THE CARLYLE GROUP

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We wanted to take a moment to offer our views on the U.S. GDP report released this week by the Department of Commerce. Carlyle has more than 220 portfolio companies, a majority of which are either based in or do business in the United States. We consistently monitor our portfolio and extract data from various portfolio companies that gives us proprietary insights into the performance of the U.S. and other economies. We call this data "Carlyle Economic Indicators." On occasion, we see divergence between Carlyle and official data and frequently see trends, strengths or weaknesses that official government data does not identify. We saw such a divergence with the latest GDP report.

- The U.S. Commerce Department reported that U.S. GDP expanded at an annual rate of 0.1% in Q1-2014. While surely disappointing, we do not believe this estimate reflects the underlying strength of the U.S. economy. Our proprietary data for gross commercial business volumes suggests the U.S. economy grew at an annual rate of 1.8% in Q1-2014, a pace that continued in April.

- As we observed during the second half of 2013, the official U.S. GDP growth rate was about 1.4x faster than implied by our U.S. portfolio data. Much of this was explained by official estimates of inventory accumulation that were either inaccurate or unsustainable. The new GDP report simply places cumulative U.S. GDP growth back on the 2% trend rate we have been seeing for the past several months.

- As early as last August, we observed that U.S. residential investment growth seems to have paused since May 2013 and appeared to be weakening further. Conversely, the Commerce Department estimated that fixed residential investment grew at an implausibly robust 15% annual rate between June and September, possibly due to the government shutdown which delayed the September construction survey. The Commerce department GDP report now appears to be compensating in the other direction when it estimates that residential investment contracted at a 7% annual real rate over the past two quarters. The effect has been to bring the cumulative growth in real residential investment down to 2.2% over the past year, close to the 3% annual trend rate we've been observing.

- The cold weather in the United States in the first quarter clearly had a huge impact on the production volumes and shipments of our U.S. portfolio companies. In some cases, shipments fell by 20% on a year-over-year basis without any deterioration in orders. A two-day weather-related closure of a production facility can shave up to 10% off of monthly business volumes. Data from Carlyle-related intermodal terminals suggest stranded cargo accounted for a large share of the 7.6% decline in export volumes. The weather was far

worse than average, which means seasonal adjustment factors calculated from historic averages did not fully account for the disruptions.

- Finally, we would encourage our investors not to attach too much significance to a single data point given that most of the observed variation relative to the prior quarter is purely random. We do not. The latest GDP report does not change our investment outlook or confidence that the U.S. continues to grow at a slow, unsatisfying pace, but a pace much faster than official Q1 2014 data suggests.

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