the years ended December 31, 2015, 2014, and 2013, respectively. The increase from 2014 to 2015 and the increase from 2013 to 2014 are due to the ongoing granting of deferred restricted common units to new and existing employees

during 2013, 2014 and 2015, and a decrease in the estimated forfeiture rates during 2013 and 2015.
Reserve for Litigation and Contingencies. Global Market Strategies' share of a reserve for litigation and contingencies was $9.0 million for the year ended December 31, 2015. See Note 11 of the consolidated financial statements included in this Annual Report on Form 10-K for more information.

Fee-earning AUM as of and for each of the Three Years in the Period Ended December 31, 2015.
Fee-earning AUM is presented below for each period together with the components of change during each respective period.
The table below breaks out Fee-earning AUM by its respective components at each period.

	As of December 31,		
	2015	2014	2013
	(Dollars in millions)		
Global Market Strategies			
Components of Fee-earning AUM (1)			
Fee-earning AUM based on capital commitments	$2,298	$1,916	$2,439
Fee-earning AUM based on invested capital	1,601	653	607
Fee-earning AUM based on collateral balances, at par	17,896	17,631	16,465
Fee-earning AUM based on net asset value	7,811	12,812	13,593
Fee-earning AUM based on other (2)	1,366	886	307
Total Fee-earning AUM	$30,972	$33,898	$33,411
Weighted Average Management Fee Rates (3)			
All Funds, excluding CLOs	1.52 %	1.69 %	1.73 %

(1) For additional information concerning the components of Fee-earning AUM, see "—Fee-earning Assets under Management."
(2) Includes funds with fees based on notional value and gross asset value.
(3) Represents the aggregate effective management fee rate for carry funds and hedge funds, weighted by each fund's Fee-earning AUM, as of the end of each period presented. Management fees for CLOs are based on the total par amount of the assets (collateral) in the fund and are not calculated as a percentage of equity and are therefore not included.

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

	Twelve Months Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Global Market Strategies			
Fee-earning AUM Rollforward			
Balance, Beginning of Period	$33,898	$33,411	$31,034
Acquisitions	—	—	78
Inflows, including Commitments (1)	2,422	2	639
Outflows, including Distributions (2)	(1,025)	(479)	(462)
Subscriptions, net of Redemptions (3)	(4,327)	767	959
Changes in CLO collateral balances (4)	850	1,887	56
Market Appreciation/(Depreciation) (5)	(674)	(1,548)	834
Foreign Exchange and other (6)	(172)	(142)	273
Balance, End of Period	$30,972	$33,898	$33,411

(1) Inflows represent limited partner capital raised and capital invested by our carry funds outside the investment period and investments in our business development companies.
(2) Outflows represent limited partner distributions from our carry funds and changes in basis for our carry funds where the investment period has expired and distributions from our business development companies.
(3) Represents subscriptions and redemptions in our hedge funds and mutual fund. Our hedge fund partnerships had outstanding redemption requests for $3.1 billion in the aggregate as of the beginning of the first quarter of 2016.
(4)

Represents the change in the aggregate Fee-earning collateral balances at par of our CLOs/structured products, as of the quarterly cut-off dates.

(5) Market Appreciation/ (Depreciation) represents changes in the net asset value of our hedge funds and mutual fund.

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

Fee-earning AUM was $31.0 billion at December 31, 2015, a decrease of $2.9 billion, or 9%, compared to $33.9 billion at December 31, 2014. This was driven by $4.3 billion of net redemptions in our hedge funds, $1.0 billion of net outflows including distributions, primarily due to the change in basis from commitments to invested equity in CSP III and our first energy mezzanine fund (“CEMOF I”), and $0.7 billion in market depreciation. This was partially offset by $2.4 billion of inflows, including commitments, primarily driven by new commitments in CEMOF II and a $0.9 billion increase in the collateral balances of our CLO's. Distributions from carry funds still in the investment period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital.

Fee-earning AUM was $33.9 billion at December 31, 2014, an increase of $0.5 billion, or 1%, compared to $33.4 billion at December 31, 2013. This was driven by a $1.9 billion increase in the aggregate par value of our CLO collateral balances as a result of the eight new CLOs issued during the year and $0.8 billion of subscriptions, net of redemptions in our hedge funds. These increases are offset by $1.5 billion in market depreciation, primarily in our hedge funds and $0.5 billion in distributions from our fully invested carry funds.

Fee-earning AUM was $33.4 billion at December 31, 2013, an increase of $2.4 billion, or 8%, compared to $31.0 billion at December 31, 2012. This increase was driven by $1.0 billion of subscriptions, net of redemptions, market appreciation of $0.8 billion in our hedge funds and $0.6 billion of new commitments raised by our carry funds. These increases are offset by $0.5 billion in distributions from our fully invested carry funds.

Total AUM as of and for each of the Three Years in the Period Ended December 31, 2015.
The table below provides the period to period rollforwards of Available Capital and Fair Value of Capital, and the resulting rollforward of Total AUM.

	Available Capital	Fair Value of Capital	Total AUM
	(Dollars in millions)		
Global Market Strategies			
Balance, As of December 31, 2012	$1,820	$30,722	$32,542
Acquisitions	—	78	78
Commitments (1)	319	—	319
Capital Called, net (2)	(945)	1,212	267
Distributions (3)	264	(1,055)	(791)
Subscriptions, net of Redemptions (4)	—	992	992
Changes in CLO collateral balances (5)	—	399	399
Market Appreciation/(Depreciation) (6)	—	1,380	1,380
Foreign exchange and other (7)	—	291	291
Balance, As of December 31, 2013	$1,458	$34,019	$35,477
Commitments (1)	150	—	150
Capital Called, net (2)	(566)	812	246
Distributions (3)	474	(887)	(413)
Subscriptions, net of Redemptions (4)	—	924	924
Changes in CLO collateral balances (5)	—	2,087	2,087
Market Appreciation/(Depreciation) (6)	—	(1,237)	(1,237)
Foreign exchange and other (7)	(4)	(489)	(493)
Balance, As of December 31, 2014	$1,512	$35,229	$36,741
Commitments (1)	2,695	—	2,695
Capital Called, net (2)	(668)	1,001	333
Distributions (3)	186	(532)	(346)
Subscriptions, net of Redemptions (4)	—	(4,434)	(4,434)
Changes in CLO collateral balances (5)	—	1,602	1,602
Market Appreciation/(Depreciation) (6)	—	(945)	(945)
Foreign exchange and other (7)	26	(417)	(391)
Balance, As of December 31, 2015 (8)	$3,751	$31,504	$35,255

(1) Represents capital raised by our carry funds, net of expired available capital.

(2) Represents capital called by our carry funds and business development companies, net of fund fees and expenses. Equity invested amounts may vary from capital called due to timing differences between acquisition and capital call dates.

(3) Represents distributions from our carry funds and business development companies, net of amounts recycled. Distributions are based on when proceeds are actually distributed to investors, which may differ from when they are realized.

(4) Represents the net result of subscriptions to and redemptions from our hedge funds and mutual fund. Our hedge fund partnerships had outstanding redemption requests for $3.1 billion in the aggregate as of the beginning of the first quarter of 2016.

(5) Represents the change in the aggregate collateral balance and principal cash and principal notes at par of the CLOs/structured products.

(6) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments and changes in the net asset value of our hedge funds.

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

(8) Ending balance is comprised of approximately $19.4 billion from our structured credit /other structured product funds, $8.3 billion in our hedge funds, $6.2 billion (including $3.8 billion of Available Capital) in our carry funds, and $1.4 billion from our business development companies.

Total AUM was $35.3 billion at December 31, 2015, a decrease of $1.4 billion, or 4%, compared to $36.7 billion at December 31, 2014. This decrease was primarily driven by $4.4 billion in net redemptions from our hedge funds, $0.9 billion of market depreciation, representing a 8% ($0.2 billion) decrease on our portfolio of carry funds for the period and declines in our hedge funds, and $0.4 billion of foreign exchange decreases in our Euro-denominated CLOs. Offsetting these decreases were $2.7 billion of new commitments driven by fundraising in CEMOF II and $1.6 billion increases in the par value of our CLO collateral balances.

Total AUM was $36.7 billion at December 31, 2014, an increase of $1.3 billion, or 4%, compared to $35.5 billion at December 31, 2013. This increase was driven by (a) changes in the aggregate par value of our CLO collateral balances of $2.1 billion, primarily due to eight new issue CLOs raised, and (b) commitments of approximately $0.2 billion related to our carry funds and their related coinvestments. These increases were partially offset by market depreciation of $1.2 billion, representing declines in our hedge funds partially offset by a 20% ($0.4 billion) increase on our portfolio of carry funds for the period, and distributions in our carry funds of $0.9 billion, of which $0.5 billion was recycled back into available capital. Increases due to subscriptions, net of redemptions, to our hedge funds of $0.9 billion in 2014 are exclusive of approximately $2.2 billion of net redemption notifications effective January 1, 2015.

Total AUM was $35.5 billion at December 31, 2013, an increase of $3.0 billion, or approximately 9%, compared to $32.5 billion at December 31, 2012. This increase was driven by (a) market appreciation of $1.4 billion, representing increases in our hedge funds coupled with a 28% ($0.5 billion) increase on our portfolio of carry funds for the period, (b) subscriptions, net of redemptions, to our hedge funds of $1.0 billion, (c) new commitments to our CSP III carry fund of approximately $0.3 billion, and (d) six new issue CLOs raised totaling $3.1 billion, offset by the liquidation of certain existing CLOs in accordance with their business plans. These increases were partially offset by distributions in our carry funds of $1.1 billion, of which $0.3 billion was recycled back into available capital.

Fund Performance Metrics

Fund performance information for certain of our Global Market Strategies Funds is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns. See “Item 1A. Risk Factors — Risks Related to Our Business Operations — The historical returns attributable to our funds including those presented in this report should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.”

The following table reflects the performance of certain funds in our Global Market Strategies business. These tables separately present funds that, as of the periods presented, had at least $1.0 billion in capital commitments, cumulative equity invested or total equity value. See “Business — Our Family of Funds” for a legend of the fund acronyms listed below.

			as of December 31, 2015			Inception to December 31, 2015	
	Fund Inception Date (1)	Committed Capital	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR(5)	Net IRR(6)
	(Reported in Local Currency, in Millions)						
CSP II	6/2007	$1.4	$1.4	$2.4	1.8x	17 %	11 %
CEMOF I	12/2010	$1.4	$1.1	$1.3	1.1x	9%	3%
CEMOF II (7)	2/2015	$2.4	$0.2	$0.2	1.0x	NM	NM

(1) The data presented herein that provides "inception to date" performance results for CSP II, CEMOF I, and CEMOF II related to the period following the formation of the funds in June 2007, December 2010, and February 2015, respectively.
(2) Represents the original cost of all capital called for investments since inception of the fund.

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(3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest.

(4) Multiple of invested capital ("MOIC") represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.

(5) Gross Internal Rate of Return ("Gross IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value before management fees, expenses and carried interest.

(6) Net Internal Rate of Return ("Net IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest.

(7) Returns are not considered meaningful, as the investment period commenced in February 2015 for CEMOF II.

	Remaining Fair Value (1)	Unrealized MOIC (2)	Total MOIC (3)	% Invested (4)	In Accrued Carry/ (Clawback) (5)	LTM Realized Carry (6)	Catch up Rate	Fee Initiation Date (7)	Quarters Since Fee Initiation	Original Investment Period End Date
	As of December 31, 2015									
Global Market Strategies										
CEMOF I	$846.7	0.8x	1.1x	83 %			100 %	Dec-10	21	Dec-15
CSP II	$304.1	0.8x	1.8x	100 %	X		80 %	Dec-07	33	Jun-11
CEMOF II	$179.2	1.0x	1.0x	7 %			100 %	Dec-15	1	Feb-20
All Other Funds (8)	$725.1	1.0x	1.5x		NM	NM				
Coinvestment and Other (9)	$354.7	0.9x	1.1x		NM	NM				
Total Global Market Strategies	$2,409.7	0.9x	1.4x							

(1) Net asset value of our carry funds. Reflects significant funds with remaining fair value of greater than $100 million.

(2) Unrealized multiple of invested capital ("MOIC") represents remaining fair market value, before management fees, expenses and carried interest, divided by investment cost.

(3) Total MOIC represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital. For certain funds, represents the original cost of investments net of investment-level recallable proceeds, which is adjusted to reflect recyclability of invested capital for the purpose of calculating the fund MOIC.

(4) Represents cumulative equity invested as of the reporting period divided by total commitments. Amount can be greater than 100% due to the re-investment of recallable distributions to fund investors.

(5) Fund has accrued carry/(clawback) as of the reporting period.

(6) Fund has realized carry in the last twelve months.

(7) Represents the date of the first capital contribution for management fees.

(8) Aggregate includes the following funds: CSP I, CSP III, CMP I, CMP II, and CASCOF. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.

(9) Includes co-investments, prefund investments and certain other stand-alone investments arranged by us. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.

The following table reflects the performance of the Claren Road Master Fund and the Claren Road Opportunities Fund, which had AUM of approximately $2.2 billion and $1.1 billion, respectively, as of December 31, 2015:

	1 Year (2)	3-Year (2)	5-Year (2)	Inception (3)
Net Annualized Return (1)				
Claren Road Master Fund	(7)%	(4)%	(1)%	5%
Claren Road Opportunities Fund	(9)%	(5)%	0%	7%
Barclays Aggregate Bond Index	1%	1%	3%	5%
Volatility (4)				
Claren Road Master Fund Standard Deviation (Annualized)	6%	8%	6%	6%
Claren Road Opportunities Fund Standard Deviation (Annualized)	8%	11%	9%	9%
Barclays Aggregate Bond Index Standard Deviation (Annualized)	3%	3%	3%	3%
Sharpe Ratio (1M LIBOR) (5)				
Claren Road Master Fund	(1.17)	(0.57)	(0.17)	0.70
Claren Road Opportunities Fund	(1.16)	(0.44)	0.00	0.61
Barclays Aggregate Bond Index	0.12	0.43	1.12	0.95

(1) For the Claren Road funds, net annualized return is presented for fee-paying investors only on a total return basis, net of all fees and expenses. The Barclays Aggregate Bond Index is a market-value weighted, intermediate-term bond index of over 8,400 intermediate-term government bonds, investment grade corporate debt securities and mortgage-backed securities. This index is an unmanaged statistical composite and its returns do not include payment of any sales charge or fees an investor would pay to purchase the securities the index represents, which would lower performance if taken into account. The index results are shown for illustrative purposes only.
(2) As of December 31, 2015.
(3) The Claren Road Master Fund was established in January 2006. The Claren Road Opportunities Fund was established in April 2008. Performance is from inception through December 31, 2015.
(4) Volatility is the annualized standard deviation of monthly net investment returns.
(5) The Sharpe Ratio compares the historical excess return on an investment over the risk free rate of return with its historical annualized volatility.

The following table reflects the performance of the ESG Cross Border Equity Master Fund Ltd. and the ESG Domestic Opportunity Master Fund, Ltd, which had AUM of approximately $2.4 billion and $1.3 billion, respectively, as of December 31, 2015:

	1 Year (2)	3-Year (2)	5-Year (2)	Inception (3)
Net Annualized Return (1)				
CBE	(5)%	0%	3%	4%
DOF	(3)%	1%	n/a	4%
MSCI EM index	(15)%	(7)%	(5)%	1%
Volatility (4)				
CBE Standard Deviation (Annualized)	8%	7%	7%	8%
DOF Standard Deviation (Annualized)	10%	9%	n/a	11%
MSCI EM index Standard Deviation (Annualized)	18%	14%	18%	24%
Sharpe Ratio (1M LIBOR) (5)				
CBE	(0.63)	0.00	0.49	0.40
DOF	(0.32)	0.14	n/a	0.33

MSCI EM index	(0.84)	(0.46)	(0.26)	0.02

(1) For the ESG funds, net annualized return is presented on a total return basis, net of all fees and expenses. The MSCI EM Index comprises large and mid-cap securities across 21 emerging markets countries. This index is an unmanaged statistical composite and its returns do not include payment of any sales charges or fees an investor would pay to purchase the securities the index represents, which would lower performance if taken into account. The index results are shown for illustrative purposes only.

(2) As of December 31, 2015.

(3) The CBE Fund was established in January 2007. The DOF Fund was established in April 2011. Performance is from inception through December 31, 2015.
(4) Volatility is the annualized standard deviation of monthly net investment returns.
(5) The Sharpe Ratio compares the historical excess return on an investment over the risk free rate of return with its historical annualized volatility.

The asset-weighted hedge fund performance of our reported funds was (6.5)% for 2015 versus (9.1%) for 2014.

Real Assets

For purposes of presenting our results of operations for this segment, our earnings from our investments in NGP are presented in the respective operating captions and the net income or loss from the consolidation of Urbplan allocable to the Partnership (after consideration of amounts allocable to non-controlling interests) is presented within investment income. The following table presents our results of operations for our Real Assets segment:

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Segment Revenues			
Fund level fee revenues			
Fund management fees	$255.9	$223.8	$188.9
Portfolio advisory fees, net	0.4	0.8	1.3
Transaction fees, net	2.1	1.6	3.9
Total fund level fee revenues	258.4	226.2	194.1
Performance fees			
Realized	163.2	88.5	40.5
Unrealized	(42.5)	(39.5)	43.4
Total performance fees	120.7	49.0	83.9
Investment income (loss)			
Realized	(93.6)	(32.2)	(22.7)
Unrealized	63.1	(15.7)	(62.3)
Total investment income (loss)	(30.5)	(47.9)	(85.0)
Interest	0.3	0.3	0.2
Other income	2.6	4.4	1.8
Total revenues	351.5	232.0	195.0
Segment Expenses			
Compensation and benefits			
Direct base compensation	70.0	75.2	70.2
Indirect base compensation	39.3	48.5	30.4
Equity-based compensation	25.0	19.2	4.6
Performance fee related			
Realized	68.5	30.1	(4.0)
Unrealized	26.3	32.1	56.7
Total compensation and benefits	229.1	205.1	157.9
General, administrative, and other indirect expenses	74.6	72.2	58.4
Depreciation and amortization expense	4.3	3.6	4.3
Interest expense	10.6	9.9	8.2
Total expenses	318.6	290.8	228.8
Economic Net Income (Loss)	$32.9	$(58.8)	$(33.8)
(-) Net Performance Fees	25.9	(13.2)	31.2
(-) Investment Income (Loss)	(30.5)	(47.9)	(85.0)
(+) Equity-based Compensation	25.0	19.2	4.6
(+) Reserve for Litigation and Contingencies	9.2	—	—
(=) Fee Related Earnings	$71.7	$21.5	$24.6
(+) Realized Net Performance Fees	94.7	58.4	44.5
(+) Realized Investment Income (Loss)	(93.6)	(32.2)	(22.7)
(=) Distributable Earnings	$72.8	$47.7	$46.4

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014 and Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Distributable Earnings
Distributable earnings increased $25.1 million for the year ended December 31, 2015 as compared to 2014 and increased $1.3 million for the year ended December 31, 2014 as compared to 2013. The following table provides the components of the change in distributable earnings for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Distributable earnings, prior year	$47.7	$46.4
Increases (decreases):		
Increase in realized net performance fees	36.3	13.9
Increase in realized investment loss	(61.4)	(9.5)
Increase (decreases) in fee related earnings	50.2	(3.1)
Total increase	25.1	1.3
Distributable earnings, current year	$72.8	$47.7

Realized Net Performance Fees. Realized net performance fees increased $36.3 million for the year ended December 31, 2015 as compared to 2014, and increased $13.9 million for the year ended December 31, 2014 as compared to 2013. The majority of realized net performance fees were generated by the following funds for the years ended December 31, 2015, 2014 and 2013, respectively:

Year Ended December 31,		
2015	2014	2013
CRP VI	CRP VI	CRP VI
CRP III		
CPOCP		

Realized Investment Loss. Realized investment loss increased $61.4 million for the year ended December 31, 2015 as compared to 2014, and realized investment loss increased $9.5 million for the year ended December 31, 2014 as compared to 2013. The increase in realized investment loss for the year ended December 31, 2015 as compared to 2014 primarily represented the realization of Carlyle's cumulative losses from our guarantee of liabilities of Carlyle Europe Real Estate Partners I. L.P. (“CEREP I”) associated with an adverse court judgment in a French tax court proceeding of $80 million, offset by $9.7 million of lower realized investment losses in 2015 associated with Urbplan.

The increase in realized investment loss for the year ended December 31, 2014 as compared to 2013 was primarily due to realized investment losses on Urbplan and a mezzanine loan investment to one of our European real estate funds, partially offset by an investment gain from the sale of a European real estate investment.

Fee Related Earnings

Fee related earnings increased $50.2 million for the year ended December 31, 2015 as compared to 2014 and declined $3.1 million for the year ended December 31, 2014 as compared to 2013. The following table provides the components of the change in fee related earnings for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Fee related earnings, prior year	$21.5	$24.6
Increases (decreases):		
Increase in fee revenues	32.2	32.1
Decrease (increase) in direct and indirect base compensation	14.4	(23.1)
Decrease (increase) in general, administrative and other expenses	6.8	(13.8)
All other changes	(3.2)	1.7
Total increase (decrease)	50.2	(3.1)
Fee related earnings, current year	$71.7	$21.5

Fee Revenues. Total fee revenues increased $32.2 million for the year ended December 31, 2015 as compared to 2014 and increased $32.1 million for the year ended December 31, 2014 as compared to the same period in 2013, due to the following:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Higher fund management fees	$32.1	$34.9
Higher (lower) transaction fees	0.5	(2.3)
Lower portfolio advisory fees	(0.4)	(0.5)
Total increase in fee revenues	$32.2	$32.1

The increase in fund management fees for the year ended December 31, 2015 as compared to 2014 primarily reflects a $16.2 million increase in catch-up management fees from $7.6 million in 2014 to $23.8 million in 2015. The increase in catch-up management fees is primarily due from subsequent closings on our seventh U.S. real estate fund ("CRP VII"), our first international energy fund ("CIEP I") and our second power fund ("CPP II"). Also, the increase in fund management fees was due to the commencement of the investment period of CRP VII and CPP II in June 2014 when both funds began to charge management fees at such time, as well as higher assets under management from additional commitments raised during 2014 and 2015 in CRP VII, CIEP I, and CPP II. These increases were partially offset by declines in fund management fees from distributions from certain other U.S. and European real estate funds outside of their investment periods, which had the effect of lowering the management fee base of those funds.

The increase in management fees for the year ended December 31, 2014 as compared to 2013 is primarily due $40.9 million of incremental management fees earned in 2014 from CIEP I, which commenced its investment period in September 2013, including catch-up management fees earned in 2014 from subsequent closings of that fund of approximately $14.4 million. Also contributing to the increase was $16.1 million of incremental management fees from the commencement of management fees on CRP VII in 2014, which includes $3.3 million of catch-up management fees from subsequent closings of that fund. This increase was partially offset by declines in management fees from distributions from certain other U.S. and European real estate funds and NGP management fee funds outside of their investment periods.

The total weighted average management fee rate declined to 1.24% at December 31, 2015 from 1.31% at December 31, 2014 primarily due to new commitments to CRP VII and CPP II which charges a lower management fee rate compared to other funds. The weighted average management fee rate for funds in the investment period declined to 1.44% at December 31, 2015 from 1.54% at December 31, 2014 primarily due to fundraising in CRP VII and CPP II.

The total weighted average management fee rate increased to 1.31% at December 31, 2014 from 1.18% at December 31, 2013, primarily due to commitments to CRP VII and CIEP I. Despite the step down from commitments to invested capital in one of our Legacy Energy funds ("Renew II"), from which we are entitled a 10% allocation of management fee related revenues, the weighted average management fee rate for funds in the investment period increased from 1.27% at December 31, 2013 to 1.54% at December 31, 2014 due to fundraising in CIEP I and CRP VII, from which we are entitled to 100% of management fee related revenues.

Direct and indirect compensation expense. Direct and indirect compensation expense declined $14.4 million for the year ended December 31, 2015 as compared to 2014 primarily due to lower bonuses in 2015 as well as lower compensation associated with fundraising of $7.1 million in 2015 versus 2014, driven by fundraising activities in 2014 related to CRP VII and CIEP I.

Direct and indirect base compensation increased $23.1 million for the year ended December 31, 2014 as compared to 2013. The increase in compensation was due primarily to increased compensation associated with fundraising efforts for CRP VII and NGP carry funds, as well as incremental compensation costs related to increased headcount, promotions, and bonuses.

General, administrative and other indirect expenses. General, administrative and other indirect expenses decreased $6.8 million for the year ended December 31, 2015 as compared to 2014, primarily due to a decrease of $7.1 million in external costs associated with fundraising activities.

General, administrative and other indirect expenses increased $13.8 million for the year ended December 31, 2014 as compared to 2013. The increase primarily relates to an increase in external costs associated with fundraising activities for CRP VII and CIEP I, as well as an increase in professional fees associated with CIEP I.

Economic Net Income (Loss)

Economic net income increased $91.7 million for the year ended December 31, 2015 as compared to 2014 and economic net loss increased $25.0 million for the year ended December 31, 2014 as compared to 2013. The following table provides the components of the change in economic net income (loss) for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Economic net income (loss), prior year	$(58.8)	$(33.8)
Increases (decreases):		
Increase (decrease) in net performance fees	39.1	(44.4)
Decrease in investment losses	17.4	37.1
Increase in equity-based compensation	(5.8)	(14.6)
Increase (decrease) in fee related earnings	50.2	(3.1)
Reserve for litigation and contingencies	(9.2)	—
Total increase (decrease)	91.7	(25.0)
Economic net income (loss), current year	$32.9	$(58.8)

Performance Fees. Performance fees (realized and unrealized) for the years ended December 31, 2015, 2014, and 2013 are from the following types of funds:

	Performance Fees Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Real Estate funds	$204.1	$122.1	$106.4
Natural Resources funds	(0.8)	(25.1)	5.2
Legacy Energy funds	(82.6)	(48.0)	(27.7)
Total performance fees	$120.7	$49.0	$83.9

The $120.7 million of performance fees for the year ended December 31, 2015 was driven primarily by performance fees recognized from the following funds:

•CRP VI of $101.1 million,
•our fifth U.S. real estate fund (“CRP V”) of $73.9 million,
•our third U.S. real estate fund (“CRP III”) of $22.9 million,
•Energy III of $(38.7) million, and
•Carlyle/Riverstone Global Energy and Power Fund IV (“Energy IV”) of $(37.8) million.

The $49.0 million of performance fees for the year ended December 31, 2014 was driven primarily by performance fees recognized from the following funds:

•CRP VI of $98.5 million, and
•NGP Natural Resources X, L.P. of $(39.2) million.

The $83.9 million of performance fees for the year ended December 31, 2013 was driven primarily by performance fees recognized for CRP VI of $76.2 million.

Performance fees of $120.7 million, $49.0 million, and $83.9 million are inclusive of performance fees reversed of approximately $102.8 million, $92.5 million, and $39.0 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The appreciation (depreciation) in remaining value of assets for this segment by type of fund are as follows:

	Year Ended December 31,		
	2015	2014	2013
Real Estate funds	27%	18%	4%
Natural Resources funds	(3)%	(13)%	17%
Legacy Energy funds	(26)%	(12)%	(2)%
Total	(3)%	(2)%	1%

Net performance fees for the year ended December 31, 2015 were $25.9 million, representing an increase of $39.1 million from $(13.2) million in net performance fees for the year ended December 31, 2014. The increase in net performance fees primarily relates to our real estate funds which appreciated 27% for the year ended December 31, 2015 as compared to appreciation of 18% for the year ended December 31, 2014. Net performance fees for the year ended December 31, 2014 were $(13.2) million, representing a decline of $44.4 million from $31.2 million in net performance fees for the year ended December 31, 2013.

Total Investment Income (Loss). Total investment loss (realized and unrealized) for the year ended December 31, 2015 was $30.5 million compared to total investment loss of $47.9 million for the year ended December 31, 2014. The 2015 investment loss of $30.5 million was due primarily to $34 million in losses from our guarantee of liabilities of CEREP I associated with an adverse court judgment in a French tax court proceeding related to a transaction that CEREP I exited between 2007 and 2009. See Note 11 to the consolidated financial statements for additional information. The 2014 investment loss of $47.9 million was due primarily to unrealized losses associated with the guarantee of liabilities of CEREP I associated with the French tax court matter of $11.2 million, investment losses on certain other European real estate investments of $30.8 million, and losses associated with Urbplan of $24.3 million, partially offset by an investment gain of $22.5 million from the sale of another European real estate investment.

Total investment loss for the year ended December 31, 2014 was $47.9 million compared to an investment loss of $85.0 million for the year ended December 31, 2013. The decline in investment loss from 2013 to 2014 was due primarily to net investment losses on certain European real estate investments of $23.6 million in 2014 versus $76.6 million in 2013. This decline was offset by higher investment losses related to Urbplan, which were $24.3 million in 2014 versus $11.8 million in 2013.

Equity-based Compensation. Equity-based compensation was $25.0 million, $19.2 million, and $4.6 million for the years ended December 31, 2015, 2014, and 2013, respectively. The increase from 2014 to 2015 and the increase from 2013 to 2014 are due to the ongoing granting of deferred restricted common units to new and existing employees during 2013, 2014 and 2015, and a decrease in the estimated forfeiture rates during 2013 and 2015.

Reserve for Litigation and Contingencies. Real Assets' share of a reserve for litigation and contingencies was $9.2 million for the year ended December 31, 2015. See Note 11 of the consolidated financial statements included in this Annual Report on Form 10-K for more information.

Fee-earning AUM as of and for each of the Three Years in the Period Ended December 31, 2015.

Fee-earning AUM is presented below for each period together with the components of change during each respective period.

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

	As of December 31,		
	2015	2014	2013
	(Dollars in millions)		
Real Assets			
Components of Fee-earning AUM (1)			
Fee-earning AUM based on capital commitments	$12,588	$5,143	$9,593
Fee-earning AUM based on invested capital (2)	17,353	22,528	18,199
Fee-earning AUM based on lower of cost or fair value and other (3)	964	680	646
Total Fee-earning AUM (4)	$30,905	$28,351	$28,438
Weighted Average Management Fee Rates (5)			
All Funds	1.24 %	1.31 %	1.19 %
Funds in Investment Period	1.44 %	1.54 %	1.26 %

(1) For additional information concerning the components of Fee-earning AUM, See “—Fee-earning Assets under Management.”

(2) Includes amounts committed to or reserved for investments for certain real estate funds.

(3) Includes certain funds that are calculated on gross asset value.

(4) Energy II, Energy III, Energy IV, Renew I, and Renew II (collectively, the “Legacy Energy Funds”), are managed with Riverstone Holdings LLC and its affiliates. Affiliates of both Carlyle and Riverstone act as investment advisers to each of the Legacy Energy Funds. With the exception of Energy IV and Renew II, where Carlyle has a minority representation on the funds’ management committees, management of each of the Legacy Energy Funds is vested in committees with equal representation by Carlyle and Riverstone, and the consent of representatives of both Carlyle and Riverstone is required for investment decisions. As of December 31, 2015, the Legacy Energy Funds had, in the aggregate, approximately $6.3 billion in AUM and $5.8 billion in Fee-earning AUM. NGP VII, NGP VIII, NGP IX, or in the case of NGP M&R, NGP ETP I, and NGP ETP II, certain affiliated entities

(collectively, the “NGP management fee funds”) and NGP X, NGP GAP and NGP XI (referred to herein as, "carry funds"), are managed by NGP Energy Capital Management. As of December 31, 2015, the NGP management fee funds and carry funds had, in the aggregate, approximately $12.4 billion in AUM and $11.5 billion in Fee-earning AUM.

(5) Represents the aggregate effective management fee rate of each fund in the segment, weighted by each fund's Fee-earning AUM, as of the end of each period presented. Calculation reflects Carlyle’s 10% interest in management fees

earned by the Legacy Energy funds and 47.5% interest (2013 and 2014) and 55% interest (2015) in management fees earned by the NGP management fee funds and carry funds. Accounts based on gross asset base generally have an effective management fee rate of 0.5% or less.

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

	Twelve Months Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Real Assets			
Fee-earning AUM Rollforward			
Balance, Beginning of Period	$28,351	$28,438	$29,305
Inflows, including Commitments (1)	8,426	6,126	2,115
Outflows, including Distributions (2)	(5,655)	(5,864)	(3,055)
Market Appreciation/(Depreciation) (3)	(1)	(6)	—
Foreign Exchange and other (4)	(216)	(343)	73
Balance, End of Period	$30,905	$28,351	$28,438

(1) Inflows represent limited partner capital raised and capital invested by funds outside the investment period.

(2) Outflows represent distributions from funds outside the investment period and changes in basis for our carry funds where the investment period has expired.

(3) Market Appreciation/(Depreciation) represents changes in the net asset value of our fund of funds vehicles based on the lower of cost or fair value.

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

Fee-earning AUM was $30.9 billion at December 31, 2015, an increase of $2.5 billion, or 9%, compared to $28.4 billion at December 31, 2014. This increase was driven by inflows of $8.4 billion primarily related to new commitments in CRP VII, CPP II, and CIEP I as well as the activation of previously raised commitments in NGP XI. This increase was partially offset by outflows of $5.7 billion, primarily related to distribution activity in our funds outside the original investment period in addition to the reduction in management fee basis for funds at the end of their original investment period. Investment and distribution activity by funds still in the original investment period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital. Changes in fair value have no impact on Fee-earning AUM for Real Assets as all of the funds generate management fees based on either commitments or invested capital at cost, neither of which is impacted by fair value movements.

Fee-earning AUM was relatively unchanged at $28.4 billion for the periods ended December 31, 2014 and December 31, 2013. Outflows of $5.9 billion were principally due to distributions from our fully invested Legacy Energy funds, our U.S. and Europe real estate funds and foreign exchange loss of $0.3 billion. Inflows of $6.1 billion were primarily to commitments to CRP VII and CIEP I, in addition to investments made by our Legacy Energy funds, our U.S. real estate funds and NGP funds with fees based on invested equity.

Fee-earning AUM was $28.4 billion at December 31, 2013, a decrease of $0.9 billion, or 3%, compared to $29.3 billion at December 31, 2012. Outflows of $3.1 billion were principally due to distributions from our fully invested Legacy Energy funds, one of the NGP management fee funds (“NGP VIII”), and U.S. real estate funds and related co-investments. Inflows of $2.1 billion were primarily related to investment activity in our power (“CPOCP”) fund and related coinvestments, our infrastructure (“CIP”) fund, and several of our real estate funds in the U.S., Europe and Asia that are outside of their initial investment period, in addition to commitments to CIEP I.

Total AUM as of and for each of the Three Years in the Period Ended December 31, 2015.
The table below provides the period to period rollforwards of Available Capital and Fair Value of Capital, and the resulting rollforward of Total AUM.

	Available Capital	Fair Value of Capital	Total AUM
	(Dollars in millions)		
Real Assets			
Balance, As of December 31, 2012	$9,944	$30,250	$40,194
Commitments (1)	1,961	—	1,961
Capital Called, net (2)	(4,013)	4,097	84
Distributions (3)	845	(6,059)	(5,214)
Market Appreciation/(Depreciation) (4)	—	1,649	1,649
Foreign exchange and other (5)	17	(27)	(10)
Balance, As of December 31, 2013	$8,754	$29,910	$38,664
Commitments (1)	8,888	—	8,888
Capital Called, net (2)	(3,612)	4,081	469
Distributions (3)	1,751	(8,698)	(6,947)
Market Appreciation/(Depreciation) (4)	—	1,577	1,577
Foreign exchange and other (5)	(67)	(289)	(356)
Balance, As of December 31, 2014	$15,714	$26,581	$42,295
Commitments (1)	3,673	—	3,673
Capital Called, net (2)	(3,530)	3,960	430
Distributions (3)	47	(5,842)	(5,795)
Market Appreciation/(Depreciation) (4)	—	(2,357)	(2,357)
Foreign exchange and other (5)	(43)	(212)	(255)
Balance, As of December 31, 2015	$15,861	$22,130	$37,991

(1) Represents capital raised by our carry funds and NGP management fee funds, net of expired available capital.
(2) Represents capital called by our carry funds and NGP management fee funds, net of fund fees and expenses. Equity invested amounts may vary from capital called due to timing differences between acquisition and capital call dates.
(3) Represents distributions from our carry funds and NGP management fee funds, net of amounts recycled. Distributions are based on when proceeds are actually distributed to investors, which may differ from when they are realized.
(4) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments.
(5) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Total AUM was $38.0 billion at December 31, 2015, a decrease of $4.3 billion, or 10%, compared to $42.3 billion at December 31, 2014. This decrease was primarily driven by $5.8 billion in distributions primarily related to our U.S. Real Estate, NGP Energy, and Legacy Energy funds and $2.4 billion of market depreciation, representing a 3% decrease in the value of our carry fund portfolio. Our public portfolio declined by 12% ($0.5 billion) and our private portfolio increased slightly by $0.1 billion with the remainder attributable to our coinvestment vehicles and NGP management fee funds. The carry funds driving depreciation for the period included $1.0 billion attributable to Energy IV (29% depreciation), $0.6 billion attributable to Energy III (40% depreciation), and $0.4 billion attributable to NGP X (14% depreciation), partially offset by $0.5 billion (30% appreciation) attributable to CRP VI . Offsetting this was $3.7 billion of new commitments driven by fundraising in CRP VII, NGP XI, and CPP II.
Total AUM was $42.3 billion at December 31, 2014, an increase of $3.6 billion, or 9%, compared to $38.7 billion at December 31, 2013. This increase is due to (a) commitments of $8.9 billion in CRP VII, NGP XI, CIEP I, CPP II and

related coinvestment vehicles, and (b) market appreciation of $1.6 billion, despite a 2% decrease in values across the real assets carry funds due to the inclusion of the NGP management fee funds in Total AUM. Our public portfolio declined by 26% ($1.2 billion) and our private portfolio increased by 8% ($1.0 billion) with the remainder attributable to our coinvestment vehicles and NGP management fee funds. The carry funds driving depreciation for the period included $0.6 billion attributable to Energy IV (13% depreciation), $0.4 billion attributable to Energy III (21% depreciation), and $0.2 billion attributable to Energy

II (59% depreciation), partially offset by $0.5 billion (35% appreciation) attributable to CRP VI and $0.5 billion attributable to NGP X. Offsetting this increase were net distributions of $6.9 billion, primarily in our Natural Resources and Legacy Energy fund platforms.
Total AUM was $38.7 billion at December 31, 2013, a decrease of $1.5 billion, or 4%, compared to $40.2 billion at December 31, 2012. The decrease was primarily due to distributions of $6.0 billion, of which approximately $0.8 billion was recycled back into available capital. This decrease was offset by commitments raised of $2.0 billion by CIEP I, CPOCP I, and various coinvestments and managed accounts in our Asia real estate funds. Market appreciation of $1.6 billion was driven by a 1% increase in values across the real assets carry funds, primarily driven by a 5% increase in our infrastructure and real estate funds. Our public portfolio increased by 5% ($0.2 billion) and our private portfolio remained relatively flat with the remainder attributable to our coinvestment vehicles and NGP management fee funds. The carry funds driving appreciation for the period included $0.3 billion attributable to CRP VI (42% appreciation), $0.3 billion attributable to CRP V (18% appreciation), and $0.2 billion attributable to Energy IV (4% appreciation), partially offset by $0.5 billion (19% depreciation) attributable to CEREP III.

Fund Performance Metrics
Fund performance information for our investment funds that have at least $1.0 billion in capital commitments, cumulative equity invested or total value as of December 31, 2015 and excluding the NGP management fee funds, which we refer to as our “significant funds,” is generally included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns. See “Item 1A. Risk Factors — Risks Related to Our Business Operations — The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.”

The following tables reflect the performance of our significant funds in our Real Assets business. See “Business — Our Family of Funds” for a legend of the fund acronyms listed below.

			TOTAL INVESTMENTS as of December 31, 2015					REALIZED/PARTIALLY REALIZED INVESTMENTS(5) as of December 31, 2015			
	Fund Inception Date (1)	Committed Capital	Cumulative Invested Capital (2)	Total Fair Value (3)	MOIC (4)	Gross IRR (7)	Net IRR (8)	Cumulative Invested Capital (2)	Total Fair Value (3)	MOIC (4)	Gross IRR (7)
Real Assets			(Reported in Local Currency, in Millions)					(Reported in Local Currency, in Millions)			
Fully Invested Funds(6)											
CRP III	11/2000	$564.1	$522.5	$1,579.4	3.0x	44%	30%	$522.5	$1,579.4	3.0x	44%
CRP IV	12/2004	$950.0	$1,198.5	$1,667.2	1.4x	6%	3%	$874.7	$1,372.6	1.6x	10%
CRP V	11/2006	$3,000.0	$3,293.1	$5,160.0	1.6x	12%	9%	$2,826.3	$4,491.0	1.6x	14%
CRP VI	9/2010	$2,340.0	$2,034.2	$3,604.4	1.8x	34%	24%	$1,060.8	$2,142.6	2.0x	36%
CEREP I	3/2002	€426.6	€517.0	€698.6	1.4x	14%	7%	€517.0	€698.6	1.4x	14%
CEREP II	4/2005	€762.7	€833.8	€128.1	0.2x	(100%)	(100%)	€761.7	€123.1	0.2x	(100%)
CEREP III	5/2007	€2,229.5	€2,006.4	€2,212.5	1.1x	2%	(1)%	€934.2	€1,261.1	1.3x	7%
CIP	9/2006	$1,143.7	$1,029.2	$1,218.3	1.2x	4%	1%	$272.3	$204.7	0.8x	(5%)
NGP X	1/2012	$3,586.0	$2,981.3	$3,136.8	1.1x	3%	(1)%	$476.0	$959.3	2.0x	44%
Energy II	7/2002	$1,100.0	$1,334.8	$3,208.6	2.4x	81%	55%	$1,046.1	$3,084.4	2.9x	91%
Energy III	10/2005	$3,800.0	$3,559.9	$5,296.4	1.5x	9%	7%	$2,308.7	$4,629.9	2.0x	18%
Energy IV	12/2007	$5,979.1	$5,981.7	$7,509.6	1.3x	9%	5%	$2,522.4	$4,615.0	1.8x	27%
Renew II	3/2008	$3,417.5	$2,848.8	$3,788.8	1.3x	8%	5%	$1,434.2	$2,183.1	1.5x	14%
All Other Funds(9)	Various		$2,939.5	$3,269.8	1.1x	4%	(1)%	$2,494.5	$2,785.1	1.1x	5%
Coinvestments and Other(10)	Various		$5,378.7	$8,402.5	1.6x	17%	13%	$3,117.8	$6,274.9	2.0x	23%
Total Fully Invested Funds			$36,750.3	$51,144.2	1.4x	12%	7%	$21,360.8	$36,585.1	1.7x	19%
Funds in the Investment Period(6)											
CRP VII (12)	3/2014	$4,161.6	$1,206.3	$1,326.8	1.1x	NM	NM				
CIEP I (12)	9/2013	$2,500.0	$439.2	$535.3	1.2x	NM	NM				
NGP XI (12)	6/2014	$5,325.0	$526.0	$491.0	0.9x	NM	NM				
CPP II (12)	6/2014	$1,142.9	$194.3	$187.4	1.0x	NM	NM				
All Other Funds(11)	Various		$113.5	$119.6	1.1x	NM	NM				
Total Funds in the Investment Period			$2,479.2	$2,660.1	1.1x	12%	(5)%	$—	$—	n/a	n/a
TOTAL Real Assets(13)			$39,229.5	$53,804.3	1.4x	12%	7%	$21,360.8	$36,585.1	1.7x	19%

(1) The data presented herein that provides “inception to date” performance results of our segments relates to the period following the formation of the first fund within each segment. For our Corporate Private Equity segment our first fund was formed in 1990. For our Real Assets segment our first fund was formed in 1997.

(2) Represents the original cost of all capital called for investments since inception of the fund.

(3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest.

(4) Multiple of invested capital (“MOIC”) represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.

(5) An investment is considered realized when the investment fund has completely exited, and ceases to own an interest in, the investment. An investment is considered partially realized when the total amount of proceeds received in respect of such investment, including dividends, interest or other distributions and/or return of capital, represents at least 85% of invested capital and such investment is not yet fully realized. Because part of our value creation strategy involves pursuing best exit alternatives, we believe information regarding Realized/Partially Realized MOIC and Gross IRR, when considered together with the other investment performance metrics presented, provides investors with meaningful information regarding our investment performance by removing the impact of investments where significant realization activity has not yet occurred. Realized/Partially Realized MOIC and Gross IRR have limitations as measures of investment performance, and should not be considered in isolation. Such limitations include the fact that these measures do not include the performance of earlier stage and other investments that do not satisfy the criteria provided above. The exclusion of such investments will have a positive impact on Realized/Partially Realized MOIC and Gross IRR in instances when the MOIC and Gross IRR in respect of such investments are less than the aggregate MOIC and Gross IRR. Our measurements of Realized/Partially Realized MOIC and Gross IRR may not be comparable to those of other

companies that use similarly titled measures. We do not present Realized/Partially Realized performance information separately for funds that are still in the investment period because of the relatively insignificant level of realizations for funds of this type. However, to the extent such funds have had realizations, they are included in the Realized/Partially Realized performance information presented for Total Real Assets.

(6) Fully Invested funds are past the expiration date of the investment period as defined in the respective limited partnership agreement. In instances where a successor fund has had its first capital call, the predecessor fund is categorized as fully invested.

(7) Gross Internal Rate of Return ("Gross IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value before management fees, expenses and carried interest.

(8) Net Internal Rate of Return ("Net IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest.

(9) Aggregate includes the following funds: CRP I, CRP II, CAREP I, CAREP II, CRCP I, CPOCP, Energy I and Renew I.

(10) Includes coinvestments and certain other stand-alone investments arranged by us.

(11) Aggregate includes the following fund: NGP GAP. Returns are not considered meaningful, as the investment period commenced in December 2013 for NGP GAP.

(12) Returns are not considered meaningful, as the investment period commenced in September 2013 for CIEP I, March 2014 for CRP VII, June 2014 for NGP XI, and June 2014 for CPP II.

(13) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

	Remaining Fair Value(1)	Unrealized MOIC(2)	Total MOIC(3)	% Invested(4)	In Accrued Carry/ (Clawback) (5)	LTM Realized Carry (6)	Catch up Rate	Fee Initiation Date(7)	Quarters Since Fee Initiation	Original Investment Period End Date
	As of December 31, 2015									
Real Assets										
Energy IV	$2,556.6	0.7x	1.3x	100 %	(X)		80 %	Feb-08	32	Dec-13
NGP X	$2,333.3	1.0x	1.1x	83 %			80 %	Jan-12	16	May-17
Renew II	$1,787.9	1.1x	1.3x	83 %	(X)		80 %	Mar-08	32	May-14
CRP VI	$1,502.6	1.5x	1.8x	87 %	X	X	50 %	Mar-11	20	Mar-16
CRP VII	$1,338.8	1.1x	1.1x	29 %			80 %	Jun-14	7	Mar-19
CRP V	$1,167.6	1.7x	1.6x	110 %	X		50 %	Nov-06	37	Nov-11
CEREP III	€993.2	0.9x	1.1x	90 %			67 %	Jun-07	35	May-11
CIP	$797.8	1.4x	1.2x	90 %			80 %	Oct-06	37	Sep-12
CRP IV	$646.2	1.5x	1.4x	126 %			50 %	Jan-05	44	Dec-09
NGP XI	$529.5	0.9x	0.9x	10 %			80 %	Feb-15	4	Oct-19
CIEP I	$528.1	1.2x	1.2x	18 %			80 %	Oct-13	9	Sep-19
Energy III	$463.9	0.3x	1.5x	94 %	(X)		80 %	Nov-05	41	Oct-11
CRP III	$288.3	70.1x	3.0x	93 %	X	X	50 %	Mar-01	60	May-05
CPP II	$202.9	1.0x	1.0x	17 %			80 %	Sep-14	6	Apr-21
All Other Funds (8)	$462.2	0.6x	1.3x		NM	NM				
Coinvestment and Other (9)	$2,690.0	1.2x	1.6x		NM	NM				
	$18,374.9	1.0x	1.4x							

Total Real
Assets (10)

(1) Net asset value of our carry funds. Reflects significant funds with remaining fair value of greater than $100 million.
(2) Unrealized multiple of invested capital ("MOIC") represents remaining fair market value, before management fees, expenses and carried interest, divided by investment cost.
(3) Total MOIC represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital. For certain funds, represents the original cost of investments net of investment-level recallable proceeds, which is adjusted to reflect recyclability of invested capital for the purpose of calculating the fund MOIC.
(4) Represents cumulative equity invested as of the reporting period divided by total commitments. Amount can be greater than 100% due to the re-investment of recallable distributions to fund investors.
(5) Fund has accrued carry/(clawback) as of the reporting period.
(6) Fund has realized carry in the last twelve months.
(7) Represents the date of the first capital contribution for management fees.

(8) Aggregate includes the following funds: CRP I, CRP II, CRCP I, CEREP I, CEREP II, CAREP I, CAREP II, CPOCP I, NGP GAP, Energy I, Energy II and Renew I. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.

(9) Includes co-investments, prefund investments and certain other stand-alone investments arranged by us. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.

(10) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

Investment Solutions

Through August 1, 2013, our Investment Solutions segment results reflected our 60% ownership interest in AlpInvest's operations, while our consolidated financial statements reflected 100% of AlpInvest's operations and a non-controlling interest of 40%. As a result of our acquisition of the remaining 40% equity interest in AlpInvest on August 1, 2013, our segment results prospectively from that date reflect our 100% ownership interest in AlpInvest. Also, as a result of our acquisitions of Metropolitan on November 1, 2013 and DGAM on February 3, 2014, our segment results include the results of operations of Metropolitan and DGAM since that date.

During the third week of February 2016, we decided to restructure our Investment Solutions segment to focus on private market secondaries, co-investment and managed account activities and, given the challenging market environment, discontinue our fund of hedge funds and liquid alternative initiatives. On February 19, 2016, the Partnership commenced a wind down of the operations of DGAM. While the restructuring did not impact our segment results for the year ended December 31, 2015, we expect that this action will improve our Investment Solutions segment results in the future, exclusive of costs incurred in connection with the wind down. For details of the impact of the restructuring to our U.S. GAAP results, please refer to Note 3 and Note 7 to the consolidated financial statements.

The following table presents our results of operations for our Investment Solutions segment:

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Segment Revenues			
Fund level fee revenues			
Fund management fees	$153.9	$181.4	$119.0
Portfolio advisory fees, net	—	—	—
Transaction fees, net	—	—	—
Total fund level fee revenues	153.9	181.4	119.0
Performance fees			
Realized	24.1	42.9	21.7
Unrealized	103.6	150.0	129.8
Total performance fees	127.7	192.9	151.5
Investment income			
Realized	0.1	—	—
Unrealized	0.2	0.4	0.2
Total investment income	0.3	0.4	0.2
Interest	0.2	0.2	—
Other income	0.9	1.1	0.2
Total revenues	283.0	376.0	270.9
Segment Expenses			
Compensation and benefits			
Direct base compensation	82.3	85.8	53.6
Indirect base compensation	13.0	13.6	5.6
Equity-based compensation	12.4	4.8	0.7
Performance fee related			
Realized	20.3	30.9	14.3
Unrealized	94.8	145.0	131.2
Total compensation and benefits	222.8	280.1	205.4
General, administrative, and other indirect expenses	46.0	41.9	23.2
Depreciation and amortization expense	3.8	3.8	2.3
Interest expense	5.9	5.5	2.3
Total expenses	278.5	331.3	233.2
Economic Net Income	$4.5	$44.7	$37.7
(-) Net Performance Fees	12.6	17.0	6.0
(-) Investment Income	0.3	0.4	0.2
(+) Equity-based Compensation	12.4	4.8	0.7
(+) Reserve for Litigation and Contingencies	5.0	—	—
(=) Fee Related Earnings	$9.0	$32.1	$32.2
(+) Realized Net Performance Fees	3.8	12.0	7.4
(+) Realized Investment Income	0.1	—	—
(=) Distributable Earnings	$12.9	$44.1	$39.6

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014 and Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Distributable Earnings

Distributable earnings decreased $31.2 million for the year ended December 31, 2015 as compared to 2014, and increased $4.5 million for the year ended December 31, 2014 as compared to 2013. The following table provides the components of the change in distributable earnings for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Distributable earnings, prior year	$ 44.1	$ 39.6
Increases (decreases):		
(Decrease) increase in realized net performance fees	(8.2)	4.6
Increase in realized investment income	0.1	—
Decrease in fee related earnings	(23.1)	(0.1)
Total (decrease) increase	(31.2)	4.5
Distributable earnings, current year	$ 12.9	$ 44.1

Realized Net Performance Fees. Realized net performance fees decreased $8.2 million for the year ended December 31, 2015 as compared to 2014, and increased $4.6 million for the year ended December 31, 2014 as compared to 2013. Substantially all of the realized net performance fees were from the AlpInvest fund of fund vehicles for the years ended December 31, 2015, 2014 and 2013.

Fee Related Earnings

Fee related earnings decreased $23.1 million for the year ended December 31, 2015 as compared to 2014, and decreased $0.1 million for the year ended December 31, 2014 as compared to 2013. The following table provides the components of the change in fee related earnings for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Fee related earnings, prior year	$ 32.1	$ 32.2
Increases (decreases):		
(Decrease) increase in fee revenues	(27.5)	62.4
Decrease (increase) in direct and indirect base compensation	4.1	(40.2)
Decrease (increase) in general, administrative and other expenses	0.9	(18.7)
All other changes	(0.6)	(3.6)
Total decrease	(23.1)	(0.1)
Fee related earnings, current year	$ 9.0	$ 32.1

Fee Revenues. Total fee revenues decreased $27.5 million for the year ended December 31, 2015 as compared to 2014, primarily due to the impact on management fees of the decline in the Euro exchange rate in 2015 as compared to 2014. Also contributing to the decrease in management fees was distributions from fund of funds vehicles outside the commitment fee period or weighted-average investment period, as well as changes in fee basis for fund of funds vehicles where the commitment fee period or weighted-average investment period has expired.

Total fee revenues increased $62.4 million for the year ended December 31, 2014 as compared to 2013, primarily due to the increase of $15.9 million of management fees from our acquisition of Metropolitan, the incremental $17.5 million of management fees from our acquisition of DGAM, and the increase in management fees from our acquisition of the remaining 40% equity interest in AlpInvest in August 2013.

Direct and indirect compensation expense. Direct and indirect compensation expense decreased $4.1 million for the year ended December 31, 2015 as compared to 2014, primarily due to the decline in the Euro exchange rate in 2015 as compared to 2014 as well as lower headcount in 2015.
Direct and indirect base compensation expense increased $40.2 million for the year ended December 31, 2014 as compared to 2013. After considering the increase in compensation expense from our acquisition of Metropolitan of $11.0 million and our acquisition of DGAM of $11.0 million, and the acquisition of the remaining 40% equity interest in AlpInvest, the increase was also due to incremental costs related to investments in additional investor relations personnel for the Investment Solutions business lines.

General, administrative and other indirect expenses. General, administrative and other indirect expenses decreased $0.9 million for the year ended December 31, 2015 as compared to 2014, primarily due to lower professional fees and positive foreign currency adjustments due to the decline in the Euro exchange rate in 2015. These decreases were partially offset by higher real estate costs.
General, administrative and other indirect expenses increased $18.7 million for the year ended December 31, 2014 as compared to 2013. The increase was due primarily to the increase in general, administrative and other indirect expenses from our acquisition of Metropolitan of $5.9 million and our acquisition of DGAM of $4.8 million, and the acquisition of the remaining 40% equity interest in AlpInvest.
Economic Net Income
Economic net income decreased $40.2 million for the year ended December 31, 2015 as compared to 2014 and increased $7.0 million for the year ended December 31, 2014 as compared to 2013. The following table provides a rollforward of economic net income for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	(Dollars in Millions)	
Economic net income, prior year	$44.7	$37.7
Increases (decreases):		
(Decrease) increase in net performance fees	(4.4)	11.0
(Decrease) increase in investment income	(0.1)	0.2
Increase in equity-based compensation	(7.6)	(4.1)
Decrease in fee related earnings	(23.1)	(0.1)
Reserve for litigation and contingencies	(5.0)	—
Total (decrease) increase	(40.2)	7.0
Economic net income, current year	$4.5	$44.7

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Performance Fees. Performance fees (realized and unrealized) for the years ended December 31, 2015, 2014, and 2013 are from the following types of funds:

	Performance Fees		
	Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Private equity fund of funds	$125.6	$185.7	$151.5
Hedge fund of funds	0.4	7.2	—
Real estate fund of funds	1.7	—	—
Total performance fees	$127.7	$192.9	$151.5

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

The decrease in performance fees in 2015 as compared to 2014 is primarily due to lower appreciation in our AlpInvest fund of funds vehicles in 2015 and the continued strengthening of the U.S. dollar to the Euro in 2015. Our AlpInvest fund of funds vehicles appreciated 27% in 2015 as compared to 30% in 2014 while the Euro fell approximately 10% relative to the U.S. dollar, further decreasing the performance fees earned in 2015 relative to 2014.

The $127.7 million of performance fees for the year ended December 31, 2015 was driven primarily by performance fees recognized from the following funds:

•Co-investment Fund & Secondaries Fund (2012-2013) of $27.1 million,
•Co-investment Fund & Secondaries Fund (2009-2010) of $22.6 million,
•Partnership Fund (2008) of $12.2 million, and
•Co-investment Fund & Secondaries Fund (2011-2013) of $11.8 million.

The $192.9 million of performance fees for the year ended December 31, 2014 was driven primarily by performance fees recognized from the following funds:

•Co-investment Fund & Secondaries Fund (2012-2013) of $32.9 million,
•Co-investment Fund & Secondaries Fund (2009-2010) of $24.3 million,
•Partnership Fund (2007) of $14.5 million, and
•Partnership Fund (2008) of $13.8 million.

The $151.5 million of performance fees for the year ended December 31, 2013 was driven primarily by multiple fund of funds vehicles exceeding their performance threshold in 2013, resulting in the recognition of a cumulative catch-up of performance fees at such time.

Performance fees of $127.7 million, $192.9 million, and $151.5 million are inclusive of performance fees reversed of approximately $11.5 million and $0.7 million for the years ended December 31, 2015 and 2014, respectively. There were no reversals of performance fees for 2013.

The appreciation in remaining value of our AlpInvest fund of funds vehicles for this segment are as follows:

Year Ended December 31,

	2015	2014	2013
AlpInvest fund of funds	27%	30%	17%

Net performance fees for the year ended December 31, 2015 were $12.6 million, representing a decrease of $4.4 million from $17.0 million in net performance fees for the year ended December 31, 2014. Net performance fees for the year

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ended December 31, 2014 were $17.0 million, representing an increase of $11.0 million from $6.0 million in net performance fees for the year ended December 31, 2013.
Equity-based Compensation. Equity-based compensation was $12.4 million, $4.8 million, and $0.7 million for the years ended December 31, 2015, 2014, and 2013, respectively. The increase from 2014 to 2015 and the increase from 2013 to 2014 are primarily due to the ongoing granting of deferred restricted common units to new and existing employees during 2013, 2014 and 2015, and a decrease in the estimated forfeiture rates during 2013 and 2015.
Reserve for Litigation and Contingencies. Investment Solutions' share of a reserve for litigation and contingencies was $5.0 million for the year ended December 31, 2015. See Note 11 of the consolidated financial statements included in this Annual Report on Form 10-K for more information.

Fee-earning AUM as of and for each of the Three Years Ended December 31, 2015.
Fee-earning AUM is presented below for each period together with the components of change during each respective period.
The table below breaks out Fee-earning AUM by its respective components during the period.

	As of December 31,		
	2015	2014	2013
	(Dollars in millions)		
Investment Solutions			
Components of Fee-earning AUM (1)			
Fee-earning AUM based on capital commitments	$7,421	$9,669	$10,859
Fee-earning AUM based on invested capital (2)	1,222	1,307	1,120
Fee-earning AUM based on net asset value (3)	1,823	2,072	—
Fee-earning AUM based on lower of cost or fair market value	17,725	20,034	23,088
Total Fee-earning AUM	$28,191	$33,082	$35,067

(1) For additional information concerning the components of Fee-earning AUM, see "—Fee-earning Assets under Management".
(2) Includes amounts committed to or reserved for investments for certain Metropolitan fund of funds vehicles.
(3) As disclosed in Note 3 to the consolidated financial statements, we commenced a wind down of the operations of Diversified Global Asset Management in the first quarter of 2016, which had approximately $2 billion of Fee-earning AUM as of December 31, 2015.

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

	Twelve Months Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Investment Solutions			
Fee-earning AUM Rollforward			
Balance, Beginning of Period	$33,082	$35,067	$28,942
Acquisitions	—	2,894	2,157
Inflows, including Commitments (1)	5,677	5,941	7,605
Outflows, including Distributions (2)	(7,406)	(6,271)	(5,525)
Subscriptions, net of Redemptions (3)	(201)	(1,044)	—
Market Appreciation/(Depreciation) (4)	(205)	399	154
Foreign Exchange and other (5)	(2,756)	(3,904)	1,734
Balance, End of Period	$28,191	$33,082	$35,067

(1) Inflows represent mandates where commitment fee period was activated and capital invested by fund of funds vehicles outside the commitment fee period or weighted-average investment period.

(2) Outflows represent distributions from fund of funds vehicles outside the commitment fee period or weighted-average investment period and changes in fee basis for fund of funds vehicles where the commitment fee period or weighted-average investment period has expired.

(3) Represents subscriptions and redemptions in our fund of hedge funds vehicles. As disclosed in Note 3 to the consolidated financial statements, we commenced a wind down of the operations of Diversified Global Asset Management in the first quarter of 2016, which had approximately $2 billion of Fee-earning AUM as of December 31, 2015.

(4) Market Appreciation/(Depreciation) represents changes in the net asset value of our fund of hedge funds vehicles and realized and unrealized gains (losses) on our fund of funds vehicles based on the lower of cost or fair value.

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

Fee-earning AUM was $28.2 billion at December 31, 2015, a decrease of $4.9 billion, or 15%, compared to $33.1 billion at December 31, 2014. This decrease was driven by outflows of $7.4 billion which were primarily due to distributions in the AlpInvest and Metropolitan funds outside of their commitment or weighted-average investment periods, in addition to the reduction in basis from commitments to invested equity for those fund of funds vehicles that reached the end of their commitment period. Also driving the decrease was $2.8 billion in foreign exchange attributable to the translation of our AlpInvest fee-earning AUM from Euro to USD. Partially offsetting the decrease were inflows of $5.7 billion in our AlpInvest and Metropolitan fund of fund vehicles. Distributions from funds still in the commitment or weighted-average investment period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital. Increases in fair value have an impact on Fee-earning AUM for Investment Solutions as fully committed funds are based on the lower of cost or fair value of the underlying investments. We may see further declines in Fee-earning AUM over the next five years if commitments from former owners of approximately $10 billion are not renewed. However, our plan is to raise new commitments with a higher fee-yield than that of the Fee-earning AUM over this time, which we expect will offset the impact on our fee revenues.

Fee-earning AUM was $33.1 billion at December 31, 2014, a decrease of $2.0 billion, or 6%, compared to $35.1 billion at December 31, 2013. Outflows of $6.3 billion were primarily due to distributions in the AlpInvest and Metropolitan funds outside of their commitment or weighted-average investment periods, in addition to the reduction in basis from commitments to invested equity for those fund of funds vehicles that reached the end of their commitment period. Distributions from funds still in the commitment fee period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital. In addition, there was $3.8 billion in foreign exchange loss on our AlpInvest fund of funds vehicles due to the decreasing value of the Euro in the translation to U.S. dollars as of the end of the period. Offsetting this decrease was the acquisition of DGAM in February 2014, with Fee-earning AUM of $2.9 billion and its subsequent net redemptions of $1.0 billion during the year. Inflows of $5.9 billion were primarily related to the initiation of fees on several 2014 mandates that made their first investment during the year and do not include approximately $3.3 billion of commitments raised in 2014 which have not yet activated their fees. Inflows also include amounts invested by funds outside of their commitment fee period that are based on the lower of cost or fair value of the underlying investments.

Fee-earning AUM was $35.1 billion at December 31, 2013, an increase of $6.2 billion, or approximately 21%, compared to $28.9 billion at December 31, 2012. Inflows of $7.6 billion were primarily related to the initiation of fees on several 2013 mandates that made their first investment during the year and also include amounts invested by funds outside of their commitment fee period that are based on the lower of cost or fair value of the underlying investments. This increase was also related to the acquisition of 22 fund of funds vehicles managed by Metropolitan of $2.2 billion. Outflows of $5.5 billion were principally a result of a change in basis from commitments to the lower of cost or fair value for vehicles that reached the end of their commitment fee period, as well as distributions from several funds outside of their commitment fee period. In addition, the segment experienced a $1.6 billion increase resulting from the translation of the euro-denominated funds into U.S. Dollars as of the end of the period.

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Total AUM as of and for each of the Three Years Ended December 31, 2015.
The table below provides the period to period rollforwards of Available Capital and Fair Value of Capital, and the resulting rollforward of Total AUM.

	Available Capital	Fair Value of Capital	Total AUM
	(Dollars in millions)		
Investment Solutions			
Balance, As of December 31, 2012	$14,528	$29,554	$44,082
Acquisitions	622	1,521	2,143
Commitments (1)	4,745	—	4,745
Capital Called, net (2)	(3,653)	3,740	87
Distributions (3)	497	(8,613)	(8,116)
Market Appreciation/(Depreciation) (4)	—	5,126	5,126
Foreign exchange and other (5)	324	1,413	1,737
Balance, As of December 31, 2013	$17,063	$32,741	$49,804
Acquisitions	—	2,993	2,993
Commitments (1)	4,605	—	4,605
Capital Called, net (2)	(4,857)	4,487	(370)
Distributions (3)	428	(9,903)	(9,475)
Subscriptions, net of Redemptions (4)	—	(1,084)	(1,084)
Market Appreciation/(Depreciation) (5)	—	9,557	9,557
Foreign exchange and other (6)	(1,033)	(4,228)	(5,261)
Balance, As of December 31, 2014	$16,206	$34,563	$50,769
Commitments (1)	3,171	—	3,171
Capital Called, net (2)	(4,908)	4,572	(336)
Distributions (3)	379	(11,427)	(11,048)
Subscriptions, net of Redemptions (4)	—	(188)	(188)
Market Appreciation/(Depreciation) (5)	—	7,716	7,716
Foreign exchange and other (6)	(655)	(3,224)	(3,879)
Balance, As of December 31, 2015	$14,193	$32,012	$46,205

(1) Represents capital raised by our fund of funds vehicles, including activation of new mandates, net of expired available capital.
(2) Represents capital called by our fund of funds vehicles, net of fund fees and expenses.
(3) Represents distributions from our fund of funds vehicles, net of amounts recycled.
(4) Represents the net result of subscriptions to and redemptions from our fund of hedge funds vehicles. As disclosed in Note 3 to the consolidated financial statements, we commenced a wind down of the operations of Diversified Global Asset Management in the first quarter of 2016, which had approximately $2 billion of AUM as of December 31, 2015.
(5) Market Appreciation/(Depreciation) represents changes in the net asset value of our fund of hedge funds vehicles and realized and unrealized gains (losses) on fund investments, secondary investments, coinvestments, and real estate fund of funds vehicles. Fair market values for fund of funds vehicles are based on the latest available valuations of the underlying limited partnership interests (in most cases as of September 30, 2015) as provided by their general partners, plus the net cash flows since the latest valuation, up to December 31, 2015.
(6) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Total AUM was $46.2 billion as of December 31, 2015, a decrease of $4.6 billion, or 9%, compared to $50.8 billion as of December 31, 2014. This decrease was driven by $11.4 billion in distributions, of which $0.4 billion is recallable, and $3.9 billion of decreases in foreign exchange, both primarily in our AlpInvest fund of funds vehicles. Offsetting these decreases was$3.2 billion of new commitments primarily in our AlpInvest and Metropolitan fund of funds vehicles and $7.7 billion of market appreciation. Market appreciation was driven by 25% appreciation ($7.6 billion) in our AlpInvest fund of funds vehicles, 8% appreciation ($0.1 billion) in our Metropolitan fund of funds vehicles, and 2% depreciation ($0.1 billion) in our DGAM fund of hedge funds vehicles.

Total AUM was $50.8 billion as of December 31, 2014, an increase of $1.0 billion, or 2%, compared to $49.8 billion as of December 31, 2013. This increase was primarily driven by (a) market appreciation of $9.6 billion, due to nearly 30% appreciation ($9.0 billion) in our AlpInvest fund of funds vehicles, $0.3 billion of appreciation in our Metropolitan fund of funds vehicles, and $0.2 billion of appreciation in our DGAM fund of hedge funds vehicles, (b) activation of new mandates at AlpInvest and new commitments to Metropolitan during the year of approximately $4.6 billion, and (c) $3.0 billion from the DGAM acquisition. This was offset by (a) distributions of approximately $9.5 billion in the quarter, net of amounts recycled, (b) loss on the translation to U.S. dollars for our Euro-denominated funds of $5.3 billion, and (c) net redemptions of $1.1 billion in our fund of hedge funds vehicles.

Total AUM was $49.8 billion at December 31, 2013, an increase of $5.7 billion, or 13%, compared to $44.1 billion at December 31, 2012. This increase was primarily driven by (a) market appreciation of $5.1 billion, attributable to 17% appreciation in our AlpInvest fund of funds vehicles, (b) activation of new mandates during the year of approximately $4.7 billion, and (c) $2.1 billion from the Metropolitan acquisition. This was offset by distributions of approximately $8.1 billion in the quarter, net of amounts recycled.

Fund Performance Metrics

Fund performance information for our investment funds that have at least $1.0 billion in capital commitments, cumulative equity invested or total value as of December 31, 2014, which we refer to as our “significant funds,” is generally included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns. See “Item 1A. Risk Factors—Risks Related to Our Business Operations—The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.”

The following tables reflect the performance of our significant funds in our Investment Solutions business.

			TOTAL INVESTMENTS as of December 31, 2015				
	Vintage Year	Fund Size	Cumulative Invested Capital (2)(8)	Total Fair Value (3)(8)	MOIC (4)	Gross IRR (6)	Net IRR (7)
			(Reported in Local Currency, in Millions)				
Investment Solutions (1)							
Fully Committed Funds (5)							
Main Fund I - Fund Investments	2000	€5,174.6	€4,433.7	€7,257.5	1.6x	12 %	11 %
Main Fund II - Fund Investments	2003	€4,545.0	€5,050.4	€7,889.1	1.6x	10 %	10 %
Main Fund III - Fund Investments	2005	€11,500.0	€13,072.6	€19,886.0	1.5x	10 %	10 %
Main Fund IV - Fund Investments	2009	€4,877.3	€4,300.1	€5,849.7	1.4x	15 %	14 %
Main Fund I - Secondary Investments	2002	€519.4	€515.7	€974.4	1.9x	58 %	54 %
Main Fund II - Secondary Investments	2003	€998.4	€1,052.6	€1,918.0	1.8x	27 %	26 %
Main Fund III - Secondary Investments	2006	€2,250.0	€2,459.0	€3,600.1	1.5x	10 %	10 %
Main Fund IV - Secondary Investments	2010	€1,859.1	€1,970.3	€3,131.5	1.6x	20 %	19 %
Main Fund II - Co-Investments	2003	€1,090.0	€960.5	€2,641.8	2.8x	44 %	41 %
Main Fund III - Co-Investments	2006	€2,760.0	€2,967.9	€4,019.1	1.4x	5 %	5 %
Main Fund IV - Co-Investments	2010	€1,475.0	€1,417.3	€3,138.3	2.2x	24 %	22 %
Main Fund V - Co-Investments	2012	€1,122.2	€1,055.8	€1,893.9	1.8x	38 %	35 %
Main Fund II - Mezzanine Investments	2004	€700.0	€797.4	€1,086.4	1.4x	8 %	7 %
Main Fund III - Mezzanine Investments	2006	€2,000.0	€1,995.5	€2,626.8	1.3x	10 %	9 %
All Other Funds (9)	Various		€1,970.0	€2,725.9	1.4x	15 %	12 %
Total Fully Committed Funds			€44,018.8	€68,638.4	1.6x	13 %	12 %
Funds in the Commitment Period (5)							
Main Fund V - Fund Investments (10)	2012	€5,080.0	€2,135.4	€2,212.5	1.0x	NM	NM
Main Fund VI - Fund Investments (10)	2015	€1,106.4	€17.2	€13.7	0.8x	NM	NM
Main Fund V - Secondary Investments	2011	€4,271.2	€2,758.6	€3,842.0	1.4x	26 %	23 %
Main Fund VI - Co-Investments (10)	2014	€1,115.0	€416.7	€429.7	1.0x	NM	NM
All Other Funds (9)	Various		€254.1	€277.6	1.1x	14 %	8 %
Total Funds in the Commitment Period			€5,582.1	€6,775.6	1.2x	18 %	15 %
TOTAL ALPINVEST			€49,600.8	€75,414.0	1.5x	13 %	12 %
TOTAL INVESTMENT SOLUTIONS (USD) (11)			$53,896.4	$81,945.1	1.5x		

(1) Includes private equity and mezzanine primary fund investments, secondary fund investments and co-investments originated by the AlpInvest team. Excluded from the performance information shown are a) investments that were not originated by AlpInvest, b) Direct Investments, which was spun off from AlpInvest in 2005 and c) Metropolitan Real Estate fund of funds vehicles. As of December 31, 2015, these excluded investments represent $0.5 billion of AUM at AlpInvest and $1.9 billion of AUM at Metropolitan.

(2) Represents the original cost of all capital called for investments since inception of the fund.

(3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest.

(4) Multiple of invested capital (“MOIC”) represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.

(5) Fully Committed funds are past the expiration date of the commitment period as defined in the respective limited partnership agreement.

(6) Gross Internal Rate of Return (“Gross IRR”) represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value before management fees, expenses and carried interest.

(7) Net Internal Rate of Return (“Net IRR”) represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest.
(8) For purposes of aggregation, funds that report in foreign currency have been converted to Euro at the reporting period spot rate.
(9) Aggregate includes Main Fund I - Co-Investments, Main Fund I - Mezzanine Investments, Main Fund IV - Mezzanine Investments, Main Fund V - Mezzanine Investments, AlpInvest CleanTech Funds and funds which are not included as part of a main fund.
(10) Returns are not considered meaningful as the commitment period commenced in 2012, 2014, and 2015, respectively for Main Fund V - Fund Investments, Main Fund VI - Co-Investments, and Main Fund VI - Fund Investments.
(11) Represents the U.S. dollar equivalent balance translated at the spot rate as of period end.

Liquidity and Capital Resources

Historical Liquidity and Capital Resources

We have historically required limited capital resources to support the working capital and operating needs of our business. Our management fees have largely covered our operating costs and we have distributed all realized performance fees after related compensation to equityholders. Historically, approximately 95% of all capital commitments to our funds have been provided by our fund investors, with the remaining amount typically funded by our senior Carlyle professionals, advisors and other professionals.
Our Sources of Liquidity
We have multiple sources of liquidity to meet our capital needs, including cash on hand, annual cash flows, accumulated earnings and funds from our senior credit facility, including a term loan facility and a revolving credit facility with $750.0 million available as of December 31, 2015. We believe these sources will be sufficient to fund our capital needs for at least the next 12 months. If we determine that market conditions are favorable after taking into account our liquidity requirements, including the amounts available under our senior credit facility, we may seek to issue and sell common units in a registered public offering or to issue additional senior notes or other debt.
Cash and cash equivalents. Cash and cash equivalents were approximately $1.0 billion at December 31, 2015. However, a portion of this cash is allocated for specific business purposes, including, but not limited to, (i) performance fee-related cash that has been received but not yet distributed as performance fee related compensation and amounts owed to non-controlling interests; (ii) proceeds received from realized investments that are allocable to non-controlling interests; and (iii) regulatory capital. After deducting cash amounts allocated to these specific requirements, the remaining cash and cash equivalents is approximately $808 million as of December 31, 2015. This remaining amount will be used towards our primary liquidity needs, as outlined in the next section. This amount does not take into consideration ordinary course of business payables and reserves for specific business purposes, including, but not limited to, giveback obligations.

Senior Credit Facility. The senior credit facility includes $25.0 million in a term loan and $750.0 million in a revolving credit facility. The term loan and revolving credit facility mature on May 5, 2020. Principal amounts outstanding under the amended term loan and 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 0.75%, or (b) at LIBOR plus an applicable margin not to exceed 1.75% (1.37% at December 31, 2015).
On May 5, 2015, the Partnership entered into Amendment No. 2 to the senior credit facility, which: (i) extended the maturity date of the term loan and revolving credit facility from August 9, 2018 to May 5, 2020, (ii) revised the management fee earning assets covenant to remove the step up requirement to add a percentage of future acquired AUM to set the minimum management fee earning assets amount, (iii) changed the definition of Indebtedness to

provide for a deduction of unrestricted cash, and (iv) reduced the corporate ratings-based pricing grid.

The senior credit facility is unsecured. We are required to maintain management fee earning assets (as defined in the amended senior credit facility) of at least $65.3 billion and a total debt leverage ratio of less than 3.0 to 1.0, in each case, tested on a quarterly basis. Non-compliance with any of the financial or non-financial covenants without cure or waiver would constitute an event of default under the senior credit facility. An event of default resulting from a breach of certain financial or non-financial covenants may result, at the option of the lenders, in an acceleration of the principal and interest outstanding, and a termination of the revolving credit facility. The senior credit facility also contains other customary events of default, including defaults based on events of bankruptcy and insolvency, nonpayment of principal, interest or fees when due, breach of specified covenants, change in control and material inaccuracy of representations and warranties.

Loans Payable. Loans payable on our balance sheet at December 31, 2015 reflects $25.0 million outstanding under our senior credit facility, comprised of $25.0 million of term loan balance outstanding. No amount was outstanding under the revolving credit facility of our senior credit facility. Additionally, loans payable at December 31, 2015 includes $13.7 million outstanding under a separate term loan entered into during 2013 related to an investment in a CLO.

CLO Term Loan. On October 3, 2013, the Partnership borrowed €12.6 million ($13.7 million at December 31, 2015) under a new term loan and security agreement with a financial institution. Interest on the term loan accrues at EURIBOR plus 1.75% (1.75% at December 31, 2015). The Partnership may prepay the facility in whole or in part at any time without penalty. The facility is scheduled to mature on the earlier of five years after closing or the date that the CLO is dissolved. The facility is secured by the Partnership's investment in the CLO.

3.875% Senior Notes. In January 2013, Carlyle Holdings Finance L.L.C., an indirect finance subsidiary of the Partnership issued $500.0 million 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. The notes are unsecured and unsubordinated obligations of Carlyle Holdings Finance L.L.C. and are fully and unconditionally guaranteed, jointly and severally, by The Carlyle Group L.P. and each of the Carlyle Holdings partnerships. The indenture governing the notes contains customary covenants that, among other things, limit Carlyle Holdings Finance L.L.C. and the guarantors' ability, subject to certain exceptions, to incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The notes also contain customary events of default. All or a portion of the notes may be redeemed at our option, in whole or in part, at any time and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the notes. If a change of control repurchase event occurs, the notes are subject to repurchase at the repurchase price as set forth in the notes.

5.625% Senior Notes. In March 2013, Carlyle Holdings II Finance L.L.C., an indirect finance subsidiary of the Partnership, issued $400.0 million 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. The notes are unsecured and unsubordinated obligations of Carlyle Holdings Finance II L.L.C. and are fully and unconditionally guaranteed, jointly and severally, by The Carlyle Group L.P. and each of the Carlyle Holdings partnerships. The indenture governing the notes contains customary covenants and financial restrictions that, among other things, limit Carlyle Holdings Finance II L.L.C. and the guarantors' ability, subject to certain exceptions, to incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The notes also contain customary events of default. All or a portion of the notes may be redeemed at our option, in whole or in part, at any time and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the notes. If a change of control repurchase event occurs, the notes are subject to repurchase at the repurchase price as set forth in the notes.

In March 2014, Carlyle Holdings II Finance L.L.C. 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 due March 30, 2043 and will be treated as a single class with the already outstanding $400.0 million aggregate principal amount of these senior notes.

Obligations of CLOs. Loans payable of the Consolidated Funds represent amounts due to holders of debt securities issued by the CLOs. We are not liable for any loans payable of 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 under U.S. GAAP, and are included in loans payable of Consolidated Funds in our combined and consolidated balance sheets.

Loans payable of the CLOs are collateralized by the assets held by the CLOs and the assets of one CLO may not be used to satisfy the liabilities of another. This collateral consists of cash and cash equivalents, corporate loans, corporate bonds and other securities.

Loans Payable of a Consolidated Real Estate VIE. Substantially all of Urbplan's customer and other receivables and investments have been pledged as collateral for the loans. As of December 31, 2015, substantially all of the loans payable of Urbplan are not in compliance with their related debt covenants or are otherwise in technical default. These violations do not cause a default or event of default under the Partnership's senior credit facility or senior notes. Urbplan management is in discussions with the lenders to cure or re-negotiate the loans in default. Currently there are no outstanding notices of acceleration of payment on the loans in default. All of the loans payable of Urbplan are contractually non-recourse to us.

Realized performance fee revenue. Another source of liquidity we may use to meet our capital needs is the realized performance fee revenue generated by our investment funds. Carried interest is realized when an underlying investment is profitably disposed of and the fund's cumulative returns are in excess of the preferred return. Incentive fees earned on hedge fund structures are realized at the end of each fund's measurement period. Incentive fees earned on our CLO vehicles generally are paid upon the dissolution of such vehicles.

Our accrued performance fees by segment as of December 31, 2015, gross and net of accrued giveback obligations, are set forth below:

Asset Class	Accrued Performance Fees	Accrued Giveback Obligation	Net Accrued Performance Fees
	(Dollars in millions)		
Corporate Private Equity	$2,096.9	$36.6	$2,060.3
Global Market Strategies	78.3	—	78.3
Real Assets	313.6	215.4	98.2
Investment Solutions	499.8	—	499.8
Total	$2,988.6	$252.0	$2,736.6
Less: Accrued performance fee-related compensation			(1,504.9)
Plus: Receivable for giveback obligations from current and former employees			23.8
Less: Deferred taxes on accrued performance fees			(81.8)
Less: Net accrued performance fees attributable to non-controlling interests in consolidated entities			127.3
Net accrued performance fees excluding compensation and non-controlling interests			1,301.0
Plus: Net accrued performance fees in Consolidated Funds, eliminated in consolidation			23.6
Less/Plus: Timing differences between the period when accrued performance fees are realized and the period they are collected/distributed			(9.8)
Net accrued performance fees attributable to Carlyle Holdings, excluding realized amounts			$1,314.8

As of December 31, 2015, the net accrued performance fees attributable to Carlyle Holdings, excluding realized amounts, related to our carry funds and our other vehicles by segment were as follows (Dollars in millions):

Carry fund-related	
Corporate Private Equity:	
Buyout	$1,069.8
Growth Capital	74.8
Total Corporate Private Equity	1,144.6
Real Assets:	
Real Estate	158.0
Natural Resources	8.7
Legacy Energy	(76.4)
Total Real Assets	90.3
Global Market Strategies	35.2
Investment Solutions and other non-carry funds	44.7
Net accrued performance fees attributable to Carlyle Holdings	$1,314.8

Our Liquidity Needs

We generally use our working capital and cash flows to invest in growth initiatives, service our debt, fund the working capital needs of our business and investment funds and pay distributions to our unitholders.

In the future, we expect that our primary liquidity needs will be to:

- provide capital to facilitate the growth of our existing business lines;

- provide capital to facilitate our expansion into new, complementary business lines, including acquisitions;

- pay operating expenses, including compensation and compliance costs and other obligations as they arise;
- fund capital expenditures;
- repay borrowings and related interest costs and expenses;
- pay earnouts and contingent cash consideration associated with our acquisitions and strategic investments;
- pay income taxes;
- fund costs of litigation and contingencies, including related legal costs,
- make distributions to our unitholders and the holders of the Carlyle Holdings partnership units in accordance with our distribution policy;
- fund the capital investments of Carlyle in our funds; and
- repurchase our common units.

Distributions. With respect to distribution year 2015, the Board of Directors of our general partner has declared cumulative distributions to common unitholders totaling approximately $163.7 million, or $2.07 per common unit, consisting of (i) $0.29 per common unit in respect of the fourth quarter of 2015, which is payable on March 2, 2016 to common unitholders of record on February 23, 2016, (ii) $0.56 per common unit in respect of the third quarter of 2015, which was paid on November 24, 2015, (iii) $0.89 per common unit in respect of the second quarter of 2015, which was paid in August 2015, and (iv) $0.33 per common unit in respect of the first quarter of 2015, which was paid in May 2015. Distributions to common unitholders paid during the calendar year ended December 31, 2015 were $251.0 million, representing the distributions paid in March 2015 of $1.61 per common unit with respect to the fourth quarter of 2014, $0.33 per common unit with respect to the first quarter of 2015, $0.89 per common unit with respect to the second quarter of 2015, and $0.56 per common unit with respect to the third quarter of 2015.

With respect to distribution year 2014, we declared distributions to common unitholders totaling approximately $143.2 million, or $2.09 per common unit, consisting of $0.16 per common unit in respect of each of the first three quarters of 2014 and an additional distribution in respect of the fourth quarter of 2014 of $1.61 per common unit (approximately $110.9 million), which was paid in March 2015. Distributions to common unitholders paid during the calendar year ended December 31, 2014 were $102.7 million, representing the amount paid in March 2014 of $1.40 per common unit with respect to the fourth quarter of 2013 and the $0.16 per common unit quarterly distributions paid in each of May, August and November of 2014.

With respect to distribution year 2013, we declared distributions to common unitholders totaling approximately $93.5 million, or $1.88 per common unit, consisting of $0.16 per common unit in respect of each of the first three quarters of 2013 and an additional distribution in respect of the fourth quarter of 2013 of $1.40 per common unit ($70.4 million), which was paid in March 2014. Distributions to common unitholders paid during the calendar year ended December 31, 2013 were $59.9 million, representing the amount paid in March 2013 of $0.85 per common unit with respect to the fourth quarter of 2012 and the $0.16 per common unit quarterly distributions paid in each of May, August and November of 2013.

With respect to distribution year 2015, we declared distributions to the other limited partners of Carlyle Holdings totaling approximately $530.1 million, or $2.17 per Carlyle Holdings unit, consisting of (i) $0.35 per Carlyle Holdings unit in respect of the fourth quarter of 2015, which is payable on March 1, 2016 to Carlyle Holdings unitholders of record on February 23, 2016, (ii) $0.60 per Carlyle Holdings unit in respect of the third quarter of 2015, which was paid in November 2015, (iii) $0.89 per Carlyle Holdings unit in respect of the second quarter of 2015, which was paid in August 2015, and (iv) $0.33 per Carlyle Holdings unit in respect of the first quarter of 2015, which was paid in May 2015. Distributions to the other limited partners of Carlyle Holdings paid during the calendar year ended December 31, 2015 were $848.5 million, representing the distributions paid in March 2015 of $1.61 per Carlyle Holdings unit with respect to the fourth quarter of 2014, $0.33 per Carlyle Holdings unit with respect to the first quarter of 2015, $0.89 per Carlyle Holdings unit with respect to the second quarter of 2015, and $0.60 per Carlyle Holdings unit with respect to the third quarter of 2015.

With respect to distribution year 2014, we declared distributions to the other limited partners of Carlyle Holdings totaling approximately $524.5 million, or $2.09 per Carlyle Holdings unit, consisting of the distributions declared in respect of the first three quarters of 2014 and an additional distribution in respect of the fourth quarter of 2014 of $1.61 per Carlyle Holdings unit (approximately $404.1 million), which was paid on March 5, 2015 to holders of record of Carlyle Holdings units at the close of business on February 23, 2015. Distributions to the other limited partners of Carlyle Holdings paid during the calendar year ended December 31, 2014 were $486.9 million, representing the quarterly distributions paid in each of March, May, August, and November of 2014.

With respect to distribution year 2013, we declared distributions to the other limited partners of Carlyle Holdings totaling approximately $515.9 million, or $1.97 per Carlyle Holdings unit, consisting of the distributions declared in respect of the first three quarters of 2013 and an additional distribution in respect of the fourth quarter of 2013 of $1.40 per Carlyle Holdings unit ($366.5 million), which was paid in March 2014. Distributions to the other limited partners of Carlyle Holdings paid during the calendar year ended December 31, 2013 were $372.9 million, representing the quarterly distributions paid in each of March, May, August, and November of 2013.

It is Carlyle’s intention to cause Carlyle Holdings to make quarterly distributions to its partners, including The Carlyle Group L.P.’s wholly owned subsidiaries, that will enable The Carlyle Group L.P. to pay a quarterly distribution of approximately 75% of Distributable Earnings per common unit, net of taxes and amounts payable under the tax receivable agreement, for the quarter. Carlyle’s general partner may adjust the distribution for amounts determined to be necessary or appropriate to provide for the conduct of its business, to make appropriate investments in its business and its funds or to comply with applicable law or any of its financing agreements, or to provide for future cash requirements such as tax-related payments, clawback obligations and distributions to unitholders for any ensuing quarter. The amount to be distributed could also be adjusted upward in any one quarter. The declaration and payment of any distributions is at the sole discretion of Carlyle’s general partner, which may change or eliminate the distribution policy at any time.

Distributions for the 2014 fiscal year and prior years, including the fourth quarter 2014 distribution, were determined in accordance with Carlyle’s distribution policy in effect for those years. For those periods, Carlyle Holdings made quarterly distributions to its partners, including The Carlyle Group L.P.'s wholly owned subsidiaries, that enabled The Carlyle Group L.P. to pay a quarterly distribution of $0.16 per common unit for each of the first three quarters of each year and for the fourth quarter of each year, to pay a distribution of at least $0.16 per common unit that, taken together with the prior quarterly distributions in respect of that year, represented its share, net of taxes and amounts payable under the tax receivable agreement, of Carlyle's Distributable Earnings in excess of the amount determined by Carlyle's general partner that was necessary or appropriate to provide for the conduct of Carlyle's business, to make appropriate investments in its business and its funds or to comply with applicable law or any of its financing agreements. The aggregate amount of our distributions for those years were less than our Distributable Earnings for that year due to these funding requirements.

Notwithstanding the foregoing, the declaration and payment of any distributions will be at the sole discretion of our general partner, which may change our distribution policy at any time. Our general partner will take into account general economic and business conditions, our strategic plans and prospects, our business and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, legal, tax and regulatory restrictions, other constraints on the payment of distributions by us to our common unitholders or by our subsidiaries to us, and such other factors as our general partner may deem relevant.

Because our wholly owned subsidiaries must pay taxes and make payments under the tax receivable agreement, the amounts ultimately distributed by us to our common unitholders are expected to be less, on a per unit basis, than the amounts distributed by the Carlyle Holdings partnerships to the other limited partners of the Carlyle Holdings partnerships in respect of their Carlyle Holdings partnership units.

Fund commitments. Generally, we intend to have Carlyle commit to fund approximately 1% of the capital commitments to our future carry funds, although we may elect to invest additional amounts in funds focused on new investment areas. We may, from time to time, exercise our right to purchase additional interests in our investment funds that become available in the ordinary course of their operations. We expect our senior Carlyle professionals and employees to continue to make significant capital contributions to our funds based on their existing commitments, and to make capital commitments to future funds consistent with the level of their historical commitments. We also intend to make investments in our open-end funds and our CLO vehicles.

Since our inception through December 31, 2015, we and our senior Carlyle professionals, advisors and other professionals have invested or committed to invest in or alongside our funds. Approximately 5% of all capital commitments to our funds are funded collectively by us and our senior Carlyle professionals, advisors and other professionals. The current invested capital and unfunded commitment of Carlyle and our senior Carlyle professionals, advisors and other professionals to our investment funds as of December 31, 2015, consisted of the following:

Asset Class	Current Equity Invested	Unfunded Commitment	Total Current Equity Invested and Unfunded Commitment
	(Dollars in millions)		
Corporate Private Equity	$1,757.7	$1,790.9	$3,548.6
Global Market Strategies	1,145.0	335.3	1,480.3
Real Assets	886.6	709.7	1,596.3
Investment Solutions	225.5	34.7	260.2
Total	$4,014.8	$2,870.6	$6,885.4

A substantial majority of these investments have been funded by, and a substantial majority of the remaining commitments are expected to be funded by, senior Carlyle professionals, advisors and other professionals through our internal co-investment program. Of the $2.9 billion of unfunded commitments, approximately $2.5 billion is subscribed individually by senior Carlyle professionals, advisors and other professionals, with the balance funded directly by the Partnership.

Investments as of December 31, 2015 consist of the following (Dollars in millions):

Investments	$885.9
Less: Amounts attributable to non-controlling interests in consolidated entities	(263.9)
Less: Strategic equity method investment in NGP Management	(449.0)
Investments excluding non-controlling interests and NGP	173.0
Plus: investments in Consolidated Funds, eliminated in consolidation	218.0
Total investments attributable to Carlyle Holdings, exclusive of NGP management	$391.0

Repurchase Program. In February 2016, the Board of Directors of the general partner of the Partnership authorized the repurchase of up to $200 million of common units and/or Carlyle Holdings units. Under this unit repurchase program, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. We expect that the majority of repurchases under this program will be done via open market transactions. No units will be repurchased from our executive officers under this program. The timing and actual number of common units and/or Carlyle Holdings units repurchased will depend on a variety of factors, including legal requirements, price, and economic and market conditions. This unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date.

Cash Flows

The significant captions and amounts from our consolidated statements of cash flows which include the effects of our Consolidated Funds and CLOs in accordance with U.S. GAAP are summarized below.

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Statements of Cash Flows Data			
Net cash provided by operating activities	$3,902.8	$2,645.7	$2,994.3
Net cash (used in) provided by investing activities	(21.5)	37.0	(135.1)
Net cash used in financing activities	(4,011.2)	(2,293.4)	(2,503.7)
Effect of foreign exchange rate change	(120.6)	(113.9)	44.0
Net change in cash and cash equivalents	$(250.5)	$275.4	$399.5

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Net Cash Provided by Operating Activities. Net cash provided by operating activities is primarily driven by our earnings in the respective periods after adjusting for significant non-cash activity, including non-cash performance fees, the related non-cash performance fee related compensation, non-cash equity-based compensation, and depreciation, amortization and impairments, all of which are included in earnings.

Operating cash inflows primarily include the receipt of management fees and realized performance fees, while operating cash outflows primarily include payments for operating expenses, including compensation and general, administrative, and other expenses. During the years ended December 31, 2015, 2014 and 2013, net cash provided by operating activities primarily includes the receipt of management fees and realized performance fees, totaling approximately $2.7 billion, $2.6 billion, and $2.2 billion, respectively. These inflows were partially offset by payments for compensation and general, administrative, and other expenses of approximately $1.9 billion, $2.3 billion, and $1.5 billion for the years ended December 31, 2015, 2014 and 2013, respectively.

Cash used to purchase investments and trading securities as well as the proceeds from the sale of such investments are also reflected in our operating activities as investments are a normal part of our operating activities. Over time, investment proceeds may be greater than investment purchases. During the year ended December 31, 2015, investment proceeds were $313.0 million while investment purchases were $91.9 million. During the year ended December 31, 2014, investment proceeds were $544.4 million while investment purchases were $221.9 million. During the year ended December 31, 2013, investment proceeds were $294.3 million while investment purchases were $93.0 million.

The remaining cash flows from operating activities primarily relate to the investment activity of our Consolidated Funds. For the year ended December 31, 2015, proceeds from the sales and settlements of investments by the Consolidated Funds were $11,653.6 million, while purchases of investments by the Consolidated Funds were $10,472.1 million. For the year ended December 31, 2014, proceeds from the sales and settlements of investments by the Consolidated Funds were $10,685.6 million, while purchases of investments by the Consolidated Funds were $10,566.3 million. For the year ended December 31, 2013, proceeds from the sales and settlements of investments by the Consolidated Funds were $11,631.6 million, while purchases of investments by the Consolidated Funds were $11,555.0 million.

Net Cash Provided By (Used In) Investing Activities. Our investing activities generally reflect cash used for acquisitions, fixed assets and software for internal use, and changes in restricted cash. During the year ended December 31, 2015, cash used in investing activities principally reflects a change in restricted cash balances. Purchases of fixed assets were $62.3 million, $29.7 million and $29.5 million for the years ended the years ended December 31, 2015, 2014 and 2013, respectively. During the year ended December 31, 2014, the acquisition of DGAM resulted in the use of cash, net of cash acquired, of $3.1 million. The 2013 acquisition of Metropolitan resulted in the net use of cash of $10.2 million during the year ended December 31, 2013.

Net Cash Used in Financing Activities. Financing activities are a net use of cash in each of the historical periods presented. In June 2015, the Partnership received net proceeds from the issuance of 7,000,000 common units of $209.9 million. The Partnership used these net proceeds to acquire 7,000,000 Carlyle Holdings partnership units from the other limited partners of the Carlyle Holdings partnerships.

In March 2014, the Partnership received net proceeds from the issuance of 13,800,000 newly issued common units of $449.5 million. The Partnership used $303.4 million of these proceeds to acquire 9,300,000 Carlyle Holdings partnership units from the other limited partners of the Carlyle Holdings partnerships. The remaining net proceeds were used by the Partnership to acquire 4,500,000 newly issued Carlyle Holdings partnership units. Carlyle Holdings is using the proceeds from the issuance of the 4,500,000 Carlyle Holdings partnership units for general corporate purposes, including investments in our funds as well as investment capital for acquisitions of new fund platforms and strategies or other growth initiatives, to drive innovation across the broader Carlyle platform. Also, during March 2014, we received net proceeds of $210.8 million, net of financing costs, from the issuance of $200.0 million of 5.625% senior notes due 2043 at 104.315% of par. The net proceeds from this issuance is being used for general corporate purposes, including investments in our funds as well as investment capital for acquisitions of new fund platforms and strategies and other growth initiatives.

For the year ended December 31, 2013, we received net proceeds of $495.3 million, net of financing costs, from the issuance of $500.0 million of senior notes in January 2013 and $394.1 million, net of financing costs, for the issuance of $400.0 million of senior notes in March 2013. The proceeds from these senior notes issuances were used to repay outstanding borrowings under our revolving credit facility and our term loan. For the year ended December 31, 2013, our repayments under our revolving credit facility were $386.3 million and our payments on our loans payable were $475.0 million. In addition, for the year ended December 31, 2013, we received net proceeds of $17.1 million, net of financing costs, from the loan issued related to one of our European CLO investments.

Distributions to our common unitholders were $251.0 million, $102.7 million, and $59.9 million for the years ended December 31, 2015, 2014, and 2013, respectively. Distributions to the non-controlling interest holders in Carlyle Holdings were $848.5 million, $486.9 million, and $372.9 million for the years ended December 31, 2015, 2014, and 2013, respectively. The net borrowings (payments) on loans payable by our Consolidated Funds during the years ended December 31, 2015, 2014, and 2013 were $734.3 million, $(1,033.4) million, and $(1,595.2) million, respectively. For the years ended December 31, 2015, 2014, and 2013, contributions from non-controlling interest holders were $2,376.6 million, $2,203.1 million, and $2,474.9 million, respectively, which relate primarily to contributions from the non-controlling interest holders in Consolidated Funds. For the years ended December 31, 2015, 2014, and 2013, distributions to non-controlling interest holders were $5,267.0 million, $4,190.4 million, and $3,038.0 million, respectively, which relate primarily to distributions to the non-controlling interest holders in Consolidated Funds.

Our Balance Sheet

Total assets were $32.2 billion at December 31, 2015, a decrease of $3.8 billion from December 31, 2014. The decrease in total assets was primarily attributable to decreases in investments of Consolidated Funds, accrued performance fees, due from affiliates and other receivables of Consolidated Funds, and net intangible assets of $2.0 billion, $0.8 billion, $0.4 billion, and $0.3 billion, respectively. Cash and cash equivalents were approximately $1.0 billion, a decrease of $0.3 billion from December 31, 2014.

Total liabilities were $23.3 billion at December 31, 2015, an increase of $0.1 billion from December 31, 2014. The increase in liabilities was primarily attributable to an increase in loans payable of Consolidated Funds, which increased $1.0 billion from December 31, 2014 to December 31, 2015, and an increase in accrued giveback obligations, which increased $0.2 billion. These increases were partially offset by decreases in other liabilities of the Consolidated Funds and accrued compensation and benefits of $0.7 billion and $0.4 billion, respectively.

The assets and liabilities of the Consolidated Funds are generally held within separate legal entities and, as a result, the assets of the Consolidated Funds are not available to meet our liquidity requirements and similarly the liabilities of the Consolidated Funds are non-recourse to us. The assets and liabilities of the consolidated real estate VIE are also held in separate legal entities; we have not guaranteed or assumed any obligation for repayment of its liabilities nor are its assets available to meet our liquidity requirements.

Our balance sheet without the effect of the Consolidated Funds can be seen in Note 21 to the consolidated financial statements included in this Annual Report on Form 10-K. At December 31, 2015, our total assets without the effect of the Consolidated Funds were $6.1 billion, including cash and cash equivalents of $1.0 billion and accrued performance fees of $3.0 billion.

Unconsolidated Entities

Our Corporate Private Equity funds have not historically utilized substantial leverage at the fund level other than short-term borrowings under certain fund level lines of credit which are used to fund liquidity needs in the interim between the date of an investment and the receipt of capital from the investing fund’s investors. These funds do, however, make direct or indirect investments in companies that utilize leverage in their capital structure. The degree of leverage employed varies among portfolio companies.

Certain of our real estate funds have entered into lines of credit secured by their investors’ unpaid capital commitments or by a pledge of the equity of the underlying investment. Due to the relatively large number of investments made by these funds, the lines of credit are primarily employed to reduce the overall number of capital calls or for working capital needs. In certain instances, however, they may be used for other investment related activities, including serving as bridge financing for investments. The degree of leverage employed varies among portfolio companies.

Off-balance Sheet Arrangements

In the normal course of business, we enter into various off-balance sheet arrangements including sponsoring and owning limited or general partner interests in consolidated and non-consolidated funds, entering into derivative transactions, entering into operating leases and entering into guarantee arrangements. We also have ongoing capital commitment arrangements with certain of our consolidated and non-consolidated funds. We do not have any other off-balance sheet arrangements that would require us to fund losses or guarantee target returns to investors in any of our other investment funds.

For further information regarding our off-balance sheet arrangements, see Note 2 and Note 11 to the consolidated financial statements included in this Annual Report on Form 10-K.

Contractual Obligations

The following table sets forth information relating to our contractual obligations as of December 31, 2015 on a consolidated basis and on a basis excluding the obligations of the Consolidated Funds:

	2016	2017-2018	2019-2020	Thereafter	Total
	(Dollars in millions)				
Loans payable and senior notes(a)	$—	$13.7	$25.0	$1,100.0	$1,138.7
Interest payable(b)	54.7	108.0	107.3	791.3	1,061.3
Contingent cash consideration(c)	90.3	58.3	51.5	170.6	370.7
Operating lease obligations(d)	54.7	99.8	81.0	294.3	529.8
Capital commitments to Carlyle funds(e)	2,870.6	—	—	—	2,870.6
Tax receivable agreement payments(f)	3.5	10.9	11.9	115.4	141.7
Loans payable of Consolidated Funds(g)	324.2	646.7	764.9	18,818.4	20,554.2
Loans payable of a consolidated real estate VIE(h)	44.6	50.8	49.9	79.6	224.9
Unfunded commitments of the CLOs and Consolidated Funds(i)	803.3	—	—	—	803.3
Redemptions payable of Consolidated Funds(j)	555.8	—	—	—	555.8
Consolidated contractual obligations	4,801.7	988.2	1,091.5	21,369.6	28,251.0
Loans payable of Consolidated Funds(g)	(324.2)	(646.7)	(764.9)	(18,818.4)	(20,554.2)
Loans payable of a consolidated real estate VIE(h)	(44.6)	(50.8)	(49.9)	(79.6)	(224.9)
Capital commitments to Carlyle funds(e)	(2,521.0)	—	—	—	(2,521.0)
Unfunded commitments of the CLOs and Consolidated Funds(i)	(803.3)	—	—	—	(803.3)
Redemptions payable of Consolidated Funds(j)	(555.8)	—	—	—	(555.8)
Carlyle Operating Entities contractual obligations	$552.8	$290.7	$276.7	$2,471.6	$3,591.8

(a) The table above assumes that no prepayments are made on the term loans or senior notes and that the outstanding balance on the revolving credit facility is repaid on the maturity date of the senior credit facility. On May 5, 2015, we entered into Amendment No. 2 to the senior credit facility to extend the maturity date of the term loan and revolving credit facility from August 9, 2018 until May 5, 2020. The term loan entered into during 2013 related to an investment in a CLO matures on the earlier of 2018 or the date that the CLO is dissolved. For purposes of the table above, it is assumed that the CLO does not dissolve prior to 2018.

(b) The interest rate on the loans payable consist of 3.875% on $500.0 million of senior notes, 5.625% on $600.0 million of senior notes, approximately 2.21% on $25.0 million of the term loan of our senior credit facility (inclusive of the effect of the outstanding interest rate swaps), and approximately 1.75% on $13.7 million of our CLO term loan. Interest payments assume that no prepayments are made and loans are held until maturity.

(c) These obligations represent our probability-weighted estimate of amounts to be paid on the contingent cash consideration obligations associated with our business acquisitions and strategic investment in NGP Management. The actual amounts to be paid under these agreements will not be determined until the specific performance conditions are met. Refer to "— Contingent Cash Payments for Business Acquisitions and Strategic Investments" below for the maximum amounts we may be required to pay under these arrangements and Note 6 and Note 9 to the consolidated financial statements included in this Annual Report on Form 10-K for more information. Included in these amounts are $5.0 million of employment-based contingent consideration payments that have been earned but are not payable until the individuals are no longer employees of Carlyle, the timing of which cannot be predicted. For purposes of the table above, the timing has been based on a probability-weighted estimate.

(d) We lease office space in various countries around the world and maintain our headquarters in Washington, D.C., where we lease our primary office space under a non-cancelable lease agreement expiring on July 31, 2026. Our office leases in other locations expire in various years from 2016 through 2031. The amounts in this table represent the minimum lease payments required over the term of the lease.

(e) These obligations represent commitments by us to fund a portion of the purchase price paid for each investment made by our funds. These amounts are generally due on demand and are therefore presented in the less than one year category. A substantial majority of these investments is expected to be funded by senior Carlyle professionals and other professionals through our internal co-investment program. Of the $2.9 billion of unfunded commitments, approximately $2.5 billion is subscribed individually by senior Carlyle professionals, advisors and other professionals, with the balance funded directly by the Partnership.

(f) Represents obligations by the Partnership's corporate taxpayers to make payments under the tax receivable agreement. Holders of partnership units in Carlyle Holdings may exchange their Carlyle Holdings partnership units for common units in The Carlyle Group L.P. on a one-for-one basis. These exchanges may reduce the amount of tax that the corporate taxpayers would be required to pay in the future. The corporate taxpayers will pay to the limited partner of Carlyle Holdings making the exchange 85% of the amount of cash savings that the corporate taxpayers realize upon an exchange. See "Tax Receivable Agreement" below.

(g) These obligations represent amounts due to holders of debt securities issued by the consolidated CLO vehicles. These obligations include interest to be paid on debt securities issued by the consolidated CLO vehicles. Interest payments assume that no prepayments are made and loans are held until maturity. For debt securities with rights only to the residual value of the CLO and no stated interest, no interest payments were included in this calculation. Interest payments on variable-rate debt securities are based on interest rates in effect as of December 31, 2015, at spreads to market rates pursuant to the debt agreements, and range from 0.10% to 7.69%.

(h) These obligations represent amounts owed to the lenders of Urbplan. These obligations include interest to be paid on the loans of Urbplan. Principal and interest payments shown herein assume that amounts will be paid according to the contractual maturities of the loans without acceleration due to default or covenant violation or other voluntarily prepayments. Interest payments on variable-rate debt are based on interest rates in effect as of December 31, 2015, at spreads to market rates pursuant to the loan agreements, and range from 18.6% to 24.2%. Due to the timing and availability of financial information from Urbplan, we consolidate the financial position and results of operations of Urbplan on a financial reporting lag of 90 days. The balances shown in this table are based on Urbplan's outstanding borrowings as of September 30, 2015.

(i) These obligations represent commitments of the CLOs and Consolidated Funds to fund certain investments. These amounts are generally due on demand and are therefore presented in the less than one year category.

(j) Our consolidated hedge funds are subject to quarterly or monthly redemption by investors in these funds. These obligations represent the amount of redemptions where the amount requested in the redemption notice has become fixed and payable.

Excluded from the table above are liabilities for uncertain tax positions of $20.3 million at December 31, 2015 as we are unable to estimate when such amounts may be paid. Also excluded from the table above are outstanding commitments of Urbplan for land development services with an estimated $18.0 million of future costs to be incurred; these amounts have been excluded as we are unable to determine when such amounts will be paid.

Contingent Funding of the Consolidated Real Estate VIE

As described in Note 17 to the consolidated financial statements included in this Annual Report on Form 10-K, we and certain of our senior Carlyle professionals have made and may make additional investments in Urbplan. From 2013 through December 31, 2015, $321.5 million has been funded to Urbplan by us and our senior Carlyle professionals (net of gains from related foreign currency forward contracts). We have funded $77.9 million of the $321.5 million and the remaining $243.6 million has been funded by our senior Carlyle professionals indirectly through the Partnership. For the year ended December 31, 2015, $108.2 million was funded to Urbplan, of which we funded $27.1 million and the senior Carlyle professionals funded $81.1 million indirectly through us.

From April 2013 through December 31, 2015, the cumulative investment losses related to Urbplan totaled $51.9 million, all of which are realized losses.

While no contractual or other obligations exist to provide additional financial support to Urbplan, the Partnership and its senior Carlyle professionals may provide additional capital funding to Urbplan in the future. Urbplan will also continue to seek capital funding from unaffiliated parties and will seek to restructure existing debt obligations to reduce its cash requirements. Whether and to what extent the Partnership and its senior Carlyle professionals continue to provide financial support will be based on the circumstances at the time, including levels of third-party funding and the ability of the company to reach satisfactory agreements with its creditors. At this time, it is not expected that funding by the Partnership and its senior Carlyle professionals in 2016 would exceed $30 million.

We may not recover, in whole or in part, the capital that we have invested in or any additional capital that we may elect to invest in Urbplan in the future, and our results of operations could be adversely impacted by impairments, write-downs, lawsuits by customers or creditors, other claims against Urbplan or us or other losses associated with our investment in Urbplan. Urbplan is currently a party to various litigation, disputes and other potential claims. We do not believe it is probable that the outcome of any existing Urbplan litigation, government investigations and proceedings, disputes, or other potential claims will materially affect us or our consolidated financial statements.

The assets and liabilities of Urbplan are held in legal entities separate from the Partnership; we have not guaranteed or assumed any obligation for repayment of Urbplan's liabilities nor are the assets of Urbplan available to meet our liquidity requirements. However, if Urbplan fails to complete its construction projects, customers, partners, government agencies or municipalities or other creditors in certain circumstances might seek to assert claims against

us and our assets unrelated to Urbplan under certain consumer protection or other laws.
Contingent Cash Payments For Business Acquisitions and Strategic Investments
We have certain contingent cash obligations associated with our business acquisitions and our strategic investment in NGP Management. For our business acquisitions, these contingent cash payments relate to performance-based contingent cash consideration payable to the sellers of the businesses, some of whom are Carlyle professionals. Certain of these payments to those Carlyle professionals require such Carlyle professionals to be employed by us at the time the performance conditions are met, while other payments are not contingent upon employment.

For our strategic investment in NGP Management, the contingent cash payments relate to performance-based contingent cash consideration payable to ECM Capital, L.P. and an affiliate of Barclays Bank PLC. The performance-based contingent cash consideration payable to an affiliate of Barclays Bank PLC totaling $183.0 million, payable as of December 31, 2015, was paid in January 2016 with $63.0 million in cash and $120.0 million in a six year promissory note (accruing interest at the three month LIBOR plus 2.5%) issued by the Partnership. See Note 6 to the consolidated financial statements included in this Annual Report on Form 10-K for more information.
The amounts shown in the contractual obligations table above represent our probability-weighted estimate of amounts to be paid on the contingent cash consideration obligations associated with our business acquisitions and our strategic investment in NGP Management. Except as noted below, the following table represents the maximum amounts that could be paid from our contingent cash obligations associated with our business acquisitions and our strategic investment in NGP Management:

	As of December 31, 2015			
	Business Acquisitions	NGP Investment	Total	Liability Recognized on Financial Statements(1)
	(Dollars in millions)			
Performance-based contingent cash consideration	$208.2	$183.0	$391.2	$230.2
Employment-based contingent cash consideration	148.4	45.0	193.4	80.4
Total	$356.6	$228.0	$584.6	$310.6

(1) On our consolidated balance sheet, the liability for performance-based contingent cash consideration is included in due to affiliates (for amounts owed to Carlyle professionals and NGP) and accounts payable, accrued expenses, and other liabilities (for amounts owed to other sellers), and the liability for employment-based contingent cash consideration is included in accrued compensation and benefits.

Some of the employment-based contingent cash consideration agreements do not contain provisions limiting the amount that could be paid by us. For purposes of the table above, we have used our current estimate of the amount to be paid upon the determination dates for such payments. In our consolidated financial statements, we record the performance-based contingent cash consideration from our business acquisitions at fair value at each reporting period. For the employment-based contingent cash consideration, we accrue the compensation liability over the implied service period.

U.S. Risk Retention Rules

The Dodd-Frank Act requires sponsors of asset-backed securities, including CLOs, to retain at least 5% of the credit risk related to the assets that underlie asset-backed securities (referred to herein as the U.S. Risk Retention Rules). The U.S. Risk Retention Rules become effective on December 24, 2016 and apply to sponsors of CLOs issued thereafter. As a sponsor of CLOs issued in Europe, we currently comply with similar risk retention rules that have been in place since 2014. To comply with the U.S. Risk Retention Rules, we expect that we will contribute approximately $700 million to new CLOs issued over the next five years. Our contribution to the new CLOs will be funded through a variety of sources, including direct funding from the Partnership, funding from senior Carlyle professionals, and limited recourse borrowing. The allocation of funding sources, and therefore the amount of capital required from the Partnership, will be determined in the future.

For additional information related to the U.S. Risk Retention Rules, see "-Regulatory changes in the United States could adversely affect our business and the possibility of increased regulatory focus could result in additional burdens and expenses on our business" within Item 1A.

Guarantees

See Note 11 to the consolidated financial statements included in this Annual Report on Form 10-K for information related to our material guarantees.

Indemnifications

In many of our service contracts, we agree to indemnify the third-party service provider under certain circumstances. The terms of the indemnities vary from contract to contract, and the amount of indemnification liability, if any, cannot be determined and has not been included in the table above or recorded in our consolidated financial statements as of December 31, 2015.

Tax Receivable Agreement

Holders of partnership units in Carlyle Holdings (other than The Carlyle Group L.P.'s wholly owned subsidiaries), subject to the vesting and minimum retained ownership requirements and transfer restrictions applicable to such holders as set forth in the partnership agreements of the Carlyle Holdings partnerships, may (subject to the terms of the exchange agreement) exchange their Carlyle Holdings partnership units for The Carlyle Group L.P. common units on a one-for-one basis. A Carlyle Holdings limited partner must exchange one partnership unit in each of the three Carlyle Holdings partnerships to effect an exchange for a common unit. The exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Carlyle Holdings. These increases in tax basis may increase (for tax purposes) depreciation and amortization deductions and therefore reduce the amount of tax that Carlyle Holdings I GP Inc. and any other corporate taxpayers would otherwise be required to pay in the future, although the IRS may challenge all or part of that tax basis increase, and a court could sustain such a challenge.

We have entered into a tax receivable agreement with the limited partners of the Carlyle Holdings partnerships that will provide for the payment by the corporate taxpayers to such parties of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that the corporate taxpayers realize as a result of these increases in tax basis and of certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. This payment obligation is an obligation of the corporate taxpayers and not of Carlyle Holdings. While the actual increase in tax basis, as well as the amount and timing of any payments under this agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of our common units at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of our income, we expect that as a result of the size of the transfers and increases in the tax basis of the tangible and intangible assets of Carlyle Holdings, the payments that we may make under the tax receivable agreement will be substantial.

See Note 2 to the consolidated financial statements included in this Annual Report on Form 10-K for additional information related to our tax receivable agreement.

Contingent Obligations (Giveback)

Carried interest is ultimately realized when: (1) 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) we have decided to collect carry rather than return additional capital to limited partner investors. Realized carried interest may be required to be returned by us 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 fees are reversed.

See Note 11 to the consolidated financial statements included in this Annual Report on Form 10-K for additional information related to our contingent obligations (giveback).

Other Contingencies

In the ordinary course of business, we are a party to litigation, investigations, inquiries, employment-related matters, disputes and other potential claims. We discuss certain of these matters in Note 11 to the consolidated financial statements included in this Annual Report on Form 10-K.

Carlyle Holdings Partnership Units
Rollforwards of the outstanding Carlyle Group L.P. common units and Carlyle Holdings partnership units for the years ended December 31, 2015 and 2014 are as follows:

	Units as of December 31, 2014	Units Issued - DRUs	Units Issued - Acquisitions	Units Forfeited	Units Exchanged	Units as of December 31, 2015
The Carlyle Group L.P. common units	67,761,012	5,455,881	82,046	(21,451)	7,131,214	80,408,702
Carlyle Holdings partnership units	251,195,295	—	—	(444,477)	(7,131,214)	243,619,604
Total	318,956,307	5,455,881	82,046	(465,928)	—	324,028,306

	Units as of December 31, 2013	Units Issued - Public Offering	Units Issued - DRUs	Units Issued - Acquisitions	Units Forfeited	Units Exchanged	Units as of December 31, 2014
The Carlyle Group L.P. common units	49,353,406	4,500,000	3,771,979	746,334	—	9,389,293	67,761,012
Carlyle Holdings partnership units	262,164,851	—	—	516,526	(2,096,789)	(9,389,293)	251,195,295
Total	311,518,257	4,500,000	3,771,979	1,262,860	(2,096,789)	—	318,956,307

The Carlyle Group L.P. common units issued during the period from December 31, 2014 through December 31, 2015 relate to: (i) the vesting of the Partnership’s deferred restricted common units during the year ended December 31, 2015, and (ii) the satisfaction of certain performance-based vesting contingent consideration arrangements related to our acquisition of DGAM. Further, The Carlyle Group L.P. common units in the table above includes 716,404 common units that the Partnership is expected to acquire from Carlyle Holdings in future periods upon the vesting of certain of the Partnership’s unvested common units associated with the acquisition of the remaining 40% equity interest in AlpInvest in August 2013.
The Carlyle Group L.P. common units and Carlyle Holdings partnership units forfeited during the period from December 31, 2014 through December 31, 2015 primarily relate to unvested Carlyle Holdings partnership units and unvested common units that were forfeited when the holder ceased to provide services to the Partnership. The Carlyle Holdings partnership units exchanged relate to the exchange of Carlyle Holdings partnership units held by NGP for common units on a one-for-one basis and the Partnership’s use of the net cash proceeds from the issuance of 7,000,000 common units in June 2015 to acquire 7,000,000 Carlyle Holdings partnership units from certain limited partners of Carlyle Holdings.

The total units as of December 31, 2015 as shown above exclude approximately 0.9 million common units in connection with the vesting of deferred restricted common units and an exchange of Carlyle Holdings partnership units that will participate in the unitholder distribution that will be paid in March 2016.

The Carlyle Group L.P. common units issued during the period from December 31, 2013 through December 31, 2014 relate to: (i) the Partnership using the net cash proceeds from the issuance of 4,500,000 common units in March 2014 to acquire 4,500,000 newly issued Carlyle Holdings partnership units, (ii) the vesting of the Partnership’s deferred restricted common units during the year ended December 31, 2014, (iii) the acquisition of DGAM in February 2014, and (iv) the satisfaction of certain performance-vesting contingent consideration arrangements related to our acquisition of Metropolitan. Further, the Carlyle Group L.P. common units in the table above includes 716,404 common units that the Partnership is expected to acquire from Carlyle Holdings in future periods upon the vesting of certain of the Partnership’s unvested common units associated with the acquisition of the remaining 40% equity interest in AlpInvest in August 2013.

The Carlyle Holdings partnership units issued to other limited partners during the period from December 31, 2013 through December 31, 2014 were issued to the sellers of Claren Road and Metropolitan as a result of the satisfaction of certain performance-vesting contingent consideration arrangements related to the acquisitions of Claren Road and Metropolitan. The Carlyle Holdings partnership units forfeited during the period from December 31, 2013 through December 31, 2014 relate to unvested Carlyle Holdings partnership units that were forfeited when the holder ceased to provide services to the Partnership. The Carlyle Holdings partnership units exchanged relate primarily to the Partnership's use of the net cash proceeds from the issuance of 9,300,000 common units in March 2014 to acquire 9,300,000 Carlyle Holdings partnership units from the other limited partners of Carlyle Holdings.

The total units as of December 31, 2014 as shown above exclude approximately 1.1 million common units in connection with the vesting of deferred restricted common units, an exchange of Carlyle Holdings partnership units held by NGP, and an acquisition earnout that participated in the unitholder distribution that was paid in March 2015.

Critical Accounting Policies

Principles of Consolidation. The Partnership consolidates all entities that it controls through a majority voting interest or otherwise. In addition, the accompanying consolidated financial statements consolidate: (1) Carlyle-affiliated funds and co-investment entities for which the Partnership is the sole general partner and the presumption of control by the general partner has not been overcome and (2) variable interest entities ("VIEs"), including certain CLOs and a real estate development company, for which the Partnership is deemed to be the primary beneficiary; consolidation of these entities is a requirement under U.S. GAAP. All significant inter-entity transactions and balances have been eliminated.

For entities that are determined to be VIEs, the Partnership consolidates those entities where it is deemed to be the primary beneficiary. An entity is determined to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the entity's business 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. The consolidation rules require an analysis to (a) determine whether an entity in which the Partnership holds a variable interest is a VIE and (b) whether the Partnership's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would give it a controlling financial interest. 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. The consolidation analysis is generally performed qualitatively. This consolidation analysis, which requires judgment, is performed at each reporting date.

Accounting Standards Update ("ASU") No. 2010-10, Amendments for Certain Investment Funds, defers the application of the revised consolidation rules for a reporting enterprise's interest in an entity if certain conditions are met, including if the entity has the attributes of an investment company and is not a securitization or asset-backed financing entity. An entity that qualifies for the deferral will continue to be assessed for consolidation under the overall guidance on VIEs, before its amendment, and other applicable consolidation guidance.

Where VIEs have qualified for the deferral of the revised consolidation guidance, the analysis is based on previously existing consolidation guidance pursuant to U.S. GAAP. Generally, with the exception of the CLOs, our funds qualify for the deferral of the revised consolidation rules under which the primary beneficiary is the entity that absorbs a majority of the expected losses of the VIE or a majority of the expected residual returns of the VIE, or both. We determine whether we are the primary beneficiary at the time we first become involved with a VIE and subsequently reconsider that we are the primary beneficiary based on certain events. The evaluation of whether a fund is a VIE is subject to the requirements of ASC 810-10, originally issued as FASB Interpretation No. 46(R), and the determination of whether we should consolidate such VIE requires judgment. These judgments include whether the equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support; evaluating whether the equity holders, as a group, can make decisions that have a significant effect on the success of the entity; determining whether two or more parties' equity interests should be aggregated; determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity; evaluating the nature of relationships and activities of the parties involved in determining which party within a related-party group is most closely associated with a VIE; and estimating cash flows in evaluating which member within the equity group absorbs a majority of the expected losses and hence would be deemed the primary beneficiary.

For all Carlyle-affiliated funds and co-investment entities (collectively "the funds") that are not determined to be VIEs, the Partnership consolidates those funds where, as the sole general partner, it has not overcome the presumption of control pursuant to U.S. GAAP. Most Carlyle funds provide a dissolution right upon a simple majority vote of the non-Carlyle affiliated limited partners such that the presumption of control by Carlyle is overcome. Accordingly, these

funds are not consolidated in the Partnership's consolidated financial statements.
The assets of the Consolidated Funds are classified principally within investments of Consolidated Funds; the liabilities of the Consolidate Funds are classified principally within loan payable of Consolidated Funds. The assets and liabilities of the Consolidated Funds are generally within separate legal entities. Therefore, the liabilities of the Consolidated Funds are non-recourse to us and our general creditors. On January 1, 2016, the Partnership adopted new consolidation guidance which will reduce the number of funds consolidated by the Partnership on January 1, 2016. As a result, the assets and liabilities of Consolidated Funds will decrease. See Note 2 to the consolidated financial statements included in this Annual Report on Form 10-K for more information.

Performance Fees. Performance fees consist principally of the allocation of profits from certain of the funds to which the Partnership is entitled (commonly known as carried interest). The Partnership is generally entitled to a 20% allocation (or 10% to 20% on external coinvestment vehicles, with some earning no carried interest, or approximately 2% to 10% in the case of most of the Partnership's fund of funds vehicles) of the net realized income or gain as a carried interest after returning the invested capital, the allocation of preferred returns of generally 8% to 9% and return of certain fund costs (generally subject to catch-up provisions as set forth in the fund limited partnership agreement) from its corporate private equity and real assets funds and closed-end carry funds in the global market strategies segment. 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 fees 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 performance fees 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 fees are reversed. In all cases, each fund is considered separately in this regard, and for a given fund, performance fees 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. For any given period, carried interest income could thus be negative; however, cumulative performance fees 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. Senior Carlyle professionals and employees who have received distributions of carried interest which are ultimately returned are contractually obligated to reimburse us for the amount returned. We record a receivable from current and former employees and our current and former senior Carlyle professionals for their individual portion of any giveback obligation that we establish. These receivables are included in due from affiliates and other receivables, net in our consolidated balance sheets.

The timing of receipt of carried interest in respect of investments of our carry funds is dictated by the terms of the partnership agreements that govern such funds, which generally allow for carried interest distributions in respect of an investment upon a realization event after satisfaction of obligations relating to the return of capital, any realized losses, applicable fees and expenses and the applicable annual preferred limited partner return. Distributions to eligible senior Carlyle professionals in respect of such carried interest are generally made shortly thereafter. The giveback obligation, if any, in respect of previously realized carried interest is generally determined and due upon the winding up or liquidation of a carry fund pursuant to the terms of the fund's partnership agreement.

In addition to its performance fees from its corporate private equity and real assets funds and closed-end carry funds in the global market strategies segment, the Partnership is also entitled to receive performance fees from certain of its global market strategies funds and investment solutions fund of funds vehicles when the return on assets under management exceeds certain benchmark returns or other performance targets. Our hedge funds generally pay annual incentive fees or allocations equal to 20% of the fund's profits for the year, subject to a high-water mark. The high-water mark is the highest historical net asset value attributable to a fund investor's account on which incentive fees were paid and means that we will not earn incentive fees with respect to such fund investor for a year if the net asset value of such investor's account at the end of the year is lower that year than any prior year net asset value or the net asset value at the date of such fund investor's investment, generally excluding any contributions and redemptions for purposes of calculating net asset value. In these arrangements, incentive fees are recognized when the performance benchmark has been achieved based on the hedge funds' then-current fair value. These incentive fees are a component of performance fees in our consolidated financial statements and are treated as accrued until paid to us.

Performance Fee Related Compensation. A portion of the performance 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 fee revenue and, until paid, are recognized as a component of the accrued compensation and benefits liability. Accordingly, upon any reversal of performance fee revenue, the related compensation expense is also reversed.

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 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 Accounting Standards Codification ("ASC") 740, Income Taxes ("ASC 740") requires the recognition of deferred tax liabilities and assets 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 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.
Fair Value Measurement. U.S. GAAP establishes a hierarchal disclosure framework which ranks the observability of market price inputs used in measuring financial instruments at fair value. The observability of inputs is impacted by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices, or for which fair value can be measured from quoted prices in active markets, will generally have a higher degree of market price observability and a lesser degree of judgment applied in determining fair value.
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 type of financial instruments included in Level I include unrestricted securities, including equities and 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 type of financial instruments in this category includes 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. Investments in hedge funds are classified in this category when their net asset value is redeemable without significant restriction.
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. Financial instruments that are included 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 the fair value is based on unobservable inputs. Investments in fund of funds are generally included in this category.

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.

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 are comprised of 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 is comprised of the Partnership’s co-chief executive officers, president and chief operating officer, chief risk officer, chief financial officer, chief accounting officer, deputy chief investment officers for Corporate Private Equity, the business segment heads, and observed by the chief compliance officer, the director of internal audit and the Partnership’s audit committee. Additionally, each quarter a sample of valuations are 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 involves 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 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 has elected the fair value option to measure the loans payable of the CLOs at fair value, as the Partnership has determined that measurement of the loans payable issued by the CLOs at fair value better correlates with the value of the assets held by the CLOs, which are held to provide the cash flows for the note obligations. The investments of the CLOs are also carried at fair value.

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 corroborates quotations from pricing services either with other available pricing data or with its own models. Generally, the loan and bond assets of the CLOs are not actively traded and are classified as Level III.

The fair values of the CLO loans payable and 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.

Loans Payable of a Consolidated Real Estate VIE – The Partnership has elected the fair value option to measure the loans payable of a consolidated real estate VIE at fair value. The fair values of the loans are primarily based on discounted cash flows analyses, which consider the liquidity and current financial condition of the consolidated real estate VIE. These loans are classified as Level III.

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.

Investments include (i) our ownership interests (typically general partner interest) in the funds, (ii) the investments held by the Consolidated Funds, (iii) strategic investments made by us, and (iv) certain credit-oriented investments. 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. Upon the sale of a security, the realized net gain or loss is computed on a weighted average cost basis.

The valuation methodologies described above can involve subjective judgments, and the fair value of assets established pursuant to such methodologies may be incorrect, which could result in the misstatement of fund performance and accrued performance fees. Because there is significant uncertainty in the valuation of, or in the stability of the value of, illiquid investments, the fair values of such investments as reflected in an investment fund’s net asset value do not necessarily reflect the prices that would be obtained by us on behalf of the investment fund when such investments are realized. Realizations at values significantly lower than the values at which investments have been reflected in prior fund net asset values would result in reduced earnings or losses for the applicable fund, the loss of potential carried interest and incentive fees and in the case of our hedge funds, management fees. Changes in values attributed to investments from quarter to quarter may result in volatility in the net asset values and results of operations that we report from period to period. Also, a situation where asset values turn out to be materially different than values reflected in prior fund net asset values could cause investors to lose confidence in us, which could in turn result in difficulty in raising additional funds. See “Risk Factors — Risks Related to Our Company — Valuation methodologies for certain assets in our funds can involve subjective judgments, and the fair value of assets established pursuant to such methodologies may be incorrect, which could result in the misstatement of fund performance and accrued performance fees.”

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 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.

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. The compensation expense for awards that vest over a future service period is recognized over the relevant service period on a straight-line basis, adjusted for estimated forfeitures of awards that are not expected to vest. The compensation expense for awards that do not require future service is recognized immediately. Upon the end of the service period, compensation expense is adjusted to account for the actual forfeiture rate. 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.

Equity-based awards issued to non-employees are recognized as general, administrative and other expenses. The grant-date fair value of equity-based awards granted to Carlyle's non-employee directors is expensed on a straight-line basis over the vesting period. The cost of services received in exchange for an equity-based award issued to non-employees who are not directors is measured at each vesting date, and is not measured based on the grant-date fair value of the award unless the award is vested at the grant date. Equity-based awards that require the satisfaction of future service criteria are recognized over the relevant service period, adjusted for estimated forfeitures of awards that are not expected to vest, based on the fair value of the award on each reporting date and adjusted for the actual fair value of the award at each vesting date. Accordingly, the measured value of the award will not be finalized until the vesting date.

In determining the aggregate fair value of any award grants, we make judgments, among others, as to the grant-date fair value and estimated forfeiture rates. Each of these elements, particularly the forfeiture assumptions used in valuing our equity awards, are subject to significant judgment and variability and the impact of changes in such elements on equity-based compensation expense could be material.

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 five 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. The Partnership's intangible assets include acquired contractual rights for fee income related to open-ended funds. Open-ended funds are subject to redemptions on a quarterly or more frequent basis and investors can generally decide to exit their fund investments at any time. The resulting inherent volatility in fee income derived from these contractual rights increases the degree of judgment and estimates used by management in evaluating such intangible assets for impairment. Actual results could differ from management's estimates and assumptions and such differences could result in a material impairment.

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 1 and between annual tests when events and circumstances indicate that impairment may have occurred.

Recent Accounting Pronouncements

We discuss the recent accounting pronouncements in Note 2 to the consolidated financial statements included in this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary exposure to market risk is related to our role as general partner or investment advisor to our investment funds and the sensitivities to movements in the fair value of their investments, including the effect on management fees, performance fees and investment income.

Although our investment funds share many common themes, each of our alternative asset management asset classes runs its own investment and risk management processes, subject to our overall risk tolerance and philosophy. The investment process of our investment funds involves a comprehensive due diligence approach, including review of reputation of shareholders and management, company size and sensitivity of cash flow generation, business sector and competitive risks, portfolio fit, exit risks and other key factors highlighted by the deal team. Key investment decisions are subject to approval by both the fund-level managing directors, as well as the investment committee, which is generally comprised of one or more of the three founding partners, one "sector" head, one or more advisors and senior investment professionals associated with that particular fund. Once an investment in a portfolio company has been made, our fund teams closely monitor the performance of the portfolio company, generally through frequent contact with management and the receipt of financial and management reports.

Effect on Fund Management Fees

Management fees will only be directly affected by short-term changes in market conditions to the extent they are based on NAV or represent permanent impairments of value. These management fees will be increased (or reduced) in direct proportion to the effect of changes in the market value of our investments in the related funds. In addition, the terms of the governing agreements with respect to certain of our carry funds provide that the management fee base will be reduced when the aggregate fair market value of a fund's investments is below its cost. Our hedge funds generally pay management fees quarterly that range from 1.5% to 2.0% of NAV per year. Our fund of hedge funds generally pay management fees quarterly that range from 0.2% to 1.5% of NAV. The proportion of our management fees that are based on NAV is dependent on the number and types of investment funds in existence and the current stage of each fund's life cycle. For the year ended December 31, 2015, approximately 11% of our fund management fees (14% of our fund management fees inclusive of management fees earned from Consolidated Funds) were based on the NAV of the applicable funds.

Effect on Performance Fees

Performance fees reflect revenue primarily from carried interest on our carry funds and incentive fees from our hedge funds. In our discussion of "Key Financial Measures" and "Critical Accounting Policies", we disclose that performance fees are recognized upon appreciation of the valuation of our funds' investments above certain return hurdles and are based upon the amount that would be due to Carlyle at each reporting date as if the funds were liquidated at their then-current fair values. Changes in the fair value of the funds' investments may materially impact performance fees depending upon the respective funds' performance to date as compared to its hurdle rate and the related carry waterfall.

The following table summarizes the incremental impact, including our Consolidated Funds, of a 10% change in total remaining fair value by segment as of December 31, 2015 on our performance fee revenue:

	10% Increase in Total Remaining Fair Value	10% Decrease in Total Remaining Fair Value
	(Dollars in Millions)	
Corporate Private Equity	$599.8	$(337.3)
Global Market Strategies	30.4	(29.1)
Real Assets	173.4	(111.6)
Investment Solutions	299.7	(190.7)
Total	$1,103.3	$(668.7)

The following table summarizes the incremental impact of a 10% change in Level III remaining fair value by segment as of December 31, 2015 on our performance fee revenue:

	10% Increase in Level III Remaining Fair Value	10% Decrease in Level III Remaining Fair Value
	(Dollars in Millions)	
Corporate Private Equity	$274.9	$(176.6)
Global Market Strategies	23.4	(22.2)
Real Assets	147.9	(104.3)
Investment Solutions	282.1	(185.3)
Total	$728.3	$(488.4)

The effect of the variability in performance fee revenue would be in part offset by performance fee related compensation. See also related disclosure in "Segment Analysis."

Effect on Assets Under Management

With the exception of our hedge funds and our fund of hedge funds, our Fee-earning assets under management are generally not affected by changes in valuation. However, total assets under management is impacted by valuation changes to net asset value. The table below shows the net asset value included in total assets under management by segment (excluding available capital), and the percentage amount classified as Level III investments as defined within the fair value standards of GAAP:

	Total Assets Under Management, Excluding Available Commitments (Dollars in Millions)	Percentage Amount Classified as Level III Investments	
Corporate Private Equity	$38,932	70	%
Global Market Strategies (1)	$31,504	72	%
Real Assets	$22,130	84	%
Investment Solutions	$32,012	96	%

(1) Comprised of approximately $19.4 billion (100% Level III Investments) in our structured credit/other structured products funds, $8.3 billion (1% Level III Investments) in our hedge funds, and $2.4 billion (84% Level III Investments) in our carry funds, $1.4 billion (94% Level III Investments) in our business development companies.

Exchange Rate Risk

Our investment funds hold investments that are denominated in non-U.S. dollar currencies that may be affected by movements in the rate of exchange between the U.S. dollar and non-U.S. dollar currencies. Non-U.S. dollar denominated assets and liabilities are translated at year-end rates of exchange, and the consolidated statements of operations accounts are translated at rates of exchange in effect throughout the year. Additionally, a portion of our management fees are denominated in non-U.S. dollar currencies. We estimate that as of December 31, 2015, if the U.S. dollar strengthened 10% against all foreign currencies, the impact on our consolidated results of operations for the year then ended would be as follows: (a) fund management fees would decrease by $30.5 million, (b) performance fees would decrease by $37.9 million and (c) investment income would decrease by $2.8 million.

Interest Rate Risk

We have obligations under our term loan facility and an additional term loan that was entered into in October 2013 that accrue interest at variable rates. Interest rate changes may therefore affect the amount of interest payments, future earnings and cash flows.

We are subject to interest rate risk associated with our variable rate debt financing. To manage this risk, we have an outstanding interest rate swap to fix the base LIBOR interest rate on our term loan facility borrowings with a notional amount of $250.0 million at December 31, 2015 that amortizes through September 30, 2016. In March 2013, we entered into a second interest rate swap with a notional amount of $225.0 million at December 31, 2015 that amortizes through September 30, 2016. The net effect of these interest rate swaps fixes the variable interest rate that we pay on the outstanding term loan facility borrowing ($25.0 million as of December 31, 2015) through September 30, 2016. The additional term loan entered into during 2013 incurs interest at EURIBOR plus an applicable rate. We do not have any interest rate swaps in place for this borrowing.

Based on our debt obligations payable and our interest rate swaps as of December 31, 2015, we estimate that interest expense relating to variable rates would increase by an immaterial amount on an annual basis in the event interest rates were to increase by one percentage point.

Credit Risk

Certain of our investment funds hold derivative instruments that contain an element of risk in the event that the counterparties are unable to meet the terms of such agreements. We minimize our risk exposure by limiting the counterparties with which we enter into contracts to banks and investment banks who meet established credit and capital guidelines. We do not expect any counterparty to default on its obligations and therefore do not expect to incur any loss due to counterparty default.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

The Board of Directors and Unitholders of The Carlyle Group L.P.

We have audited the accompanying consolidated balance sheets of The Carlyle Group L.P. (the "Partnership") as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, changes in partners' capital and redeemable non-controlling interests in consolidated entities, and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Carlyle Group L.P. at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Carlyle Group L.P.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 24, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
McLean, Virginia
February 24, 2016

Report of Independent Registered Public Accounting Firm
The Board of Directors and Unitholders of The Carlyle Group L.P.
We have audited The Carlyle Group L.P.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). The Carlyle Group L.P.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.
In our opinion, The Carlyle Group L.P. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Carlyle Group L.P. as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, changes in partners' capital and redeemable non-controlling interests in consolidated entities, and cash flows for each of the three years in the period ended December 31, 2015 of The Carlyle Group L.P. and our report dated February 24, 2016 expressed an unqualified opinion thereon.
/s/ Ernst & Young LLP
McLean, Virginia
February 24, 2016

The Carlyle Group L.P.

Notes to the Consolidated Financial Statements

Consolidated Balance Sheets
(Dollars in millions)

	December 31, 2015	2014
Assets		
Cash and cash equivalents	$991.5	$1,242.0
Cash and cash equivalents held at Consolidated Funds	1,612.7	1,551.1
Restricted cash	18.9	59.7
Restricted cash and securities of Consolidated Funds	18.4	14.9
Accrued performance fees	2,988.6	3,795.6
Investments	885.9	931.6
Investments of Consolidated Funds	23,998.8	26,028.8
Due from affiliates and other receivables, net	195.3	199.4
Due from affiliates and other receivables of Consolidated Funds, net	765.3	1,213.2
Receivables and inventory of a consolidated real estate VIE	143.6	163.9
Fixed assets, net	110.9	75.4
Deposits and other	58.4	59.2
Other assets of a consolidated real estate VIE	47.6	86.4
Intangible assets, net	135.7	442.1
Deferred tax assets	219.4	131.0
Total assets	$32,191.0	$35,994.3
Liabilities and partners' capital		
Loans payable	$38.7	$40.2
3.875% senior notes due 2023	499.9	499.9
5.625% senior notes due 2043	606.5	606.8
Loans payable of Consolidated Funds	17,064.7	16,052.2
Loans payable of a consolidated real estate VIE at fair value (principal amount of $125.6 million and $243.6 million as of December 31, 2015 and 2014, respectively)	75.4	146.2
Accounts payable, accrued expenses and other liabilities	463.8	396.2
Accrued compensation and benefits	1,953.2	2,312.5
Due to affiliates	245.9	184.2
Deferred revenue	40.9	93.7
Deferred tax liabilities	103.5	112.2
Other liabilities of Consolidated Funds	1,838.6	2,504.9
Other liabilities of a consolidated real estate VIE	84.4	84.9
Accrued giveback obligations	252.0	104.4
Total liabilities	23,267.5	23,138.3
Commitments and contingencies		
Redeemable non-controlling interests in consolidated entities	2,845.9	3,761.5
Partners' capital (common units, 80,408,702 and 67,761,012 issued and outstanding as of December 31, 2015 and 2014, respectively)	485.9	566.0
Accumulated other comprehensive loss	(90.1)	(39.0)
Partners' capital appropriated for Consolidated Funds	120.8	184.5
Non-controlling interests in consolidated entities	4,493.8	6,446.4
Non-controlling interests in Carlyle Holdings	1,067.2	1,936.6
Total partners' capital	6,077.6	9,094.5

Total liabilities and partners’ capital	$32,191.0	$35,994.3

See accompanying notes.

The Carlyle Group L.P.

Notes to the Consolidated Financial Statements

Consolidated Statements of Operations
(Dollars in millions, except unit and per unit data)

	Year Ended December 31,		
	2015	2014	2013
Revenues			
Fund management fees	$1,085.2	$1,166.3	$984.6
Performance fees			
Realized	1,441.9	1,328.7	1,176.7
Unrealized	(617.0)	345.7	1,198.6
Total performance fees	824.9	1,674.4	2,375.3
Investment income (loss)			
Realized	32.9	23.7	14.4
Unrealized	(17.7)	(30.9)	4.4
Total investment income (loss)	15.2	(7.2)	18.8
Interest and other income	18.6	20.6	11.9
Interest and other income of Consolidated Funds	975.5	956.0	1,043.1
Revenue of a consolidated real estate VIE	86.8	70.2	7.5
Total revenues	3,006.2	3,880.3	4,441.2
Expenses			
Compensation and benefits			
Base compensation	632.2	789.0	738.0
Equity-based compensation	378.0	344.0	322.4
Performance fee related			
Realized	650.5	590.7	539.2
Unrealized	(139.6)	282.2	644.5
Total compensation and benefits	1,521.1	2,005.9	2,244.1
General, administrative and other expenses	712.8	526.8	496.4
Interest	58.0	55.7	45.5
Interest and other expenses of Consolidated Funds	1,039.3	1,042.0	890.6
Interest and other expenses of a consolidated real estate VIE	144.6	175.3	33.8
Other non-operating income	(7.4)	(30.3)	(16.5)
Total expenses	3,468.4	3,775.4	3,693.9
Other income			
Net investment gains of Consolidated Funds	864.4	887.0	696.7
Income before provision for income taxes	402.2	991.9	1,444.0
Provision for income taxes	2.1	76.8	96.2
Net income	400.1	915.1	1,347.8
Net income attributable to non-controlling interests in consolidated entities	537.9	485.5	676.0
Net income (loss) attributable to Carlyle Holdings	(137.8)	429.6	671.8
Net income (loss) attributable to non-controlling interests in Carlyle Holdings	(119.4)	343.8	567.7
Net income (loss) attributable to The Carlyle Group L.P.	$(18.4)	$85.8	$104.1
Net income (loss) attributable to The Carlyle Group L.P. per common unit (see Note 15)			
Basic	$(0.24)	$1.35	$2.24

Diluted	$(0.30)	$1.23	$2.05
Weighted-average common units			
Basic	74,523,935	62,788,634	46,135,229
Diluted	298,739,382	68,461,157	278,250,489
Distributions declared per common unit	$3.39	$1.88	$1.33

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

The Carlyle Group L.P.

Notes to the Consolidated Financial Statements

Consolidated Statements of Comprehensive Income
(Dollars in millions)

	Year Ended December 31,		
	2015	2014	2013
Net income	$400.1	$915.1	$1,347.8
Other comprehensive income (loss)			
Foreign currency translation adjustments	(801.0)	(730.1)	372.7
Cash flow hedges			
Unrealized gains (loss) for the period	—	—	0.2
Less: reclassification adjustment for loss included in interest expense	2.3	2.4	3.8
Defined benefit plans			
Unrealized gains (loss) for the period	4.1	(0.6)	0.9
Less: reclassification adjustment for unrecognized loss during the period, net, included in base compensation expense	0.3	0.4	0.8
Other comprehensive income (loss)	(794.3)	(727.9)	378.4
Comprehensive income (loss)	(394.2)	187.2	1,726.2
Less: Comprehensive loss attributable to partners' capital appropriated for Consolidated Funds	63.7	279.1	375.0
Less: Comprehensive income attributable to non-controlling interests in consolidated entities	(143.8)	(632.9)	(1,152.3)
Less: Comprehensive (income) loss attributable to redeemable non-controlling interests in consolidated entities	185.4	465.2	(272.3)
Comprehensive income (loss) attributable to Carlyle Holdings	(288.9)	298.6	676.6
Less: Comprehensive (income) loss attributable to non-controlling interests in Carlyle Holdings	239.1	(228.2)	(571.9)
Comprehensive income (loss) attributable to The Carlyle Group L.P.	$(49.8)	$70.4	$104.7

See accompanying notes.

The Carlyle Group L.P.

Notes to the Consolidated Financial Statements

Consolidated Statements of Changes in Partners' Capital and Redeemable Non-controlling Interests in Consolidated Entities
(Dollars and units in millions)

	Common Units	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Partners' Capital Appropriated for Consolidated Funds	Non-controlling Interests in Consolidated Entities	Non-controlling Interests in Carlyle Holdings	Total Partners' Capital	Redeemable Non-controlling Interests in Consolidated Entities
Balance at December 31, 2012	43.2	$235.1	$ (4.8)	$ 838.6	$ 8,264.8	$1,361.7	$10,695.4	$ 2,887.4
Reallocation of ownership interests in Carlyle Holdings	0.2	20.6	(6.7)	—	—	(13.9)	—	—
Acquisition of non-controlling interests in consolidated entities	2.9	4.2	(0.3)	—	(33.1)	22.1	(7.1)	—
Issuance of common units related to acquisitions	0.1	0.3	—	—	—	1.8	2.1	—
Initial consolidation of Consolidated Funds	—	—	—	—	69.6	—	69.6	—
Issuance of Carlyle Holdings partnership units	—	—	—	—	—	16.6	16.6	—
Equity-based compensation	—	51.3	—	—	—	276.3	327.6	—
Net delivery of vested common units	3.0	1.4	—	—	—	3.4	4.8	—
Contributions	—	—	—	—	673.4	—	673.4	1,803.1
Distributions	—	(59.9)	—	—	(2,430.4)	(368.6)	(2,858.9)	(610.8)
Net income (loss)	—	104.1	—	(383.1)	786.8	567.7	1,075.5	272.3
Currency translation adjustments	—	—	(0.2)	8.1	365.1	(0.3)	372.7	—
Defined benefit plans, net	—	—	0.2	—	0.4	1.1	1.7	—
Change in fair value of cash flow hedge instruments	—	—	0.6	—	—	3.4	4.0	—
Balance at December 31, 2013	49.4	357.1	(11.2)	463.6	7,696.6	1,871.3	10,377.4	4,352.0
Reallocation of ownership interests in Carlyle Holdings	0.1	41.2	(10.3)	—	—	(30.9)	—	—
Issuance of units in public offering, net of issuance costs	13.8	97.8	(2.1)	—	—	50.4	146.1	—

Issuance of common units related to acquisitions	0.7	3.7	—	—	—	19.4	23.1	—
Issuance of Carlyle Holdings partnership units	—	—	—	—	—	12.8	12.8	—
Deferred tax effects resulting from acquisition of interests in Carlyle Holdings	—	9.7	—	—	—	—	9.7	—
Equity-based compensation	—	71.9	—	—	—	271.1	343.0	—
Net delivery of vested common units	3.8	1.5	—	—	—	1.2	2.7	—
Contributions	—	—	—	—	1,002.5	—	1,002.5	1,205.0
Distributions	—	(102.7)	—	—	(2,885.6)	(486.9)	(3,475.2)	(1,304.8)
Deconsolidation of a Consolidated Fund	—	—	—	—	—	—	—	(25.5)
Net income (loss)	—	85.8	—	(259.0)	1,209.7	343.8	1,380.3	(465.2)
Currency translation adjustments	—	—	(15.8)	(20.1)	(576.8)	(117.4)	(730.1)	—
Defined benefit plans, net	—	—	(0.1)	—	—	(0.1)	(0.2)	—
Change in fair value of cash flow hedge instruments	—	—	0.5	—	—	1.9	2.4	—
Balance at December 31, 2014	67.8	566.0	(39.0)	184.5	6,446.4	1,936.6	9,094.5	3,761.5
Reallocation of ownership interests in Carlyle Holdings	0.1	34.5	(12.6)	—	—	(21.9)	—	—
Exchange of units in public offering, net of issuance costs	7.0	52.5	(7.1)	—	—	(45.4)	—	—
Issuance of common units related to acquisitions	0.1	0.5	—	—	—	1.8	2.3	—
Deferred tax effects resulting from acquisition of interests in Carlyle Holdings	—	5.5	—	—	—	—	5.5	—
Equity-based compensation	—	92.8	—	—	—	283.2	376.0	—
Net delivery of vested common units	5.4	3.5	—	—	—	0.5	4.0	—
Contributions	—	—	—	—	1,090.5	—	1,090.5	1,286.1
Distributions	—	(251.0)	—	—	(3,230.8)	(848.5)	(4,330.3)	(2,036.2)
Initial consolidation of a Consolidated Fund	—	—	—	—	43.9	—	43.9	19.9
Net income (loss)	—	(18.4)	—	(54.4)	777.7	(119.4)	585.5	(185.4)
	—	—	(32.9)	(9.3)	(633.9)	(124.9)	(801.0)	—

Currency translation adjustments								
Defined benefit plans, net	—	—	1.0	—	—	3.4	4.4	—
Change in fair value of cash flow hedge instruments	—	—	0.5	—	—	1.8	2.3	—
Balance at December 31, 2015	80.4	$485.9	$ (90.1)	$ 120.8	$ 4,493.8	$ 1,067.2	$6,077.6	$ 2,845.9

See accompanying notes.

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

	Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities			
Net income	$400.1	$915.1	$1,347.8
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation, amortization, and impairment	322.8	192.1	163.6
Equity-based compensation	378.0	344.0	322.4
Excess tax benefits related to equity-based compensation	(4.0)	(2.7)	(1.9)
Non-cash performance fees	455.1	(572.9)	(1,525.5)
Other non-cash amounts	12.7	(1.4)	(9.1)
Consolidated Funds related:			
Realized/unrealized gain on investments of Consolidated Funds	(458.7)	(785.6)	(1,369.6)
Realized/unrealized (loss) gain from loans payable of Consolidated Funds	(436.5)	(11.9)	695.8
Purchases of investments by Consolidated Funds	(10,472.1)	(10,566.3)	(11,555.0)
Proceeds from sale and settlements of investments by Consolidated Funds	11,653.6	10,685.6	11,631.6
Non-cash interest income, net	3.3	(26.2)	(81.1)
Change in cash and cash equivalents held at Consolidated Funds	1,281.8	2,516.8	2,419.9
Change in other receivables held at Consolidated Funds	534.6	(414.7)	(228.8)
Change in other liabilities held at Consolidated Funds	48.0	63.3	(120.5)
Investment (income) loss	(0.5)	14.9	(4.8)
Purchases of investments and trading securities	(91.9)	(221.9)	(93.0)
Proceeds from the sale of investments and trading securities	313.0	544.4	294.3
Payments of contingent consideration	(17.8)	(59.6)	—
Changes in deferred taxes, net	(31.4)	10.5	44.5
Change in due from affiliates and other receivables	(1.4)	(4.2)	(7.8)
Change in receivables and inventory of a consolidated real estate VIE	(57.5)	—	10.1
Change in deposits and other	(10.8)	(10.9)	9.7
Change in other assets of a consolidated real estate VIE	(17.4)	(25.0)	4.3
Change in accounts payable, accrued expenses and other liabilities	62.5	(23.4)	46.6
Change in accrued compensation and benefits	(35.3)	155.4	935.5
Change in due to affiliates	21.0	(81.6)	96.7
Change in other liabilities of a consolidated real estate VIE	101.6	(24.9)	(32.1)
Change in deferred revenue	(50.0)	36.8	0.7
Net cash provided by operating activities	3,902.8	2,645.7	2,994.3
Cash flows from investing activities			
Change in restricted cash	40.8	69.8	(95.4)
Purchases of fixed assets, net	(62.3)	(29.7)	(29.5)
Acquisitions, net of cash acquired	—	(3.1)	(10.2)
Net cash provided by (used in) investing activities	(21.5)	37.0	(135.1)
Cash flows from financing activities			
Repayments under credit facility	—	—	(386.3)
Issuance of 3.875% senior notes due 2023, net of financing costs	—	—	495.3
Issuance of 5.625% senior notes due 2043, net of financing costs	—	210.8	394.1
Proceeds from loans payable	—	—	17.1
Payments on loans payable	—	—	(475.0)
Net payments on loans payable of a consolidated real estate VIE	(65.3)	(34.4)	(1.5)

Net borrowings (payments) on loans payable of Consolidated Funds	734.3	(1,033.4)	(1,595.2)
Payments of contingent consideration	(8.1)	(39.5)	(23.9)
Distributions to common unitholders	(251.0)	(102.7)	(59.9)
Distributions to non-controlling interest holders in Carlyle Holdings	(848.5)	(486.9)	(372.9)
Net proceeds from issuance of common units, net of offering costs	209.9	449.5	—
Excess tax benefits related to equity-based compensation	4.0	2.7	1.9
Contributions from non-controlling interest holders	2,376.6	2,203.1	2,474.9
Distributions to non-controlling interest holders	(5,267.0)	(4,190.4)	(3,038.0)
Acquisition of non-controlling interests in Carlyle Holdings	(209.9)	(303.4)	(7.1)
Change in due to/from affiliates financing activities	(62.7)	(38.4)	17.3
Change in due to/from affiliates and other receivables of Consolidated Funds	(623.5)	1,069.6	55.5
Net cash used in financing activities	(4,011.2)	(2,293.4)	(2,503.7)
Effect of foreign exchange rate changes	(120.6)	(113.9)	44.0
(Decrease) Increase in cash and cash equivalents	(250.5)	275.4	399.5
Cash and cash equivalents, beginning of period	1,242.0	966.6	567.1
Cash and cash equivalents, end of period	$991.5	$1,242.0	$966.6
Supplemental cash disclosures			
Cash paid for interest	$56.0	$51.9	$28.6
Cash paid for income taxes	$41.6	$58.7	$50.4
Supplemental non-cash disclosures			
Increase in partners' capital related to reallocation of ownership interest in Carlyle Holdings	$21.9	$30.9	$13.9
Increase to partners' capital from acquisition of non-controlling interests in consolidated entities	$—	$—	$3.9
Initial consolidation of Consolidated Funds	$63.8	$—	$69.6
Non-cash contributions from non-controlling interest holders	$—	$4.4	$1.6
Non-cash distributions to non-controlling interest holders	$—	$—	$3.2
Tax effect from acquisition of Carlyle Holdings partnership units:			
Deferred tax asset	$59.6	$67.8	$—
Deferred tax liability	$2.6	$—	$—
Tax receivable agreement liability	$51.5	$58.1	$—
Total partners' capital	$5.5	$9.7	$—

The Carlyle Group L.P.

Notes to the Consolidated Financial Statements

1. Organization and Basis of Presentation

The Carlyle Group L.P., together with its consolidated subsidiaries (the "Partnership" or "Carlyle"), is one of the world's largest global alternative asset management 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 Partnership is a Delaware limited partnership formed on July 18, 2011. The Partnership 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.

Carlyle provides investment management services to, and has transactions with, various private equity funds, real estate funds, business development companies, collateralized loan obligations ("CLOs"), hedge funds 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, Global Market Strategies, Real Assets and Investment Solutions (see Note 18).

Basis of Presentation

The accompanying 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") and a real estate development company (see Note 17) have been consolidated in the accompanying 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 has no effect on the net income attributable to the Partnership. The majority economic ownership interests of the investors in the Consolidated Funds are reflected as non-controlling interests in consolidated entities, partners' capital appropriated for Consolidated Funds and redeemable non-controlling interests in consolidated entities in the accompanying consolidated financial statements.

June 2015 Public Offering of Partnership Common Units

On June 5, 2015, the Partnership completed a public offering of 7,000,000 common units priced at $30.07 per common unit. The Partnership received net proceeds of approximately $209.9 million after deduction of offering expenses. The Partnership's wholly owned subsidiaries used the net proceeds to acquire 7,000,000 Carlyle Holdings partnership units from the other limited partners of Carlyle Holdings, including certain of the Partnership's directors and executive officers.

As the sole general partner of Carlyle Holdings, the Partnership consolidates the financial position and results of operations of Carlyle Holdings into its financial statements, and the other ownership interests in Carlyle Holdings are reflected as non-controlling interests in the Partnership's consolidated financial statements. The Partnership accounted for this public offering as an acquisition of ownership interests in a subsidiary while retaining a controlling interest in the subsidiary. Accordingly, the carrying value of the non-controlling interest was adjusted to reflect the change in the ownership interests in Carlyle Holdings. The excess of the fair value consideration paid by the Partnership over the carrying amount of the non-controlling interest acquired was recognized directly as a reduction to partners' capital. The adjustment to partners' capital for the excess of fair value of the consideration transferred over the carrying value of the non-controlling interest acquired was derived as follows (Dollars in millions):

Acquisition-date fair value of consideration transferred:	
Cash	$209.9
Carrying value of non-controlling interest acquired	(45.4)
Excess of fair value of consideration transferred over carrying value of non-controlling interest acquired	$164.5

The following summarizes the adjustments within partners' capital related to the June 2015 public offering (Dollars in millions):

	Partners' Capital / Accumulated Other Comprehensive Loss	Non-controlling interests in Carlyle Holdings	Total Partners' Capital
Proceeds from The Carlyle Group L.P. common units issued	$209.9	$—	$209.9
Acquisition of non-controlling interest in Carlyle Holdings	(164.5)	(45.4)	$(209.9)
Total increase (decrease)	$45.4	$(45.4)	$—

The acquisition by the Partnership of the 7,000,000 Carlyle Holdings partnership units from the other limited partners of Carlyle Holdings also is subject to the terms of the tax receivable agreement. Accordingly, the Partnership recorded a deferred tax asset of $59.6 million, an increase to the liability owed under the tax receivable agreement of $51.5 million, and an increase in partners' capital of $8.1 million, inclusive of subsequent adjustments. The liability is expected to be paid as the deferred tax asset is realized as a reduction in taxes payable.

Additionally, the Partnership recorded a deferred tax liability related to outside tax basis difference as a result of the Partnership's acquisition of additional interests in Carlyle Holdings of $2.6 million with a corresponding decrease to partners' capital.

Following the issuance of common units in the June 2015 public offering, the vesting of deferred restricted common units, and the cancellation of certain unvested common units (see Note 16), the total number of Partnership common units outstanding as of December 31, 2015 was 80,408,702.

March 2014 Public Offering of Partnership Common Units

On March 10, 2014, the Partnership completed a public offering of 13,800,000 common units priced at $33.50 per common unit. The Partnership received net proceeds of approximately $449.5 million, after deduction of the underwriting discount and offering expenses. The Partnership's wholly-owned subsidiaries used $146.1 million of the net proceeds to acquire 4,500,000 newly issued Carlyle Holdings partnership units from Carlyle Holdings. These proceeds are being used by Carlyle Holdings for general corporate purposes, including investments in Carlyle's funds as well as investment capital for acquisitions of new fund platforms and strategies or other growth initiatives, to drive innovation across the broader Carlyle platform. The Partnership's wholly-owned subsidiaries used the remaining net proceeds of $303.4 million to acquire 9,300,000 Carlyle Holding partnership units from the other limited partners of Carlyle Holdings, including certain of the Partnership's directors and executive officers.

As it relates to the 4,500,000 newly issued Carlyle Holdings partnership units that the Partnership acquired, because the Partnership acquired these partnership units at a valuation in excess of the proportion of the book value of the net assets acquired, the Partnership incurred an immediate dilution of approximately $116.8 million. This dilution was reflected within partners' capital as a reallocation from partners' capital to non-controlling interests in Carlyle Holdings. As it relates to the 9,300,000 Carlyle Holdings partnership units that the Partnership acquired from the other limited partners of Carlyle Holdings, the Partnership accounted for this transaction as an acquisition of ownership interests in a subsidiary while retaining a controlling interest in the subsidiary. Accordingly, the carrying value of the non-controlling interest was adjusted to reflect the change in the ownership interests in Carlyle Holdings. The excess of the fair value of the consideration issued by the Partnership over the carrying amount of the non-controlling interest acquired was recognized directly as a reduction to partners' capital. The adjustment to partners' capital was derived as follows (Dollars in millions):

Acquisition-date fair value of consideration transferred:	
Cash	$303.4
Carrying value of non-controlling interest acquired	(66.4)
Excess of fair value of consideration transferred over carrying value of non-controlling interest acquired	$237.0

The following summarizes the adjustments within partners' capital related to the March 2014 public offering (Dollars in millions):

	Partners' Capital	Non-controlling	Total Partners'

		interests in Carlyle Holdings	Capital
Proceeds from The Carlyle Group L.P. common units issued	$449.5	$ —	$449.5
Dilution associated with the acquisition of 4,500,000 Carlyle Holdings partnership units	(116.8)	116.8	—
Acquisition of non-controlling interest in Carlyle Holdings	(237.0)	(66.4)	(303.4)
Total increase	$95.7	$ 50.4	$146.1

Additionally, the acquisition by the Partnership of the 9,300,000 Carlyle Holdings partnership units from the other limited partners of Carlyle Holdings is subject to the terms of the tax receivable agreement. Accordingly, the Partnership recorded a deferred tax asset of $67.8 million, an increase to the liability owed under the tax receivable agreement of $58.1 million, and an increase in partners' capital of $9.7 million, inclusive of subsequent adjustments. The liability is expected to be paid as the deferred tax asset is realized as a reduction in taxes payable.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The Partnership consolidates all entities that it controls through a majority voting interest or otherwise. In addition, the accompanying consolidated financial statements consolidate: (1) Carlyle-affiliated funds and co-investment entities, for which the Partnership is the sole general partner and the presumption of control by the general partner has not been overcome and (2) variable interest entities ("VIEs"), including certain CLOs and a real estate development company, for which the Partnership is deemed to be the primary beneficiary; consolidation of these entities is a requirement under U.S. GAAP. All significant inter-entity transactions and balances have been eliminated.

For entities that are determined to be VIEs, the Partnership consolidates those entities where it is deemed to be the primary beneficiary. An entity is determined to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the entity's business 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. The consolidation rules require an analysis to (a) determine whether an entity in which the Partnership holds a variable interest is a VIE and (b) whether the Partnership's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would give it a controlling financial interest. 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. The consolidation analysis is generally performed qualitatively. This consolidation analysis, which requires judgment, is performed at each reporting date.

Accounting Standards Update ("ASU") No. 2010-10, Amendments for Certain Investment Funds, defers the application of certain revisions to the consolidation rules for a reporting enterprise's interest in an entity if certain conditions are met, including if the entity has the attributes of an investment company and is not a securitization or asset-backed financing entity. An entity that qualifies for the deferral will continue to be assessed for consolidation under the overall guidance on VIEs, before its amendment, and other applicable consolidation guidance.

As of December 31, 2015, assets and liabilities of consolidated VIEs reflected in the consolidated balance sheets were $23.3 billion and $18.6 billion, respectively. Except to the extent of the assets of the VIEs which are consolidated, the holders of the consolidated VIEs' liabilities generally do not have recourse to the Partnership. The assets and liabilities of the consolidated VIEs that are Consolidated Funds are comprised primarily of investments and loans payable, respectively.

The loans payable issued by the CLOs 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, those management fees have been eliminated as intercompany transactions. As of December 31, 2015, the Partnership held $206.3 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.

For all Carlyle-affiliated funds and co-investment entities (collectively “the funds”) that are not determined to be VIEs, the Partnership consolidates those funds where, as the sole general partner, it has not overcome the presumption of control pursuant to U.S. GAAP. Most Carlyle funds provide a dissolution right upon a simple majority vote of the non-Carlyle affiliated limited partners such that the presumption of control by Carlyle is overcome. Accordingly, these funds are not consolidated in the Partnership’s consolidated financial statements.

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 strategic investment in NGP Management Company, L.L.C. (“NGP Management” and, together with its affiliates, “NGP”). Refer to Note 6 for information on this investment. 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 these unconsolidated entities. The assets recognized in the Partnership’s consolidated balance sheets related to the Partnership’s interests in these non-consolidated VIEs and the Partnership’s maximum exposure to loss relating to non-consolidated VIEs were as follows:

	As of December 31,	
	2015	2014
	(Dollars in millions)	
Investments	$466.8	$511.8
Receivables	19.4	3.7
Maximum Exposure to Loss	$486.2	$515.5

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 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 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 consolidated statements of operations. The excess of the CLO assets over the CLO liabilities upon consolidation is reflected in the Partnership’s consolidated balance sheets as partners’ capital appropriated for Consolidated Funds. Net income attributable to the investors in the CLOs is included in net income (loss) attributable to non-controlling interests in consolidated entities in the consolidated statements of operations and partners’ capital appropriated for Consolidated Funds in the consolidated balance sheets.

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 fees 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 fees. Actual results could differ from these estimates and such differences could be material.

The Carlyle Group L.P.

Notes to the Consolidated Financial Statements

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

Fund Management Fees

The Partnership provides management services to funds in which it holds a general partner interest or has a management agreement. For corporate private equity, certain global market strategies funds and real assets funds, management fees are calculated based on (a) limited partners' capital commitments to the funds, (b) limited partners' remaining capital invested in the funds at cost or at the lower of cost or aggregate remaining fair value, (c) gross assets, excluding cash and cash equivalents or (d) the net asset value ("NAV") of certain of the funds, less offsets for the non-affiliated limited partners' share of transaction advisory and portfolio fees earned, as defined in the respective partnership agreements.

Management fees for corporate private equity, closed-end carry funds in the global market strategies segment and real assets funds generally range from 1% to 2% of commitments during the investment period of the relevant fund. Following the expiration or termination of the investment period of such funds, the management fees generally step-down to between 0.6% and 2.0% generally on the lower of cost or fair value of capital invested; however, certain of our managed accounts base management fees at all times on contributions for unrealized investments or the current value of the investment. The Partnership will receive management fees for corporate private equity and real assets funds 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 global market strategies funds, management fees are calculated based on assets under management of the funds with generally lower fee rates. Hedge funds typically pay management fees quarterly that generally range from 1.5% to 2.0% of NAV per year. Management fees for the business development companies are due quarterly in arrears at annual rates that range from 0.25% to 1.0% of gross assets, excluding cash and cash equivalents. Management fees for the CLOs and other structured products typically range from 0.15% to 1.0% on the total par amount of assets or the aggregate principal amount of the notes in the CLO and are due quarterly or semi-annually based on the terms and recognized over the respective period. Management fees for the CLOs/structured products and credit opportunities 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. Open-ended funds typically do not have stated termination dates.

Management fees for our private equity and real estate fund of funds vehicles generally range from 0.3% to 1.0% on 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 0.3% to 1.0% on the lower of cost or fair value of the capital invested, the net asset value for unrealized investments, or the contributions for unrealized investments. The management fees for our fund of hedge fund vehicles generally range from 0.2% to 1.5% of net asset value. Management fees for our Investment Solutions segment are generally due quarterly and recognized over the related quarter.

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 service has been provided and collection is reasonably assured. Fund management fees includes transaction and portfolio advisory fees of $25.2 million, $73.3 million and $50.6 million for the years ended December 31, 2015, 2014 and 2013, 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.

Performance Fees

Performance fees consist principally of the allocation of profits from certain of the funds to which the Partnership is entitled (commonly known as carried interest). The Partnership is generally entitled to a 20% allocation (or 10% to 20% on external coinvestment vehicles, with some earning no carried interest, or approximately 2% to 10% in the case of most of the Partnership's fund of funds vehicles) of the net realized income or gain as a carried interest after returning the invested capital, the allocation of preferred returns of generally 8% to 9% and return of certain fund costs (generally subject to catch-up provisions as set forth in the fund limited partnership agreement) from its corporate private equity and real assets funds and closed-end carry funds in the global market strategies segment. 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 fees 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 performance fees 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 fees are reversed. In all cases, each fund is considered separately in this regard, and for a given fund, performance fees 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. As of December 31, 2015 and 2014, the Partnership has recognized $252.0 million and $104.4 million, respectively, for giveback obligations.

In addition to its performance fees from its corporate private equity and real assets funds and closed-end carry funds in the global market strategies segment, the Partnership is also entitled to receive performance fees from certain of its global market strategies funds and investment solutions fund of funds vehicles when the return on assets under management exceeds certain benchmark returns or other performance targets. In such arrangements, performance fees are recognized when the performance benchmark has been achieved, and are included in performance fees in the accompanying consolidated statements of operations.

Investment Income (Loss)

Investment income (loss) represents the unrealized and realized gains and losses resulting from the Partnership's equity method investments and other principal investments. Equity method investment income (loss) includes 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. 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. Unrealized 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. Interest income earned by the Partnership is included in interest and other income in the accompanying consolidated statements of operations. Interest income of the Consolidated Funds was $873.1 million, $864.9 million and $876.8 million for the years ended December 31, 2015, 2014 and 2013, respectively, and is included in interest and other income of Consolidated Funds in the accompanying consolidated statements of operations.

The Carlyle Group L.P.

Notes to the Consolidated Financial Statements

Compensation and Benefits

Base Compensation – Base compensation 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. The compensation expense for awards that vest over a future service period is recognized over the relevant service period on a straight-line basis, adjusted for estimated forfeitures of awards that are not expected to vest. The compensation expense for awards that do not require future service is recognized immediately. Upon the end of the service period, compensation expense is adjusted to account for the actual forfeiture rate. 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.

Equity-based awards issued to non-employees are recognized as general, administrative and other expenses. The grant-date fair value of equity-based awards granted to Carlyle's non-employee directors is expensed on a straight-line basis over the vesting period. The cost of services received in exchange for an equity-based award issued to non-employees who are not directors is measured at each vesting date, and is not measured based on the grant-date fair value of the award unless the award is vested at the grant date. Equity-based awards that require the satisfaction of future service criteria are recognized over the relevant service period, adjusted for estimated forfeitures of awards that are not expected to vest, based on the fair value of the award on each reporting date and adjusted for the actual fair value of the award at each vesting date. Accordingly, the measured value of the award will not be finalized until the vesting date.

Performance Fee Related Compensation – A portion of the performance 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 fee revenue and, until paid, are recognized as a component of the accrued compensation and benefits liability. Accordingly, upon any reversal of performance fee revenue, the related compensation expense is also reversed. As of December 31, 2015 and 2014, the Partnership had recorded a liability of $1.5 billion and $1.8 billion, respectively, related to the portion of accrued performance fees due to employees and advisors, which was included in accrued compensation and benefits in the accompanying consolidated financial statements.

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 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 ASC 740 requires the recognition of deferred tax liabilities and assets 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 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 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 and by subscriptions and redemptions in hedge funds 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.

Non-controlling interests related to hedge funds are subject to quarterly or monthly redemption by investors in these funds following the expiration of a specified period of time, or may be withdrawn subject to a redemption fee during the period when capital may not be withdrawn. As limited partners in these types of funds have been granted redemption rights, amounts relating to third-party interests in such consolidated funds are presented as redeemable non-controlling interests in consolidated entities within the consolidated balance sheets. When redeemable amounts become contractually payable to investors, they are classified as a liability and included in other liabilities of

Consolidated Funds in the consolidated balance sheets.

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 consolidated financial statements. Any change to the Partnership’s ownership interest in Carlyle Holdings while it retains the controlling financial

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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) the investments held by the Consolidated Funds (all of which are presented at fair value in the Partnership's consolidated financial statements), (iii) strategic investments made by the Partnership and (iv) certain credit-oriented investments. 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 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.

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 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 temporary investments with original maturities of less than three months when purchased. Included in cash and cash equivalents is cash withheld from carried interest distributions for potential giveback obligations of $17.3 million and $29.9 million at December 31, 2015 and 2014, respectively.

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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

At December 31, 2014, restricted cash included $13.2 million in relation to carried interest proceeds withheld from one of its Corporate Private Equity funds to provide a reserve for potential giveback obligations. However, in April 2015, this fund had its final distribution and the carry reserve was released from restricted cash.

Restricted cash at December 31, 2015 and December 31, 2014 also includes $1.5 million and $8.7 million, respectively, of cash received on behalf of certain non-consolidated Carlyle funds that was paid out in January 2016 and 2015, respectively. At December 31, 2014, restricted cash also included €4.4 million ($5.4 million as of December 31, 2014) in escrow related to a tax contingency at one of the Partnership's real estate funds (see Note 11). This amount was repaid during the third quarter of 2015. The remaining balance in restricted cash at December 31, 2015 and 2014 primarily represents cash held by the Partnership's foreign subsidiaries due to certain government regulatory capital requirements.

Restricted Cash and Securities of Consolidated Funds

Certain CLOs receive cash from various counterparties to satisfy collateral requirements on derivative transactions. Cash received to satisfy these collateral requirements of $1.8 million and $2.3 million is included in restricted cash and securities of Consolidated Funds at December 31, 2015 and 2014, respectively.

Certain CLOs hold U.S. Treasury notes and corporate bonds as collateral for specific classes of loans payable in the CLOs. As of December 31, 2015 and 2014, securities of $16.6 million and $12.6 million, respectively, are included in restricted cash and securities of Consolidated Funds.

Derivative Instruments

Derivative instruments are recognized at fair value in the consolidated balance sheets with changes in fair value recognized in the consolidated statements of operations for all derivatives not designated as hedging instruments. For all derivatives where hedge accounting is applied, effectiveness testing and other procedures to assess the ongoing validity of the hedges are performed at least quarterly. For instruments designated as cash flow hedges, the Partnership records changes in the estimated fair value of the derivative, to the extent that the hedging relationship is effective, in other comprehensive income (loss). If the hedging relationship for a derivative is determined to be ineffective, due to changes in the hedging instrument or the hedged items, the fair value of the portion of the hedging relationship determined to be ineffective will be recognized as a gain or loss in the consolidated statements of operations.

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.

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 five 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.

The Partnership's intangible assets include acquired contractual rights for fee income related to open-ended funds. Open-ended funds are subject to redemptions on a quarterly or more frequent basis and investors can generally decide to exit their fund investments at any time. The resulting inherent volatility in fee income derived from these contractual rights increases the degree of judgment and estimates used by management in evaluating such intangible assets for impairment. Actual results could differ from management's estimates and assumptions and such differences could result in a material impairment.

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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 1 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.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss). The Partnership’s other comprehensive income (loss) is comprised of unrealized gains and losses on cash flow hedges, 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 December 31, 2015 and 2014 were as follows:

	As of December 31,	
	2015	2014
	(Dollars in millions)	
Unrealized losses on cash flow hedge instruments	$(0.5)	$(0.9)
Currency translation adjustments	(87.9)	(35.8)
Unrealized losses on defined benefit plans	(1.7)	(2.3)
Total	$(90.1)	$(39.0)

Foreign Currency Translation

Non-U.S. dollar denominated assets and liabilities are translated at period-end rates of exchange, and the 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 $2.5 million, $8.8 million and $6.3 million for the years ended December 31, 2015, 2014 and 2013, respectively, are included in general, administrative and other expenses in the consolidated statements of operations.

Recent Accounting Pronouncements

In May 2015, the FASB issued ASU 2015-7, Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). ASU 2015-7 provides amended guidance on the disclosures for investments in certain entities that calculate NAV per share (or its equivalent). The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The guidance is effective for fiscal years beginning after December 15, 2015 and for interim periods within those years. The Partnership adopted this guidance on January 1, 2016. The guidance will not have a material impact on the Partnership's consolidated financial statements.

In April 2015, the FASB issued ASU 2015-3, Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs. ASU 2015-3 requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts and premiums. This guidance is effective for the Partnership on January 1, 2016 and the ASU requires the guidance to be applied on a retrospective basis. The Partnership adopted this guidance on January 1, 2016. This guidance will not have a material impact on the Partnership’s consolidated financial statements.

In February 2015, the FASB issued ASU 2015-2, Consolidation (Topic 810): Amendments to the Consolidation Analysis. ASU 2015-2 provides a revised consolidation model for all reporting entities to use in evaluating whether they should consolidate certain legal entities. All legal entities will be subject to reevaluation under this revised consolidation model. The revised consolidation model, among other things, (i) modifies the evaluation of whether limited partnerships and similar legal

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entities are VIEs or voting interest entities, (ii) eliminates the presumption that a general partner should consolidate a limited partnership, and (iii) modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships. This guidance in ASU 2015-2 will be effective for the Partnership beginning on January 1, 2016. The Partnership adopted this guidance on January 1, 2016. As a result, the Partnership will reduce the number of funds consolidated by the Partnership on January 1, 2016. The deconsolidation will reduce the Partnership’s total assets by an estimated $23 billion to $24 billion, total liabilities by an estimated $16 billion to $17 billion, and total partners’ capital by an estimated $4 billion to $5 billion. The adoption of the guidance will have no impact to net income (loss) attributable to Carlyle Holdings or to net income (loss) attributable to the Partnership.

In August 2014, the FASB issued ASU 2014-13, Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity. ASU 2014-13 relates to reporting entities that elect to measure all eligible financial assets and financial liabilities of a consolidated collateralized financing entity at fair value. Under the Partnership’s current practice, the difference between the fair value of the financial assets and the fair value of the financial liabilities is classified within partners’ capital appropriated for Consolidated Funds. ASU 2014-13 provides the option for a reporting entity to initially measure both the financial assets and financial liabilities using the fair value of the financial assets or financial liabilities, whichever is more observable. As a result, the reporting entity's balance within appropriated partners’ capital will approximate the reporting entity's own economic interest in the collateralized financing entity. This guidance will be effective for the Partnership on January 1, 2016. The Partnership’s consolidated CLOs are consolidated collateralized financing entities for which the Partnership has measured financial assets and financial liabilities at fair value. The adoption of the guidance will not have a material impact on the Partnership's consolidated financial statements because it will be adopted concurrently with the adoption of ASU 2015-2. The guidance will change the measurement of the financial assets or financial liabilities of the Partnership’s consolidated CLOs, which will impact net income but will not impact net income attributable to the Partnership.

In May 2014, the FASB issued ASU 2014-9, Revenue from Contracts with Customers (Topic 606). ASU 2014-9 provides comprehensive guidance for recognizing revenue from contracts with customers. Entities will be able to recognize revenue when the entity transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The guidance 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 guidance in ASU 2014-9 is effective for the Partnership beginning on January 1, 2018, with early adoption permitted as of the original effective date of January 1, 2017. The Partnership is still assessing the potential impact of this guidance, however, this may have a material impact on the Partnership’s consolidated financial statements by significantly delaying the recognition of performance fee revenue.

3. Acquisitions

Acquisition of Diversified Global Asset Management Corporation

On February 3, 2014, the Partnership acquired 100% of the equity interests in Diversified Global Asset Management Corporation (“DGAM”), a Toronto, Canada-based alternative investment manager with $2.9 billion in fee-earning assets under management. As of February 3, 2014, DGAM also advised on $3.6 billion in assets, for which it earns a nominal advisory fee. The purchase price consisted of approximately $8.0 million in cash and 662,134 newly issued common units (approximately $23.1 million). The transaction also included contingent compensation of up to $23.7 million in cash and $47.3 million in common units, which are issuable through 2021 upon the achievement of certain performance and service-based requirements. As of December 31, 2015, approximately $5.5 million in payments had been made under the contingent compensation arrangements and an additional $12.5 million in payments will be made in 2016. No further payments will be made beyond these amounts. The Partnership consolidated the financial position

and results of operations of DGAM effective February 3, 2014 and accounted for this transaction as a business combination. DGAM is the Partnership’s fund of hedge funds platform and is included in the Partnership’s Investment Solutions business segment.
See Note 3 to the consolidated financial statements included in the Partnership's 2014 Annual Report on Form 10-K for the additional information on the DGAM acquisition.

During the third week of February 2016, the Partnership decided to restructure its Investment Solutions segment to focus on private market secondaries, co-investment and managed account activities and, given the challenging market environment, discontinue its fund of hedge funds and liquid alternative initiatives. On February 19, 2016, the Partnership commenced a wind down of the operations of DGAM and recorded a goodwill impairment charge of $7.0 million and a $15.0 million intangible asset impairment charge in the year ended December 31, 2015 (see Note 7). In addition, the Partnership estimates it will incur between $10.0 million and $15.0 million in employee separation and other contract termination costs associated with the wind down of DGAM in 2016.

Acquisition of Metropolitan Real Estate Equity Management

On November 1, 2013, the Partnership acquired 100% of the equity interests in Metropolitan Real Estate Equity Management, LLC (“Metropolitan”), a global manager of real estate fund of funds with more than $2.6 billion in capital commitments at the acquisition date. The purchase price consisted of approximately $12.8 million in cash and 67,338 newly issued common units (approximately $2.1 million). The transaction also included contingent consideration that is payable through 2018 upon the achievement of performance conditions of up to $5.0 million in cash and common units equivalent to $10.0 million at the time of vesting. Additionally, the transaction included compensation of 52,889 newly issued Carlyle Holdings partnership units (approximately $1.6 million) that vest ratably over a period of 5 years, up to $10.4 million of cash payable through 2018 based on the achievement of performance conditions, and $10.6 million and $10.0 million of Carlyle Holdings partnership units and common units, respectively, that are issuable through 2023 based on the achievement of performance conditions and time vesting. The Partnership consolidated the financial position and results of operations of Metropolitan effective November 1, 2013 and accounted for this transaction as a business combination. Metropolitan is included in the Partnership’s Investment Solutions business segment.

See Note 3 to the consolidated financial statements included in the Partnership’s 2013 Annual Report on Form 10-K for additional information on the Metropolitan acquisition.

Acquisition of Remaining 40% Equity Interest in AlpInvest

On August 1, 2013, Carlyle Holdings, a controlled subsidiary of the Partnership, acquired the remaining 40% equity interest in AlpInvest for an aggregate of 2,887,970 newly issued common units of the Partnership (approximately $80.8 million) and approximately €4.5 million in cash (approximately $6.0 million). Of the 2,887,970 common units issued in this transaction, 914,087 common units (approximately $25.5 million) were issued to AlpInvest sellers who are employees of the Partnership and are subject to vesting over a period up to 5 years (see Note 16). The remaining 1,973,883 common units issued in the transaction (approximately $55.3 million) were not subject to any vesting conditions. The Partnership accounted for this transaction as an acquisition of ownership interests in a subsidiary while retaining a controlling interest in the subsidiary. Accordingly, the carrying value of the non-controlling interest was adjusted to reflect the change in the ownership interests in AlpInvest. The excess of the fair value of the consideration paid by the Partnership (excluding any elements of the transaction deemed to be compensatory) over the carrying amount of the non-controlling interest acquired was recognized directly as a reduction to partners’ capital.

See Note 3 to the consolidated financial statements included in the Partnership’s 2013 Annual Report on Form 10-K for additional information on the acquisition of the remaining 40% equity interest in AlpInvest.

4. Fair Value Measurement

The fair value measurement accounting guidance establishes a hierarchal disclosure framework which ranks the observability of market price inputs used in measuring financial instruments at fair value. The observability of inputs is impacted by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices, or for which fair value can be measured from quoted prices in active markets, will generally have a higher degree of market price observability and a lesser degree of judgment applied in determining fair value.

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 type of financial instruments included in Level I include unrestricted securities, including equities and 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.

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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 type of financial instruments in this category includes 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. Investments in hedge funds are classified in this category when their net asset value is redeemable without significant restriction.
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. Financial instruments that are included 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 the fair value is based on unobservable inputs. Investments in fund of funds are generally included in this category.
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 December 31, 2015:

(Dollars in millions)	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Funds:				
Equity securities	$254.6	$311.8	$575.3	$1,141.7
Bonds	—	—	1,180.9	1,180.9
Loans	—	—	15,686.7	15,686.7
Partnership and LLC interests[(1)]	—	—	3,143.3	3,143.3
Hedge funds	—	2,841.2	—	2,841.2
Other	—	—	5.0	5.0
	254.6	3,153.0	20,591.2	23,998.8
Trading securities	—	—	1.4	1.4
Foreign currency forward contracts	—	1.7	—	1.7
Restricted securities of Consolidated Funds	7.9	—	8.7	16.6
Total	$262.5	$3,154.7	$20,601.3	$24,018.5
Liabilities				
Loans payable of Consolidated Funds	$—	$—	$17,046.7	$17,046.7
Derivative instruments of the CLOs	—	—	29.1	29.1
Contingent consideration[(2)]	—	—	20.8	20.8
Loans payable of a consolidated real estate VIE	—	—	75.4	75.4
Interest rate swaps	—	0.9	—	0.9
Foreign currency forward contracts	—	2.8	—	2.8
Total	$—	$3.7	$17,172.0	$17,175.7

(1) Balance represents Fund Investments that the Partnership consolidates one fiscal quarter in arrears.

(2) Balance relates to contingent cash and equity consideration associated with the acquisitions of Claren Road, AlpInvest, ESG, Carlyle Commodity Management L.L.C. (“Carlyle Commodity Management”, formerly Vermillion) and Metropolitan, excluding employment-based contingent consideration (see Note 9).

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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, 2014:

(Dollars in millions)	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Funds:				
Equity securities	$346.8	$156.8	$1,968.5	$2,472.1
Bonds	—	—	1,235.8	1,235.8
Loans	—	—	15,084.9	15,084.9
Partnership and LLC interests(1)	—	—	3,481.0	3,481.0
Hedge funds	—	3,753.5	—	3,753.5
Other	—	—	1.5	1.5
	346.8	3,910.3	21,771.7	26,028.8
Trading securities	—	—	3.3	3.3
Restricted securities of Consolidated Funds	4.0	—	8.6	12.6
Total	$350.8	$3,910.3	$21,783.6	$26,044.7
Liabilities				
Loans payable of Consolidated Funds	$—	$—	$16,052.2	$16,052.2
Derivative instruments of the CLOs	—	—	17.2	17.2
Contingent consideration(2)	—	—	51.1	51.1
Loans payable of a consolidated real estate VIE	—	—	146.2	146.2
Interest rate swaps	—	3.2	—	3.2
Total	$—	$3.2	$16,266.7	$16,269.9

(1) Balance represents Fund Investments that the Partnership consolidates one fiscal quarter in arrears.

(2) Balance relates to contingent cash and equity consideration associated with the acquisitions of Claren Road, AlpInvest, ESG, Carlyle Commodity Management and Metropolitan, excluding employment-based contingent consideration (see Note 9).

Transfers from Level II to Level I during the year ended December 31, 2015 were due to the expiration of transferability restrictions on certain equity securities of Consolidated Funds that were previously classified as Level II. There were no transfers from Level II to Level I during the year ended December 31, 2014.

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 are comprised of 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 is comprised of the Partnership's co-chief executive officers, president and chief operating officer, chief risk officer, chief financial officer, chief accounting officer, deputy chief investment officers for Corporate Private Equity, the business segment heads, and observed by the chief compliance officer, the director of internal audit and the Partnership's audit committee. Additionally, each quarter a

sample of valuations are 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 involves 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 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 has elected the fair value option to measure the loans payable of the CLOs at fair value, as the Partnership has determined that measurement of the loans payable issued by the CLOs at fair value better correlates with the value of the assets held by the CLOs, which are held to provide the cash flows for the note obligations. The investments of the CLOs are also carried at fair value.

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 corroborates quotations from pricing services either with other available pricing data or with its own models. Generally, the loan and bond assets of the CLOs are not actively traded and are classified as Level III.

The fair values of the CLO loans payable and 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.

Loans Payable of a Consolidated Real Estate VIE – The Partnership has elected the fair value option to measure the loans payable of a consolidated real estate VIE at fair value. The fair values of the loans are primarily based on discounted cash flows analyses, which consider the liquidity and current financial condition of the consolidated real estate VIE. These loans are classified as Level III.

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 Year Ended December 31, 2015 Investments of Consolidated Funds							
	Equity securities	Bonds	Loans	Partnership and LLC interests	Other	Trading securities and other	Restricted securities of Consolidated Funds	Total
Balance, beginning of period	$1,968.5	$1,235.8	$15,084.9	$3,481.0	$1.5	$3.3	$8.6	$21,783.6
Initial consolidation of funds	13.2	—	—	—	—	—	—	13.2
Transfers out [1]	(343.9)	—	—	—	—	—	(3.9)	(347.8)
Purchases	75.6	500.4	7,950.7	488.2	—	—	3.9	9,018.8
Sales	(1,085.7)	(442.5)	(3,148.2)	(1,191.8)	—	—	—	(5,868.2)
Settlements	—	—	(3,358.6)	—	—	—	—	(3,358.6)
Realized and unrealized gains (losses), net								
Included in earnings	156.1	0.7	(357.9)	765.3	3.5	(1.9)	0.1	565.9
Included in other comprehensive income	(208.5)	(113.5)	(484.2)	(399.4)	—	—	—	(1,205.6)
Balance, end of period	$575.3	$1,180.9	$15,686.7	$3,143.3	$5.0	$1.4	$8.7	$20,601.3
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	$(388.8)	$1.1	$(386.7)	$143.6	$3.8	$(1.9)	$0.1	$(628.8)

	Financial Assets Year Ended December 31, 2014 Investments of Consolidated Funds							
	Equity securities	Bonds	Loans	Partnership and LLC interests	Other	Trading securities and other	Restricted securities of Consolidated Funds	Total
Balance, beginning of period	$2,714.1	$1,249.5	$14,067.8	$3,815.2	$2.0	$6.9	$8.6	$21,864.1
Transfers in [1]	4.5	—	—	—	—	—	—	4.5
Transfers out [1]	(273.6)	—	—	—	—	—	—	(273.6)
Purchases	46.4	748.9	8,212.4	297.5	—	—	—	9,305.2

Sales	(618.0)	(623.1)	(2,431.9)	(1,239.7)	(0.5)	(3.7)	—	(4,916.9)
Settlements	—	—	(3,979.6)	—	—	—		(3,979.6)
Realized and unrealized gains (losses), net								
Included in earnings	370.6	(9.2)	(152.3)	861.5	—	0.1	—	1,070.7
Included in other comprehensive	(275.5)	(130.3)	(631.5)	(253.5)	—	—	—	(1,290.8)
Balance, end of period	$1,968.5	$1,235.8	$15,084.9	$3,481.0	$1.5	$3.3	$8.6	$21,783.6
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	$65.4	$(11.7)	$(99.6)	$142.7	$0.8	$0.1	$—	$97.7

(1) Transfers into and out of Level III financial assets were due to changes in the observability of market inputs used in the valuation of such assets. Transfers are measured as of the beginning of the period in which the transfer occurs.

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	Financial Liabilities Year Ended December 31, 2015				
	Loans Payable of Consolidated Funds	Derivative Instruments of Consolidated Funds	Contingent Consideration	Loans Payable of a consolidated real estate VIE	Total
Balance, beginning of period	$16,052.2	$17.2	$51.1	$ 146.2	$16,266.7
Initial consolidation of funds	1,248.6	—	—	—	1,248.6
Borrowings	4,196.7	—	—	3.9	4,200.6
Paydowns	(3,465.4)	—	(22.6)	(69.2)	(3,557.2)
Sales	—	(7.4)	—	—	(7.4)
Realized and unrealized (gains) losses, net					
Included in earnings	(436.5)	20.9	(7.4)	46.6	(376.4)
Included in other comprehensive income	(548.9)	(1.6)	(0.3)	(52.1)	(602.9)
Balance, end of period	$17,046.7	$29.1	$20.8	$ 75.4	$17,172.0
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	$(489.1)	$(16.5)	$(8.2)	$ 46.6	$(467.2)

	Financial Liabilities Year Ended December 31, 2014				
	Loans Payable of Consolidated Funds	Derivative Instruments of Consolidated Funds	Contingent Consideration	Loans Payable of a consolidated real estate VIE	Total
Balance, beginning of period	$15,220.7	$13.1	$178.8	$ 122.1	$15,534.7
Initial consolidation of funds	2,656.9	—	—	—	2,656.9
Borrowings	2,251.2	—	—	53.4	2,304.6
Paydowns	(3,286.5)	—	(97.9)	(87.8)	(3,472.2)
Issuances of equity	—	—	(1.8)	—	(1.8)
Sales	—	(4.4)	—	—	(4.4)
Realized and unrealized losses, net					
Included in earnings	(8.5)	10.6	(27.4)	37.6	12.3
Included in other comprehensive income	(781.6)	(2.1)	(0.6)	20.9	(763.4)
Balance, end of period	$16,052.2	$17.2	$51.1	$ 146.2	$16,266.7
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	$(101.8)	$(7.4)	$(8.4)	$ 37.6	$(80.0)

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

Realized and unrealized gains and losses included in earnings for Level III contingent consideration liabilities are included in other non-operating (income) expenses, and such gains and losses for loans payable of a consolidated real estate VIE are included in interest and other expenses of a consolidated real estate VIE in the consolidated statement 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, partners' capital appropriated for Consolidated Funds, non-controlling interests in consolidated entities and non-controlling interests in Carlyle Holdings in the consolidated balance sheets.

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The following table summarizes quantitative information about the Partnership’s Level III inputs as of December 31, 2015:

(Dollars in millions)	Fair Value at December 31, 2015	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Assets				
Investments of Consolidated Funds:				
Equity securities	$556.0	Comparable Multiple	LTM EBITDA Multiple	1.0x - 20.4x (11.4x)
	8.0	Discounted Cash Flow	Discount Rates	10% - 10% (10%)
	5.2	Other	N/A	N/A
	6.1	Consensus Pricing	Indicative Quotes ($ per share)	$0 - $647 ($0)
Bonds	1,180.9	Consensus Pricing	Indicative Quotes (% of Par)	30 - 112 (97)
Loans	15,673.3	Consensus Pricing	Indicative Quotes (% of Par)	28 - 102 (96)
	13.4	Market Yield Analysis	Market Yield	5% - 16% (10%)
Partnership and LLC interests	3,083.7	NAV of Underlying Fund[1]	N/A	N/A
	59.6	Discounted Cash Flow	Discount Rates	8% - 10% (9%)
			Exit Cap Rate	5%-6% (5%)
Other	5.0	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	1 - 22 (7)
	20,591.2			
Trading securities and other	1.4	Comparable Multiple	LTM EBITDA Multiple	5.8x - 5.8x (5.8x)
Restricted securities of Consolidated Funds	8.7	Consensus Pricing	Indicative Quotes (% of Par)	88 - 88 (88)
Total	$20,601.3			
Liabilities				
Loans payable of Consolidated Funds:				
Senior secured notes	$15,915.5	Discounted Cash Flow with Consensus Pricing	Discount Rates	1% - 12% (3%)
			Default Rates	1% - 5% (3%)
			Recovery Rates	55% - 80% (63%)
				38 - 102 (98)

			Indicative Quotes (% of Par)	
Subordinated notes and preferred shares	1,112.4	Discounted Cash Flow with Consensus Pricing	Discount Rates	9% - 16% (12%)
			Default Rates	1% - 5% (3%)
			Recovery Rates	55% - 80% (64%)
			Indicative Quotes (% of Par)	1 - 101 (55)
Combination notes	18.8	Consensus Pricing	Indicative Quotes (% of Par)	88 - 96 (94)
Loans payable of a consolidated real estate VIE	75.4	Discounted Cash Flow	Discount to Expected Payment	10% - 52% (35%)
			Discount Rate	20% - 30% (23%)
Derivative instruments of Consolidated Funds	29.1	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	3 - 34 (22)
Contingent cash consideration[(2)]	20.8	Discounted Cash Flow	Assumed % of Total Potential Contingent Payments	0% - 100% (8%)
			Discount Rate	4% - 22% (9%)
Total	$17,172.0			

(1) Represents the Partnership's investments in funds that are valued using the NAV of the underlying fund.
(2) Relates to contingent cash consideration associated with the acquisitions of Claren Road, AlpInvest, ESG, Carlyle Commodity Management and Metropolitan (see Note 9).

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Notes to the Consolidated Financial Statements

The following table summarizes quantitative information about the Partnership's Level III inputs as of December 31, 2014:

(Dollars in millions)	Fair Value at December 31, 2014	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Assets				
Investments of Consolidated Funds:				
Equity securities	$1,783.7	Comparable Multiple	LTM EBITDA Multiple	4.8x - 16.2x (12.1x)
	168.7	Comparable Multiple	Forward EBITDA Multiple	8.4x - 8.4x (8.4x)
	16.1	Consensus Pricing	Indicative Quotes ($ per share)	$0 - $246 ($0)
Bonds	1,235.8	Consensus Pricing	Indicative Quotes (% of Par)	1 - 115 (98)
Loans	14,873.4	Consensus Pricing	Indicative Quotes (% of Par)	0 - 103 (98)
	211.5	Market Yield Analysis	Market Yield	5% - 17% (11%)
Partnership and LLC interests	3,481.0	NAV of Underlying Fund(1)	N/A	N/A
Other	1.5	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	0-6 (3)
	21,771.7			
Trading securities and other	3.0	Comparable Multiple	LTM EBITDA Multiple	5.8x - 5.8x (5.8x)
	0.3	Discounted Cash Flow	Discount Rate	10% - 10% (10%)
Restricted securities of Consolidated Funds	8.6	Consensus Pricing	Indicative Quotes (% of Par)	87 - 87 (87)
Total	$21,783.6			
Liabilities				
Loans payable of Consolidated Funds:				
Senior secured notes	$14,757.5	Discounted Cash Flow with Consensus Pricing	Discount Rates	1% - 11% (3%)
			Default Rates	1% - 3% (2%)
			Recovery Rates	63% - 75% (68%)
			Indicative Quotes (% of Par)	35 - 100 (98)
Subordinated notes and preferred shares	1,278.8	Discounted Cash Flow with Consensus Pricing	Discount Rates	8% - 15% (10%)
			Default Rates	1% - 3% (2%)

			Recovery Rates	63% - 75% (68%)
			Indicative Quotes (% of Par)	1 - 132 (63)
Combination notes	15.9	Consensus Pricing	Indicative Quotes (% of Par)	97 - 98 (98)
Loans payable of a consolidated real estate VIE	146.2	Discounted Cash Flow	Discount to Expected Payment	0% - 100% (36%)
			Discount Rate	23% - 33% (26%)
Derivative instruments of the CLOs	17.2	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	2 - 22 (11)
Contingent consideration(2)	51.1	Discounted Cash Flow	Assumed % of Total Potential Contingent Payments	0% - 100% (20%)
			Discount Rate	5% - 18% (13%)
Total	$16,266.7			

(1) Represents the Partnership's investments in funds that are valued using the NAV of the underlying fund.

(2) Related to contingent cash consideration associated with the acquisitions of Claren Road, AlpInvest, ESG, Carlyle Commodity Management and Metropolitan (see Note 9).

The significant unobservable inputs used in the fair value measurement of the Partnership's investments in equity securities include EBITDA multiples, indicative quotes and discount rates. Significant decreases in EBITDA multiples or indicative quotes in isolation would result in a significantly lower fair value measurement. Significant increases in discount rates in isolation would result in a significantly lower fair value measurement.

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The significant unobservable inputs used in the fair value measurement of the Partnership's investments in bonds and loans are market yields and indicative quotes. Significant increases in market yields in isolation would result in a significantly lower fair value measurement. 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 trading securities and other investments include EBITDA multiples and discount rates. Significant decreases in EBITDA multiples in isolation would result in a significantly lower fair value measurement. Significant increases in discount 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 restricted securities of Consolidated Funds include 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 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, while a significant increase in recovery rates and indicative quotes in isolation would result in a significantly higher fair value.

The significant unobservable inputs used in the fair value measurement of the Partnership's loans payable of a consolidated real estate VIE are discount to expected payment and discount rate. A significant increase in either of these inputs 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 derivative instruments of Consolidated Funds include 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 contingent consideration are an assumed percentage of total potential contingent payments and discount rate. A significant decrease in the assumed percentage of total potential contingent payments or increase in discount rate in isolation would result in a significantly lower fair value measurement.

5. Accrued Performance Fees

The components of accrued performance fees are as follows:

	As of December 31,	
	2015	2014
	(Dollars in millions)	
Corporate Private Equity	$2,096.9	$2,932.6
Global Market Strategies	78.3	129.9
Real Assets	313.6	272.9
Investment Solutions	499.8	460.2
Total	$2,988.6	$3,795.6

Approximately 54% of accrued performance fees at December 31, 2015 are related to Carlyle Partners V, L.P., Carlyle Europe Partners III, L.P. and Carlyle Asia Partners III, L.P., three of the Partnership's Corporate Private Equity funds.

Approximately 55% of accrued performance fees at December 31, 2014 are related to Carlyle Partners V, L.P. and Carlyle Europe Partners III, L.P., two of the Partnership's Corporate Private Equity funds.

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Notes to the Consolidated Financial Statements

Accrued performance fees are shown gross of the Partnership's accrued performance fee-related compensation, and accrued giveback obligations, which are separately presented in the consolidated balance sheets. The components of the accrued giveback obligations are as follows:

	As of December 31,	
	2015	2014
	(Dollars in millions)	
Corporate Private Equity	$(36.6)	$(52.4)
Real Assets	(215.4)	(52.0)
Total	$(252.0)	$(104.4)

Performance Fees

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

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Corporate Private Equity	$698.2	$1,340.2	$1,907.4
Global Market Strategies	(41.0)	81.7	208.2
Real Assets	49.3	66.5	79.7
Investment Solutions	118.4	186.0	180.0
Total	$824.9	$1,674.4	$2,375.3

Approximately 51%, or $422.1 million, of performance fees for the year ended December 31, 2015 are related to Carlyle Europe Partners III, L.P. and Carlyle Asia Partners III, L.P., two of the Partnership's Corporate Private Equity funds, and Carlyle Realty Partners VI, L.P. offset by Carlyle/Riverstone Global Energy and Power Fund III, L.P., two of the Partnership's Real Assets funds. Total revenues recognized from Carlyle Europe Partners III, L.P., Carlyle Asia Partners III, L.P., Carlyle Realty Partners VI, L.P. and Carlyle/Riverstone Global Energy and Power Fund III, L.P., were $273.4 million, $202.7 million, $116.4 million, and $(102.6) million, respectively, for the year ended December 31, 2015.

Approximately 71%, or $1.2 billion, of performance fees for the year ended December 31, 2014 are related to Carlyle Partners V, L.P. and Carlyle Europe Partners III, L.P., two of the Partnership's Corporate Private Equity funds. Total revenues recognized from Carlyle Partners V, L.P. and Carlyle Europe Partners III, L.P., were $680.5 million and $658.5 million, respectively, for the year ended December 31, 2014.

Approximately 63%, or $1.5 billion, of performance fees for the year ended December 31, 2013 are related to Carlyle Partners IV, L.P., Carlyle Partners V, L.P. and Carlyle Europe Partners III, L.P., three of the Partnership's Corporate Private Equity funds. Total revenues recognized from Carlyle Partners IV, L.P., Carlyle Partners V, L.P. and Carlyle Europe Partners III, L.P., were $419.1 million, $725.2 million and $580.8 million, respectively, for the year ended December 31, 2013.

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6. Investments

Investments consist of the following:

	As of December 31,	
	2015	2014
	(Dollars in millions)	
Equity method investments, excluding accrued performance fees	$873.9	$918.7
Trading securities and other investments	12.0	12.9
Total investments	$885.9	$931.6

Strategic Investment in NGP

On December 20, 2012, the Partnership entered into separate purchase agreements with ECM Capital, L.P. and Barclays Natural Resource Investments, a division of Barclays Bank PLC (“BNRI”), pursuant to which the Partnership agreed to invest in NGP Management Company, L.L.C. (“NGP Management” and, together with its affiliates, “NGP”). NGP is an Irving, Texas-based energy investor.

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 the NGP entities that serve as the advisors to certain private equity funds, and future interests in the general partners of certain future carry funds advised by NGP that entitle the Partnership to an allocation of income equal to 47.5% of the carried interest received by such fund general partners. For periods prior to 2015, the Partnership’s allocation of income related to management fee-related revenues of NGP was 47.5%. This increase in the allocation of income did not result in a change in accounting for the investment as an equity method investment. The Partnership has an option, exercisable by the Partnership in approximately 9 years, to purchase from ECM Capital, L.P. and its affiliates, for a formulaic purchase price in cash based upon a measure of the earnings of NGP, the remaining equity interests in NGP Management.

In July 2014, the Partnership exercised another option granted in 2012 to acquire from BNRI its interests in the general partner of the NGP Natural Resources X, L.P. fund (“NGP X”), which entitles the Partnership to an allocation of income equal to 40% of the carried interest received by the fund’s general partner. The Partnership additionally acquired certain general partner investments in the NGP X fund. As of December 31, 2015, there was no carrying value of the Partnership’s investment in the NGP X general partner attributable to the carried interest allocation, while at December 31, 2014 it was approximately $18.5 million. The carrying value of the Partnership’s general partner investments in the NGP X fund not attributable to the carried interest allocation was $18.7 million as of December 31, 2015 and $20.4 million as of December 31, 2014.

In consideration for these interests and option, the Partnership paid an aggregate of $504.6 million in cash to ECM Capital, L.P. and BNRI, and issued 996,572 Carlyle Holdings partnership units to ECM Capital, L.P. that vest ratably over a period of five years. The transaction also includes contingent consideration payable to ECM Capital, L.P. of up to $45.0 million in cash, 597,944 Carlyle Holdings partnership units that were issued at closing but vest upon the achievement of performance conditions, and contingently issuable Carlyle Holdings partnership units with a value up to $15.0 million that will be issued if the performance conditions are met. The contingent consideration is payable in 2018, depending on NGP’s achievement of certain business performance goals. Additionally, the transaction included contingent consideration payable to BNRI of $183.0 million, which was paid in 2016 with $63.0 million in cash and $120.0 million by a six year promissory note issued by the Partnership. The promissory note will accrue interest at the three month LIBOR plus 2.5%.

As of January 15, 2015, the NGP Natural Resources XI, L.P. fund (“NGP XI”) had closed on aggregate commitments of approximately $5.3 billion. Based on the amount of NGP XI commitments raised, BNRI is entitled to receive the contingent consideration when such payment becomes due in 2016. Accordingly, as of December 31, 2015, the Partnership has accrued $183.0 million related to this future payment obligation. Based on the contractual agreement between the Partnership and BNRI, payment of the cash portion of the contingent consideration and the issuance of the promissory note to BNRI occurred in January 2016.

The Partnership also has a senior advisor consulting agreement with the chief executive officer of NGP and granted in 2012 deferred restricted common units to a group of NGP personnel who are providing the Partnership with consulting services.

The Partnership accounts for its investment in NGP Management under the equity method of accounting. The Partnership recorded its investment in NGP Management initially at cost, excluding any elements in the transaction that were deemed to be compensatory arrangements to NGP personnel. The Carlyle Holdings partnership units issued in the transaction, the contingently issuable Carlyle Holdings partnership units, and the deferred restricted common units were deemed to be compensatory arrangements; these elements are recognized as an expense under applicable U.S. GAAP.

The Partnership records investment income (loss) for its equity income allocation from NGP management fees and performance fees, and also records its share of any allocated expenses from NGP Management, expenses associated with the compensatory elements of the transaction, and the amortization of the basis differences related to the definitive-lived identifiable intangible assets of NGP Management. The net investment earnings (loss) recognized in the Partnership's consolidated statements of operations for the years ended December 31, 2015, 2014 and 2013 were as follows:

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in millions)		
Management fees	$53.9	$56.8	$63.2
Performance fees	(18.5)	(39.2)	—
Investment loss	(3.3)	(2.2)	—
Expenses and amortization of basis differences	(71.9)	(74.7)	(77.2)
Net investment loss	$(39.8)	$(59.3)	$(14.0)

The difference between the Partnership's carrying value of its investment and its share of the underlying net assets of the investee was $85.0 million, $141.6 million and $199.6 million as of December 31, 2015, 2014 and 2013, respectively; these differences are amortized over a period of ten years from the initial investment date.

Equity-Method Investments

The Partnership's equity method investments include its fund investments in Corporate Private Equity, Global Market Strategies and Real Assets, typically as general partner interests, and its strategic investment in NGP Management (included within Real Assets), which are not consolidated. Investments are related to the following segments:

	As of December 31,	
	2015	2014
	(Dollars in millions)	
Corporate Private Equity	$254.5	$246.3
Global Market Strategies	26.7	25.3
Real Assets	592.7	647.1
Total	$873.9	$918.7

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The summarized financial information of the Partnership’s equity method investees from the date of initial investment is as follows (Dollars in millions):

	Corporate Private Equity			Global Market Strategies			Real Assets			Aggregate Totals		
	For the Year Ended December 31,			For the Year Ended December 31,			For the Year Ended December 31,			For the Year Ended December 31,		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	20
Statement of operations information												
Investment income	$380.7	$528.3	$699.7	$193.6	$193.5	$199.3	$441.2	$1,114.7	$1,034.6	$1,015.5	$1,836.5	$1
Expenses	613.8	665.6	495.9	45.7	48.7	65.0	604.4	678.2	508.6	1,263.9	1,392.5	1,0
Net investment income (loss)	(233.1)	(137.3)	203.8	147.9	144.8	134.3	(163.2)	436.5	526.0	(248.4)	444.0	86
Net realized and unrealized gain (loss)	4,831.6	8,387.9	9,795.5	(323.1)	247.0	305.2	(3,047.6)	2,611.0	209.7	1,460.9	11,245.9	10
Net income (loss)	$4,598.5	$8,250.6	$9,999.3	$(175.2)	$391.8	$439.5	$(3,210.8)	$				