

CARLYLE

# Private Credit and The Power of Cross-Platform Investing

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TRADE SECRET AND STRICTLY CONFIDENTIAL

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SECTION 01

# What is Private Credit?

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Private credit is investing in **directly originated loans** to businesses that cannot or do not want to access public markets for their capital needs

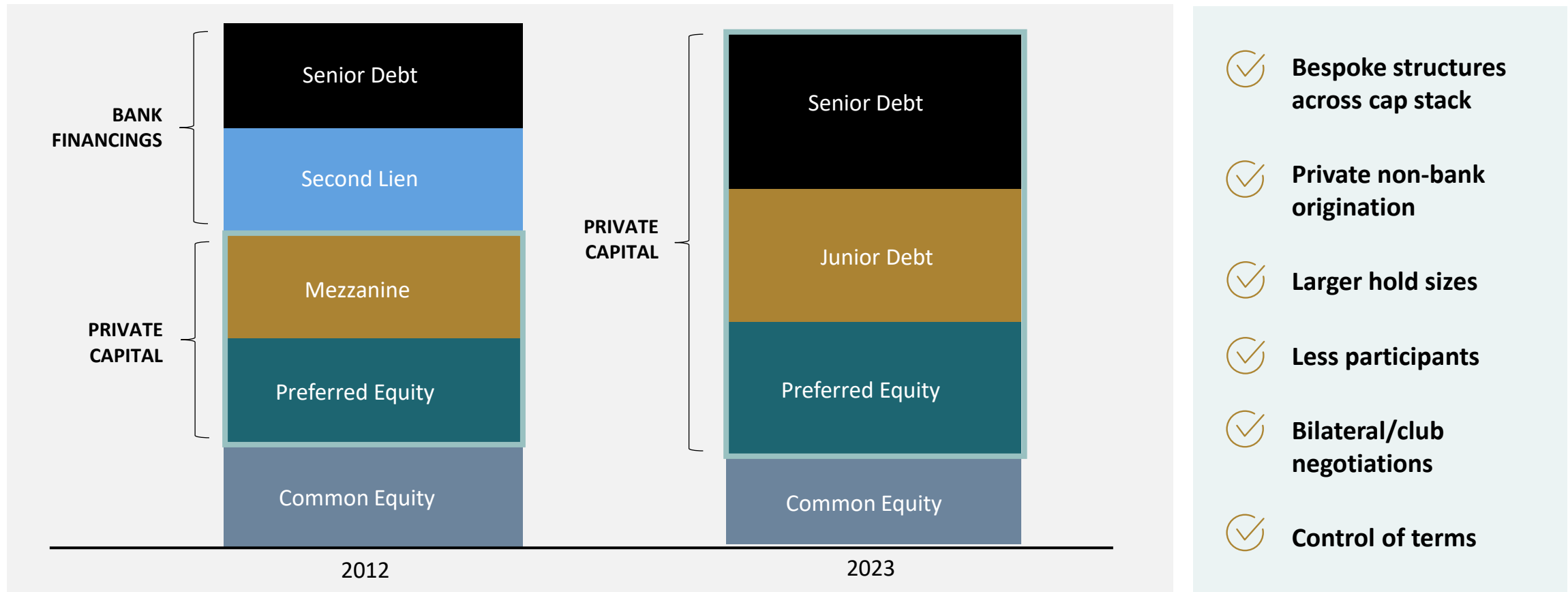
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## Key Attributes

- ✓ Proprietary Deal Flow
- ✓ Directly Originated
- ✓ Special Situations
- ✓ Complex Transactions
- ✓ Sponsored & Non-Sponsored Lending
- ✓ Varying Liquidity

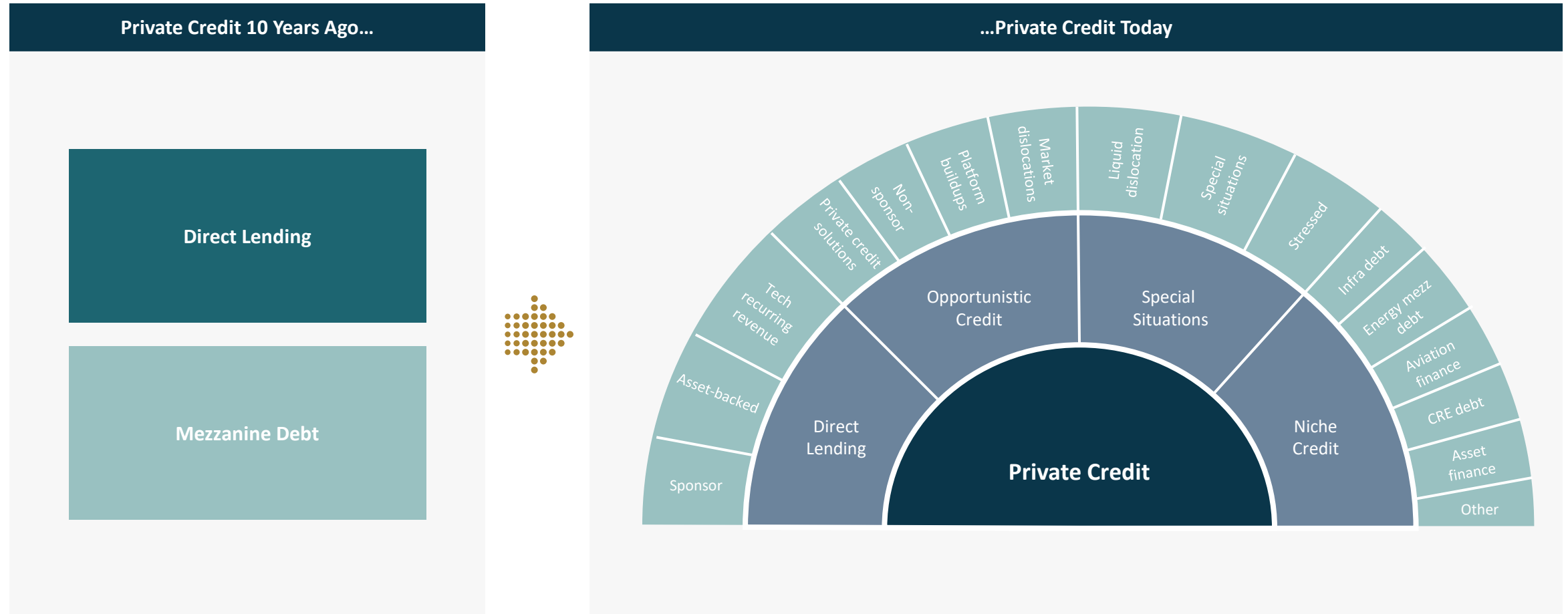
# Financing Markets Have Evolved

Historically, private credit primarily financed mezzanine and preferred equity opportunities; Today, private credit is a meaningful financing provider up and down the capital



For illustrative purposes only. There is no assurance these trends will continue. Source: Preqin as of 6/30/2023.

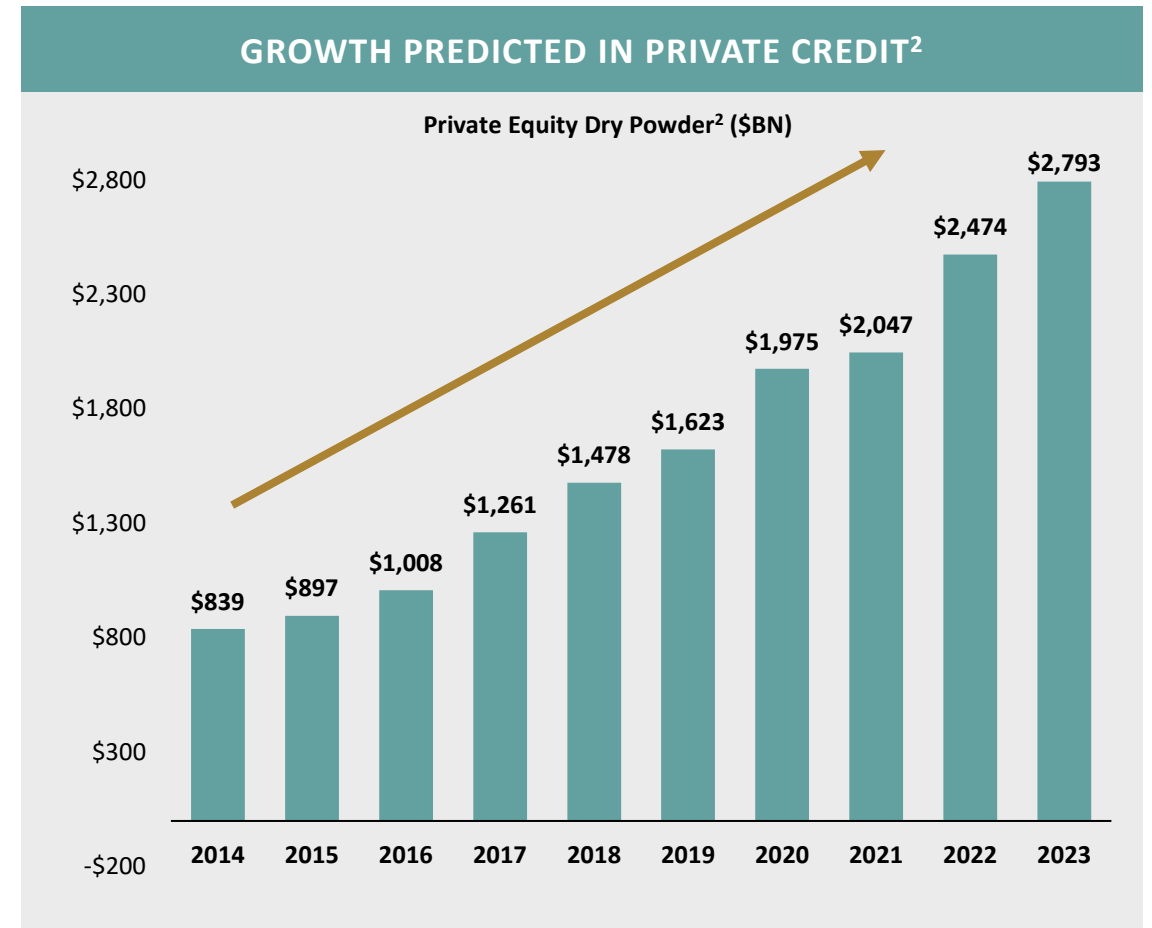
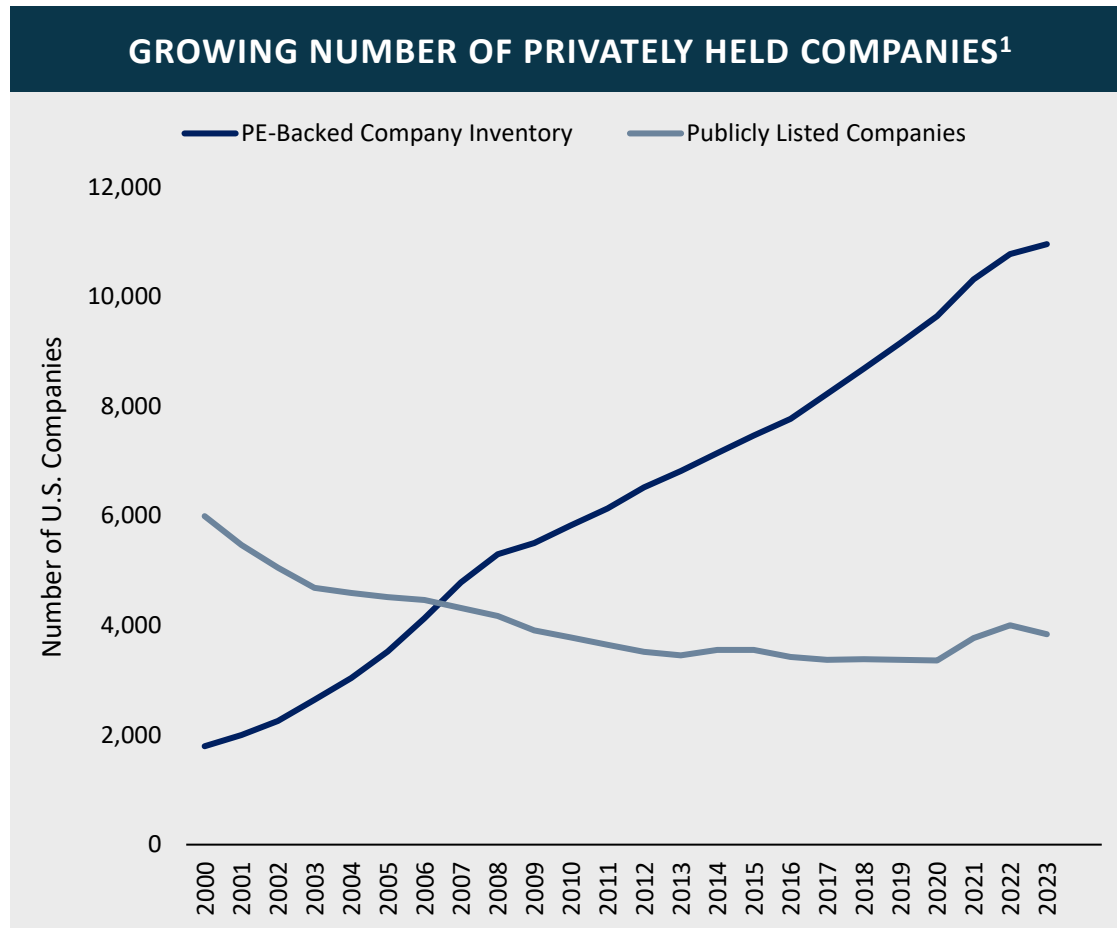
# Evolution of Private Credit into a Diversified Asset Class



For illustrative purposes only. Source: Carlyle Analysis.

# Secular Trends Remain for Private Credit

With businesses remaining private for longer and significant private equity dry powder, we believe there is a continued long-term need for private credit

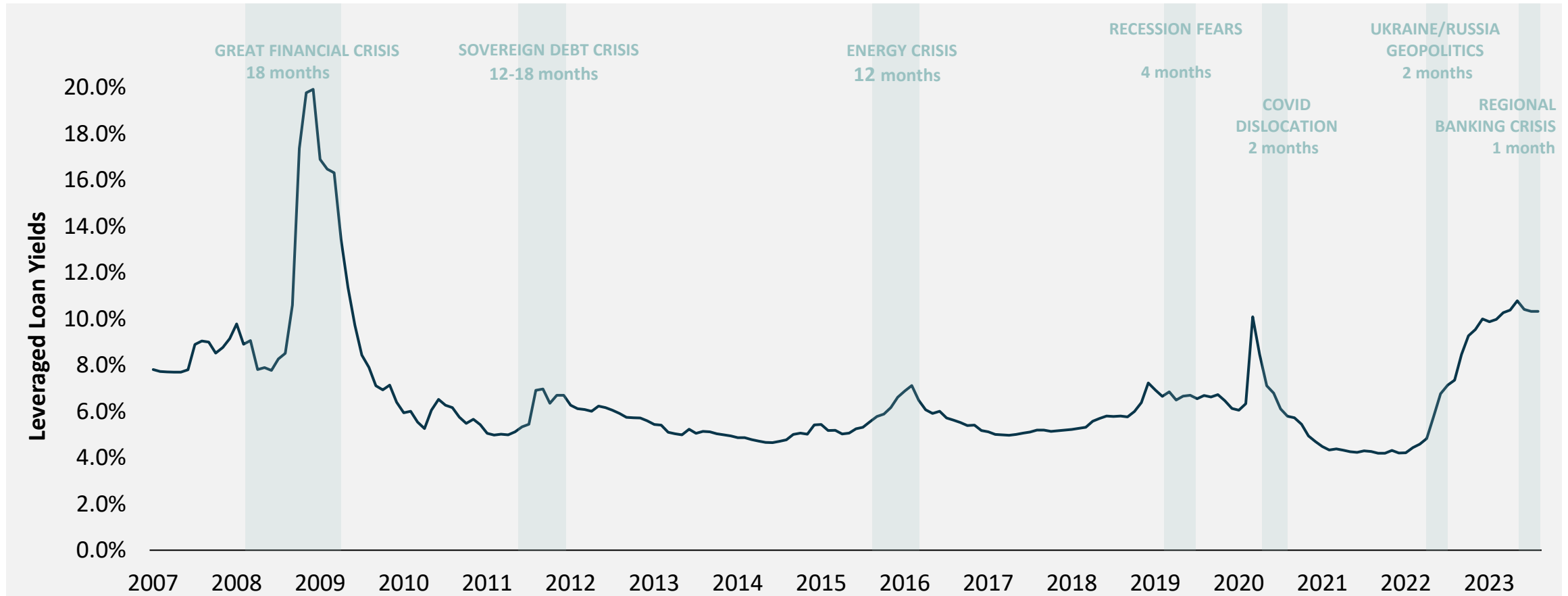


For illustrative purposes only. These statements reflect the subjective views of Carlyle. 1. Source: Carlyle Analysis; Pitchbook, CSRP, August 2023. There is no guarantee any trends will continue. 2. Preqin. Data as of August 2023.



# Market Dislocations Are Correcting Faster Than Before

Volatility is returning, but market dislocations are shorter in duration as available capital quickly flows into public markets



For illustrative purposes only. These statements reflect the subjective views of Carlyle. There can be no assurance that market trends will continue. Source: LCD, an offering of S&P Global Market Intelligence. S&P LSTA Loan Index Yield as of 8/31/2023.

SECTION 02

# Mutual Fund & Interval Fund Structuring

# Interval Fund Characteristics

- An interval fund is a closed-end structure that conducts **periodic repurchase offers for a portion of its outstanding shares**.
- Given the limited liquidity, **portfolio managers can invest interval fund capital into more illiquid assets** than they could in more liquid vehicles.
- Investors in an interval fund have **less exposure to other investors selling fund shares to raise cash** than a daily liquidity mutual fund structure.
- In exchange for a higher degree of investment illiquidity, **investors may earn higher returns than those found in the public markets**, a concept referred to as the “illiquidity premium.” (Interval funds are designed primarily for long term investors and not as a trading vehicle.)

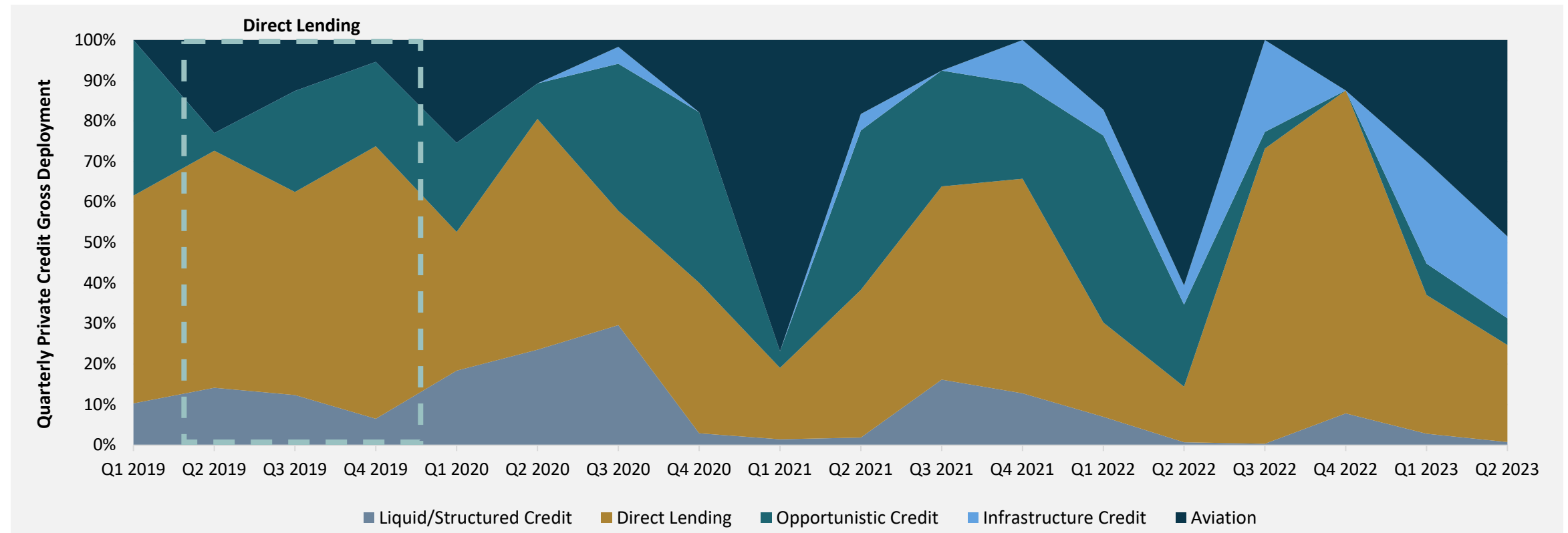
	Interval Fund (non listed CEF)	Mutual Funds (Open-Ended)
<b>1940 Act Fund</b>	Yes	Yes
<b>Fund Shares</b>	Continuously offered	Continuously offered
<b>Pricing</b>	Daily NAV optional (must be at least weekly)	Daily NAV
<b>Use of Leverage</b>	Asset coverage of 300% on debt senior securities Asset coverage of 200% on total senior securities, including debt and stock	Asset coverage of 300% on senior securities
<b>Illiquid investments</b>	No limit on illiquid investments	15% of net assets
<b>Liquidity/Redemptions</b>	Periodic (Quarterly) – minimum of 5%	Daily redemptions
<b>Share Purchases</b>	Continuously offered (but not necessarily daily subscriptions)	Daily purchases
<b>Investor Eligibility</b>	All investors unless fund has performance fee on <u>capital appreciation</u> ; with performance fee restricted to qualified investors	All investors

SECTION 03

# Tactical Opportunities Across the Platform

# Navigating Cycle to Capture Opportunity

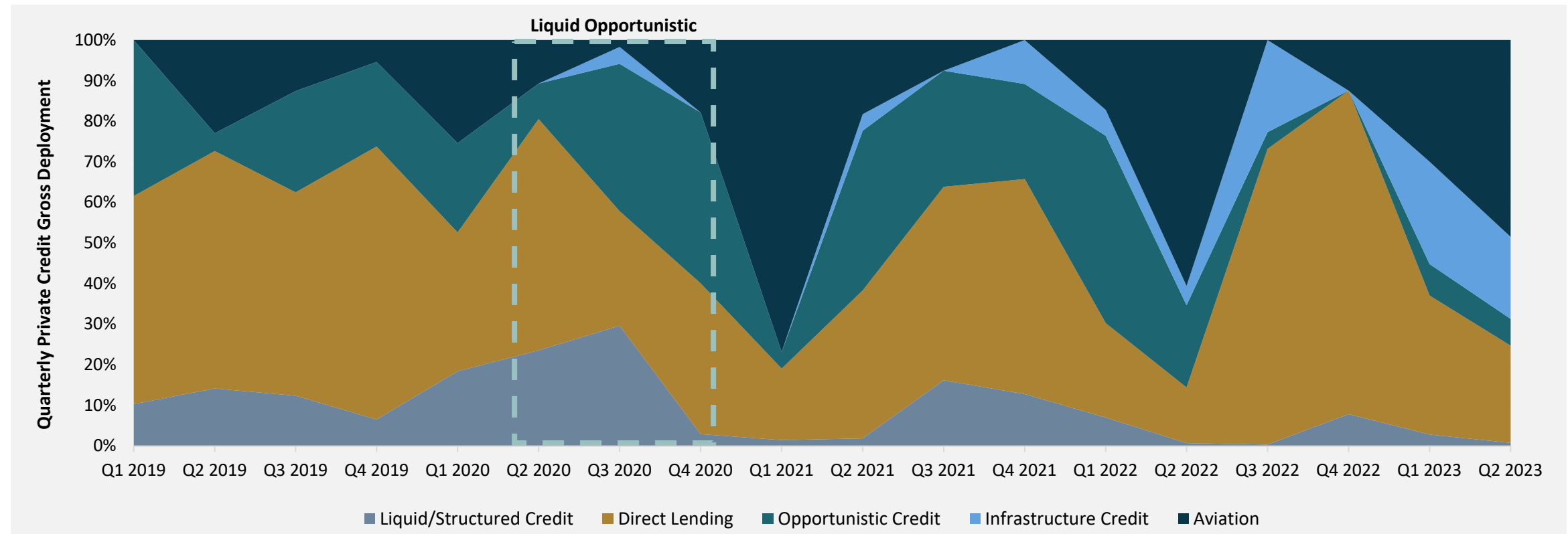
Flexible investment strategies that deploy across market environments



Represents quarterly gross deployment across strategies as of June 30, 2023. These statements reflect the subjective views of Carlyle. There can be no assurances that the trends described herein will continue or that Carlyle will be able to implement its investment strategy or achieve its investment objectives across market environments.

# Navigating Cycle to Capture Opportunity

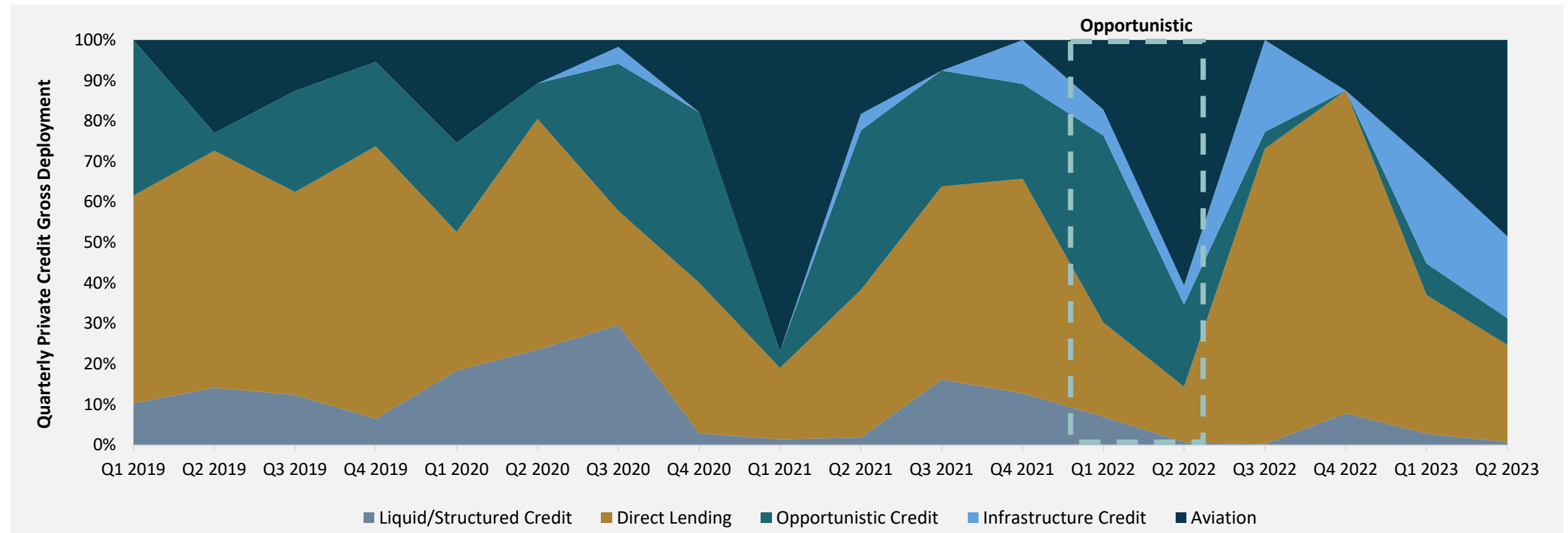
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# Navigating Cycle to Capture Opportunity

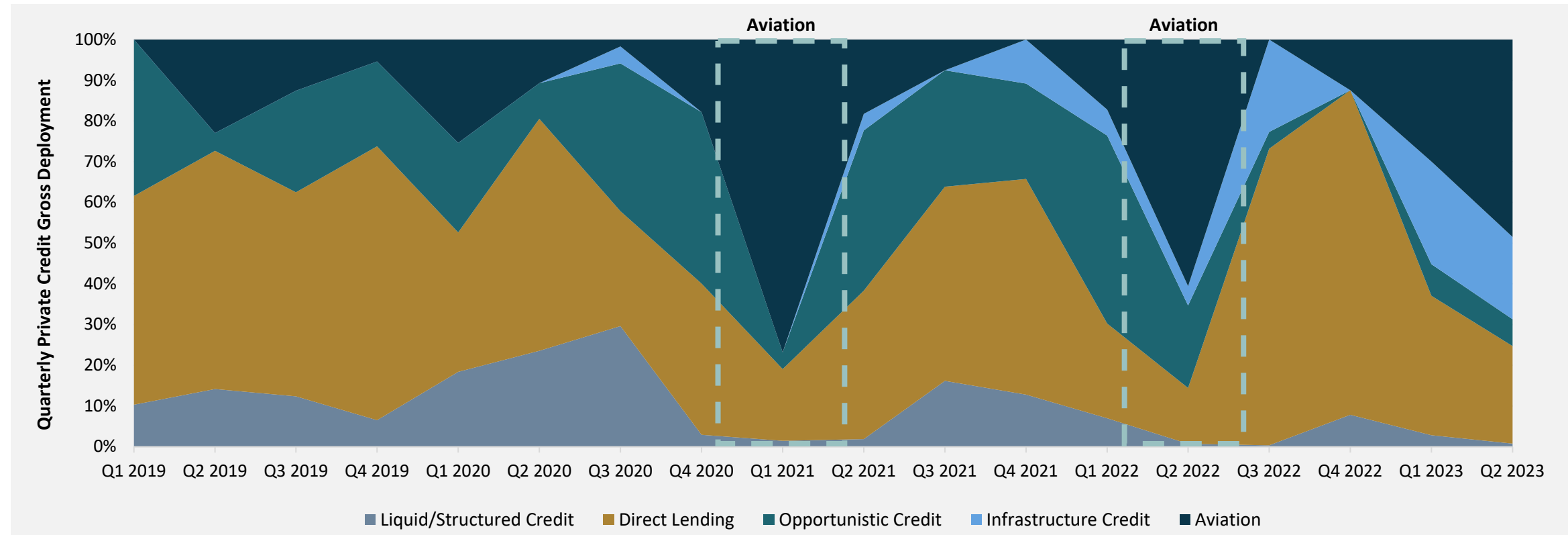
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# Risk Factors

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Prospective investors should be aware that an investment in a Fund involves a high degree of risk, and it is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a Fund and for which a Fund does not represent a complete investment program. An investment in a Fund should only be considered by persons who can afford a loss of their entire investment. Prospective investors are urged to consult with their own financial, tax, and legal advisors about the implications of investing in a Fund. The following is a summary of only certain considerations and is qualified in its entirety by a Fund's offering materials, which may contain additional information about associated risks pertaining to an investment in a Fund.

**Speculative Investment.** Carlyle cannot provide any assurance that it will be able to choose, make or realize any particular investment, asset, or portfolio on behalf of a Fund. There can be no assurance that investments made by a Fund will be able to generate returns or that the returns will be commensurate with the risks of investing in the type of transactions described herein. The activity of identifying, completing and realizing upon attractive investments is highly competitive and involves a high degree of uncertainty. A Fund must compete for investments with other private equity investors having similar investment objectives. The portfolio companies in which a Fund may invest (directly or indirectly) are speculative investments and will be subject to significant business and financial risks.

**Highly Illiquid and Difficult to Value.** A Fund is intended for long-term investment by investors that can accept the risks associated with making highly speculative, primarily illiquid investments in privately negotiated transactions. There is no organized secondary market for investors' interests in a Fund nor is there an organized market for which to sell a Fund's underlying investments, and none is expected to develop. Withdrawal and transfer of interests in a Fund are subject to various restrictions, and similar restrictions will apply in respect of the Fund's underlying investments. Further, the valuation of a Fund's investments will be difficult, may be based on imperfect information and is subject to inherent uncertainties, and the resulting values may differ from values that would have been determined had a ready market existed for such investments, from values placed on such investments by other investors and from prices at which such investments may ultimately be sold.

**Borrowed Money and Other Leverage.** To the extent a Fund borrows money or otherwise leverages its investments, the favorable and unfavorable effects of price movements in a Fund's investments will be magnified. A Fund investment with substantial leverage may be at risk of increases in interest rates and therefore increases in interest expenses. In the event any Fund investment cannot generate adequate cash flow to meet debt service, a Fund may suffer a partial or total loss of capital invested in a Fund investment. The use of leverage will also magnify the volatility of changes in the value of a Fund's investments. While the use of leverage may increase a borrower's returns, it will also increase its exposure to risk. If a Fund uses borrowed funds in advance or in lieu of capital contributions, a Fund's investors generally make correspondingly later capital contributions, but a Fund will bear the interest expense on such borrowed funds. Borrowing by a Fund will generally be secured by capital commitments made by the Fund's investors and/or by a Fund's assets, and documentation relating to such borrowing may provide that during the continuance of a default under such borrowing, the interests of the investors may be subordinated to such Fund-level borrowing.

**Investors in a Fund will bear multiple layers of fees and expenses.** In general, a Fund's investors will bear the fees, expenses and carried interest of the Fund and will indirectly bear any fees, expenses and carried interest (if any) of the Fund's investments. Such amounts are expected to be material. This will result in greater expense to a Fund's investors than if such fees, expenses and carried interest were not charged by both a Fund and its underlying investments.

**Investors Must Fulfill Capital Drawdown Obligations.** Capital calls will be issued by a Fund from time to time. To satisfy such capital calls, investors may need to maintain a substantial portion of their capital commitment to the Fund in assets that can be readily converted to cash. An investor's obligation to satisfy capital calls will be unconditional and at its sole expense. Failure to satisfy a capital call to a Fund can result in adverse consequences in the discretion of the Fund's general partner, including complete forfeiture of the investor's interest in a Fund. If a limited partner of a Fund defaults on or is excused from its obligation to contribute capital to the Fund, other limited partners thereof may be required to make additional contributions to the Fund to replace such shortfall.

**No Operating or Investment History.** In general, a Fund will be a newly formed investment vehicle that has no operating history upon which investors can evaluate its likely performance.

**No Registration.** No Fund discussed herein has been or is expected to be registered with the SEC as an investment company pursuant to the Investment Company Act of 1940 (the "1940 Act"), in reliance upon an exemption available to privately offered investment companies. Accordingly, the provisions of the 1940 Act will not be applicable to a Fund. In addition, no such Fund has been or is expected to be registered with any regulatory or governmental authority as a regulated or registered fund in any European Economic Area member states. Furthermore, no such Fund is expected to be required to register under the Mutual Funds Law (as amended) of the Cayman Islands.

**Complex Tax and Regulatory Risks.** A Fund and a Fund's investments may involve a complicated tax structures and there may be delays in distributing important tax information to investors. In addition, legal, tax and regulatory changes (including changing enforcement priorities, changing interpretations of legal and regulatory precedents or varying applications of laws and regulations to particular facts and circumstances) could occur during the term of a Fund that may adversely affect any of such Fund or its investors.

**Currency Risks.** A Fund's base currency may be one that is different from an investor's home currency. For example, an investor based in the European Economic Area or the United Kingdom that commits to a Fund with a US Dollar base currency. Contributions to, and distributions from, the Fund will generally be required to be made in the Fund's base currency. Accordingly, changes in currency exchange rates, costs of conversion and exchange control regulations can adversely affect an investor's investment in a Fund, including the investor's cost of investing in a Fund.