

CASE STUDY

How Carlyle Creates Value

Deep industry expertise. Global scale and presence. Extensive network of Operating Executives. And a wealth of investment portfolio data; we call it The Carlyle Edge. These are the four pillars of Carlyle's value creation model. By leveraging these core capabilities and resources—Carlyle has established a 30-year overall track record of investing in companies, working to make them better and serving our investors' needs.



Carlyle professionals partnered with Avalon Advisors, LLC to expand its product offering and distribution. Avalon, an unlevered growth investment by the Financial Services team, offered several opportunities for value creation.

About Avalon Advisors and the Transaction

Carlyle invested in Avalon in September 2011 through Carlyle Global Financial Services Partners.

Avalon, founded in 2001, is a fee-based wealth advisor and asset manager based in Houston, Texas with an additional office in San Antonio, Texas. Texas has one of the largest ultra-high net worth populations in the United States with Houston having the largest ultra-high net worth population in Texas.

While the clients are primarily Texas domiciled high-net worth individuals and families, Avalon does have clients across the country and a growing institutional base. Avalon acts as both a wealth advisor and an investor. Avalon advises clients on their total portfolio and manages a series of core portfolios that act as a proprietary investment vehicle for a portion of the client's wealth.

Avalon's four founding partners include three wealth advisors who had worked together for more than 20 years and managed the Texas private client business for Goldman Sachs and Morgan Stanley along with a lead investment professional who had been CIO of Chase Asset Management.

AVALON
ADVISORS, LLC

AT A GLANCE

Avalon Advisors, LLC

Industry: Financial Services

Region/Country: Houston, TX

Fund: Carlyle Global Financial Services Partners

Acquired: September 2011

Status: Exited

65%+ Growth in AUM

During Carlyle's investment, Avalon's AUM grew from less than \$4 billion to approximately \$6 billion.

ABOUT THE CARLYLE GROUP

The Carlyle Group (NASDAQ: CG) is a global alternative asset manager with \$174 billion of assets under management across 306 investment vehicles as of September 30, 2017. Carlyle's purpose is to invest wisely and create value on behalf of its investors, many of whom are public pensions. Carlyle invests across four segments – Corporate Private Equity, Real Assets, Global Credit and Investment Solutions – in Africa, Asia, Australia, Europe, the Middle East, North America and South America. Carlyle has expertise in various industries, including: aerospace, defense & government services, consumer & retail, energy, financial services, healthcare, industrial, real estate, technology & business services, telecommunications & media and transportation. The Carlyle Group employs more than 1,550 people in 31 offices across six continents.

Carlyle believes these selected case studies should be considered as a reflection of Carlyle's investment process, and references to these particular portfolio companies should not be considered a recommendation of any particular security, investment, or portfolio company. The information provided about these portfolio companies is intended to be illustrative, and is not intended to be used as an indication of the current or future performance of Carlyle's portfolio companies. The investments described in the selected case studies were not made by any single fund or other product and do not represent all of the investments purchased or sold by any fund or other product. The information provided in these case studies is for informational purposes only and may not be relied on in any manner as advice or as an offer to sell or a solicitation of an offer to buy interests in any fund or other product sponsored or managed by Carlyle or its affiliates. Any such offer or solicitation shall only be made pursuant to a final confidential private placement memorandum, which will be furnished to qualified investors on a confidential basis at their request.

Key Value Creation Metrics

- Expanded products to include a broad range of equity and fixed income offerings along with several third-party alternative investment products (including two with Carlyle)
 - Launched multiple new internally managed strategies both in fixed income and equities
 - Expanded alternative product offering through joint ventures with several alternative asset managers, including Carlyle
 - Acquired Houston Global Investors, enhancing international equity capabilities
- Expanded distribution through office expansion into San Antonio, new institutional distribution / sales channels and new strategic relationships in the Intermountain West region
- Enhanced operations through the reallocation of reporting lines, including the implementation of an operating committee, the hiring of several new executives, and the launching of a broker-dealer to better position Avalon with alternative partners

Partnering with Management for Next Stage of Growth

During Carlyle's investment, in partnership with management, Avalon significantly expanded its product set in response to client demand to include a broad range of proprietary domestic and international equity and fixed income offerings along with several alternative investment products. The product offering expansion, coupled with strong investment performance, led to meaningful growth in assets under management. During Carlyle's investment, assets under management grew from less than \$4 billion to approximately \$6 billion, representing an increase of more than 65%.

Executing Successful Sale to Strategic Investors

In a two-stage process, on September 14, 2015, Carlyle closed the sale of 50% of its interest in Avalon to The Cynosure Group, a Salt Lake City-based investment company formed to bring together the resources of a number of family offices. On December 16, 2016, Carlyle sold its remaining stake in Avalon to several Houston-based families.