Apollo Global Asset Management

Business Overview:

Three Reportable Segments: Asset Management, Retirement Services, Principal Investing

Asset Management

Based on three investment strategies: Yield, Hybrid, and Equity.

As an asset manager, Apollo earns fees through providing investment management services + expertise to its clients + capital solution fees (help client gain finance).

After expense, the resulting earning stream is called “Fee Related Earnings”, or “FRE”. This is the primary measure of the performance of Asset Management segment.

* As of December 31, 2023, we had total AUM of $650.8 billion.

Objective: Achieve superior long-term risk-adjusted returns for clients.

CONTRARIAN INVESTMENT APPROACH:

• Our willingness to pursue investments in industries that our competitors typically avoid

• The often complex structures employed in some of the investments of our funds

• Our experience investing during periods of uncertainty or distress in the economy or financial markets

• Our willingness to undertake transactions that have substantial business, regulatory or legal complexity

* Strategy 1: Yield

Largest AM strategy, with $480.5 billion of AUM as of December 31, 2023. (73.8%)

Target Annual Return: 4%-10%

Performance: the total return yield fund has generated a 6% gross Return on Equity (“ROE”) and 5% net ROE annualized from inception

* *Corporate Fixed Income*($116.4 billion of AUM)
* *Corporate Credit*($87.1 billion of AUM)
* *Structured Credit* ($95.7 billion of AUM)
* *Real Estate Debt* ($44.6 billion of AUM)
* *Direct Origination ($41.4 billion of AUM)*
* Strategy 2: Equity

Second Largest AM strategy, with $62.5 billion of AUM as of December 31, 2023

Our control equity transactions are principally buyouts, corporate carveouts and distressed investments, while the real estate funds we manage generally transact in single asset, portfolio and platform acquisitions.

Target Annual Return: 15%+

Performance: generating a 39% gross IRR and a 24% net IRR on a compound annual basis from inception

*· Flagship Private Equity*($76.7 billion of AUM)

-opportunistic buyouts & corporate carveouts & distressed investments

*· European Principal Finance (“EPF”)*($8.1 billion of AUM)

* *Real Estate Equity* ($5.9 billion of AUM)
* Strategy 3: Hybrid

with $62.5 billion of AUM as of December 31, 2023

Hybrid Strategy brings together our capabilities across debt and equity to seek to offer a differentiated risk-adjusted return with an emphasis on structured downside protected opportunities across asset classes

Target Annual Return: 8%-15% of returns

Performance: Hybrid Credit Fund: generated an 11% gross ROE and a 7% net ROE annualized;

Hybrid Value Fund: generated a 20% gross IRR and a 15% net IRR from inception

Retirement Services

specializes in issuing, reinsuring and acquiring retirement savings products designed for the increasing number of individuals and institutions seeking to fund retirement needs

Conducted by Athene

Performance of Retirement Services is measured by Spread Related Earnings, or SRE. SRE equals the sum of (i) the net investment earnings on Athene’s net invested assets and (ii) management fees received on business managed for others, less (x) cost of funds, (y) operating expenses excluding equity-based compensation and (z) financing costs including interest expense and preferred dividends, if any, paid to Athene preferred stockholders.

Core Competencies:

1. Sourcing long-term, persistent liabilities
2. Using the global scale and reach of our asset management business to actively source or originate assets with Athene’s preferred risk and return characteristics

Athene is invested in a diverse array of primarily high-grade fixed income assets including corporate bonds, structured securities and commercial and residential real estate loans, among others.

Rather than increase its allocation to higher risk securities to increase yield, Athene pursues the direct origination of high-quality, predominantly senior secured assets

Two Products:

1. Annuities

Fixed Income Annuities (main)

-FIAs are a type of insurance contract in which the policyholder makes one or more premium deposits that earn interest, on a tax deferred basis, at a crediting rate based on a specified market index, subject to a specified cap (limited upside), spread (difference) or participation rate(% of performance). Downside of FIA is 100% protected

Fixed Rate Annuities

1. Funding Agreements

Principal Investing

Our Principal Investing segment is comprised of our realized performance fee income, realized investment income from our balance sheet investments, and certain allocable expenses related to corporate functions supporting the entire company.

Given the cyclical nature of performance fees, earnings from our Principal Investing segment, or PII, are inherently more volatile in nature than earnings from the Asset Management and Retirement Services segments

Competition

Asset Management

Apollo competes for investor capital based on these following factors:

·Investment performance as a metric for assessing excess return per unit of risk

·Investor perception of investment managers’ drive, focus and alignment of interest

·Quality of service provided to and duration of relationship with investors

·Business reputation

·The level of fees and expenses charged for services.

Retirement Services

Factors: initial crediting rates, reputation for renewal crediting action, product features, brand recognition, customer service, distribution capabilities and financial strength ratings of the provider

Risk Factors

1. Macroeconomics

Hardship affect both Asset Management & Retirement Services Business, through Investment Performance + Portfolio Companies they manage + policyholders choose to defer paying insurance premium etc.

High interest rates erode the earnings from Fixed Income Assets.

1. Operate in highly competitive market
2. Loss of key personnel may have material adverse effects to them

If our key personnel were to join or form a competitor, our business could similarly suffer a material adverse effect. For example, some of the investors in the funds we manage could choose to invest with that competitor, another competitor or not at all, rather than in the funds we manage.

**Q1 2024 Investor Presentation**

Key Metrics Highlighted:

FRE, SRE, AUM

Business Drivers:

Inflows, Gross Capital Deployment, Debt Origination

Segment Performance Highlight:

Asset Management:

20 million inflows

Management Fees: 13% yoy

Capital Solution Fees: 11% yoy

FRE: 16.4% yoy

FRE Margin: 55.1%

AUM 12% yoy, $73 billion increase

58.87% of AUM is perpetual capital, indicating the stability of AUM

Inflow: $20 billion (mostly to yield focused strategy)

Retirement Services:

20 million inflows

Fixed Income 25.4% yoy

SRE 19% yoy

Net Spread: 1.47%

Investment Performance Highlight:

* Yield:

Corporate Credit: 2.9%

Structured Credit: 3.8%

Direct Origination: 3.9%

* Equity:

Hybrid Value: 4.0%

Credit Strategies and Accord: 3.3%

* Hybrid:

Flagship Private Equity: 2.8%

European Principal Finance: 0.2%

**Q1 2024 Conference Call**

1. Derisk in the Floating Rates Book, less exposure to potential reduction in interest rates
2. FRE: expect 15%-20% growth

SRE: expect low double digit growth

Organic Inflows: $70 billion expected

1. the lifeblood of our business is origination, $40 billion origination for the quarter
2. Capital Formation $40 billion (20 AM, 20 RS)
3. I believe we are set for an on-track consistent with guidance year
4. I continue to believe that Retirement is going to be a massive driver of our business, with an aging population. (trend)
5. How money is allocated in the industry: at least 50% in public equity, 30% in publicly trade fixed-income, 20% in alternatives. Apollo operates in the 20% bucket. Such allocation made sense when public is safe and private is risky.

However, in the fixed-income market, the liquidity trade-off between public and private is getting closer: Liquidity in publicly traded fixed income is at record lows. Liquidity for private credit is actually increasing daily. The notion that investors will begin to allocate to private markets, an entire asset bucket that they have not historically allocated to private markets presents our entire industry with just an unusual path toward extreme growth

CEO believes that the trend will also happen in equity market, where private equity now presents more than half of the economy.

* Investors can look to credit ratings and others as a sign of comparability between public market and private market risk. “For us to succeed, this is not really a question of opportunity, this is a question of execution. Execution starts with origination.”

1. $40 billion for the quarter
2. $125 billion goal for the year
3. $160 billion by 2026

Growth in our business is limited only by our capacity to originate good risk!

Long-term Transition happening around the world:

1. Infrastructure
2. Energy Transitioin
3. Adapt to new technologies of datacenters and the need for power

Apollo is positioned for these long-term financing programs, which might not suit well to short-term banking & daily money market fund.

Goals: number one, origination; number two, capital formation; and finally, product development, particularly in equity

The foundation of our business is built upon delivering strong investment returns for our clients.

Feature: Focus on large companies and transactions at the top of capital structure, employing less leverage

we continue to expect net spread of approximately 160 basis points to 165 basis points for the full year, which excludes notable items and assumes an 11% alts annualized return.

(interest rate increases, all else being equal, net spread tightens)

We currently expect to generate a similar amount of PII as the first quarter in the second quarter. See catalysts for acceleration in PE normalization in 2025 and beyond.

For the full year, we expect our tax rate to approximate 20%, consistent with our long-term guidance with a rate slightly above 20% expected in the second quarter.

The notion of doubling our business over the next five years doesn't seem all that daunting. Sustainable, predictable, 15% to 20% long term in the Asset Management business, low-double digits in SRE.

Meetings:

a big part of the upcoming Investor Day will be a new origination target of $200 billion to $250 billion a year, about 2x from where we are now.

Almost no one has asset origination at scale today other than us. KKR building, doing a good job. Almost no one has operational efficiency, because no one is at scale. e have a really low cost of OpEx, because we are a scaled player. We can take some of the OpEx premium, if you will, and offer it to consumers. We can also take some of the asset premium and offer it to consumers and it turns out consumers prefer more to less.

You're guiding to 15% to 20% the earnings growth this year

So we say 10 to 15% growth over a five year period in retirement services.