Investor Day

Company Participants

- Blythe Masters, Industry Partner
- Chris Edson, Senior Partner of Private Equity in New York
- Craig Farr, Senior Partner of Capital Solutions Activities
- Jim Belardi, Co-Founder, Chairman, CEO & CIO
- Jim Zelter, Co-President, Managing Partner, CIO of Credit Business & Director
- Jonathan Simon, MD of Global Head of Leadership Development & Diversity
- Marc Rowan, Co-Founder, CEO & Director
- Martin Kelly, CFO & Co-COO
- Noah Gunn, MD & Global Head of IR
- Scott Kleinman, Co-President & Director
- Stephanie Drescher, Senior Partner and Chief Client & Product Development Officer
- Unidentified Speaker, Unknown

Other Participants

- Alex Blostein, Analyst
- Chris Kotowski, Analyst
- Devin Ryan, Analyst
- Gerry O'Hara, Analyst
- Glenn Schorr, Analyst
- Michael Cyprys, Analyst
- Rob Lee, Analyst
- Sam Martini, Analyst
- Unidentified Participant, Analyst

Presentation

Noah Gunn {BIO 18319821 <GO>}

Good morning. My name is Noah Gunn. I'm the head of Investor Relations for Apollo. It's great to see so many familiar faces here with us in the room in New York. I'd also like to welcome the hundreds more that are watching virtually right now, including my wife and kids. Thanks for padding our numbers. We have a truly hybrid experience for you today as we fully immerse you in our story.

Three years ago, I had the opportunity to stand on this very stage and host an Investor Day event for Athene. Now I couldn't be more thrilled that Apollo and Athene are on a path to completing our strategic merger in the very near future. We're going to be providing updates on both businesses today as part of our event. Importantly, we're going to be sharing the exciting prospects that we see for the combined franchise.

We have a rich agenda planned for you today one that features senior leaders across our platform. They are going to lay out our strategic growth plan, explain to you how we intend to execute that plan and leave you with targets from which to measure our progress. Following our prepared programming, we look forward to fielding your questions during a Q&A session. (Operator Instructions)

We are coming into Investor Day today from a position of great strength and great momentum. We've delivered fantastic results over the last five years. Today we are raising the bar. Our goal is that you would come away from today's presentation as confident as we are in the compelling and attractive plan that we have in store for the next five years.

So as we kick off today we want to first and foremost thank you for your participation. We'd like to thank you for your continued interest in learning about our business and learning about why we are differentiated. Ultimately, we thank you for your continued partnership as we continue to build one of the world's leading alternative asset management businesses. So now I'd ask you to please join me in welcoming to the stage Apollo's CEO and co-Founder, Marc Rowan.

Marc Rowan {BIO 1457142 <GO>}

Thanks, Noah. Welcome. Thank you for joining and for spending a few hours with us. If you didn't pay attention to the fine print, you have almost an hour of me this morning, which is probably 30 minutes more than any of you want. But we'll do our best to keep it moving.

As I think about this, this is now my 36th year in this business, 31 at Apollo. If I had to pick a phrase to sum up in Pete Townshend of The Who in 1969 said it best, "It's been an amazing journey." The numbers on the state, these are just inconceivable to someone like me who started in this business. But I've been very careful in talking to you and to our partners and as we plan our strategy not to become nostalgia -- not to become nostalgic. Nostalgia is a very dangerous point of view in our business because, in the next five years, it's going to change more than it has in the past 10. We should embrace that. We shouldn't be scared by that. This is just an amazing time for our business.

So the day is a day about strategy, and we're going to spend an awful lot of time talking about our strategy. But I have to give the disclaimer upfront. If I had to choose between strategy and culture, I take culture every day all the time and twice on Sunday. It is ultimately the most important thing. If we get culture right, we win. We can always adjust the strategy. I want to assure you, we are getting culture right.

We have always been known as an idiosyncratic investor as a contrarian, as an entrepreneurial firm at scale. What you haven't known as much because it's too easy to gloss over is the people side of the business because we run, at the end of the day a relatively simple business. We raise money, we invest money, and we take care of our people. Those are the three things that we do, and we try not to make it any more complicated than that.

But what is it we offer? What is the product we offer our clients at the end of the day? I would say we offer only one product, and that product is judgment. And judgment only comes from our point of view after you've been at Apollo for a long period of time, and you've seen what we do and what we don't do and why. Therefore, if you're at our firm, we want you to spend your entire career at Apollo. In fact, the vast majority of the senior leadership does spend their entire career at Apollo. It's not just about compensation. It's not just about investing. It's about feeling good every day about what we're accomplishing. It's how we lead. It's how we interact with each other. It's our impact on the world. It's ultimately about having fun at this job. This job is just too hard not to have a good time at and to really appreciate the people you work with every day.

So five takeaways from today. I will, in my presentation, set up the very broad brush of the business, how we see the market, why we're doing what we do, why we think we're right and we're going to win? Then Jim and Scott and everyone else today is going to fill in the details and hopefully provide the information that many of you have been asking for.

But I'll first highlight on the first takeaways. We are, at the end of the day a high-growth business. We will -- not because we're seeking to or, as a measure, grow AUM, but we will double AUM over the next five years. Our revenues, at least from FRE, will be about 2.25x. With a little bit of operating leverage, our FRE growth will be 2.5x. That's about an 18% CAGR in FRE earnings, and that is before the addition of $5 billion of growth capital that we expect to spend over the next five years. This is something I'm going to come back to during the day. We have forecast our business as an organic growth business. We have not, over the past five years, really had much growth capital. I, for one, am excited to see what we're going to do with this growth capital and just how successful and accelerant this will be.

The second, we do have the largest addressable market amongst our peer set. We are a truly unique ecosystem. I hope at the end of the day we will have convinced you of that. Three, Athene, as Noah suggested, is not just a strategic imperative for us. It is a growth accelerant. Four, and probably the most fun we're going to have today with you given all that's been written, ours is, I believe, the most capital-efficient business amongst alternative peers. I think we will address adequately the notion of balance sheet light, balance sheet heavy and exactly how to think about our business. And finally, after you see people present today I don't even think I'm going to need to cover 5. There is true momentum at Apollo. The internal has never been better. We are excited to get after it and produce the results that we're going to show you today.

This is our business. This is a slide you've seen in quarterly presentations or in other presentations I've done, but it really does talk about how we come to the market. We come to the market as an alternative asset manager, and we source investments in three broad categories. In equity, think of that as private equity, our traditional private equity business and related strategies. In hybrid, the midpoint between yield and opportunistic and our largest business in yield. Sourcing the investment is independent of ultimately where it goes. We have at least four channels, four major channels there, our institutional retail capital markets and retirement services. Then just to keep it interesting, retirement services itself also raises AUM through a variety of channels, including institutional, retail and capital markets. But this is how we wake up every day. This is how we position our business. We source investments, and we distribute them through channels that are growing.

The business is a good business. As I said, I'm fortunate to lead a business that gets better every day literally better every day demographics, income, wealth transfer, indexification and evolving regulation. I was preparing for this, and I was thinking, which of these is the most powerful driver? I'm not sure I could say. We have so many powerful trends driving our business that we expect not only growth in the business, but you can see what's been projected in the alternatives universe more generally. This has been a really good business for 20 years, and I see no signs of this lending up or changing. I think the forces that are driving this are just too powerful right now.

Within the alternatives universe one of the fastest-growing segments is private credit. Private credit is one of those terms that no one actually knows what private credit means in the context of an alternative. I hope at the end of at least an hour of me and an hour of Jim, we'll at least give you our take on private credit.

What is it we do? What is it -- what is the promise of alternatives? Why do we grow? It's a really simple promise, and we can't forget. We are in the business of providing excess return per unit of risk. It's no more complicated than that. If we forget that though and we seek to just take in AUM without regard to our ability to put that money to work, returns will commoditize and ultimately fees in our business will commoditize.

Yes. We're in a growth business. It served primarily, in my mind, by the growing need for retirement planning, retirement savings, but we have to keep in mind that we are in the excess return business. As much as sometimes industry writers speak about AUM and AUM accumulation, that's just not the game.

We have, at Apollo, defined our market as excess return. We provide excess return from my mind across the broadest swath of the industry in the alternative space. We do it from investment-grade, call it, AA- through private equity. You can see on the chart, whether it's yield, hybrid or equity, we seek to always be above the line and keep true to our promise that we are in the excess return business. which is after all, why people are seeking out alternatives rather than their liquid counterparts and less expensive counterparts.

I have a lot of confidence in our business because, by and large, we have met this promise of excess return per unit of risk, whether it's in our yield business where Athene has outperformed its peer benchmark by 30 basis points over a very long period of time on a massive amount of AUM or in our hybrid debt, Accord Series or in our hybrid equity, hybrid value or in our flagship private equity business. We have generally crushed the benchmarks in our flagship products, and this, to me, bodes well for our future, for our ability to fundraise and, again for keeping our promise to our investors who ultimately power our business.

So what's our lens on the landscape? How do I start bringing this together and bringing it down to earth and talking about Apollo. On the one hand, the market is growing. Our performance is really strong. The promise of alternatives of excess return is, one, I think we can meet. We also have to recognize a couple of other things going on in our industry. Capital is plentiful. So think about, in our view, what's short in the industry or what we need more of are assets. There is no shortage of capital. There is no shortage of liability. What there is, is a shortage of assets.

The ability to scale AUM and keep that promise of excess return involves growing the front-end asset origination as fast as you grow the back-end AUM growth. You get out of balance there, either your business is not performing optimally, you have not no capacity or you're taking in too much money, and ultimately, you're going to commoditize return. While that will be good for a very short period of time, that is ultimately not a good thing for your business.

So for us, focus on growing the front end and sourcing good assets, deliver excess return and always believe that AUM is the reward for good performance. It is not the goal. We will not measure ourselves by AUM, notwithstanding the Wall Street Journal headline of this morning, which is just their fascination and most of the industry's fascination with accounting. It is about ultimately meeting the promises that I've spoken about.

So time to walk through our playbook and really get a little bit more granular and talk about how we see the world. So again our lens, we are in the excess return business. Our business is aligned against a very large addressable market. Our focus is on scalable businesses with large white space. Not every business in the alternative universe is a growth business. Our focus is on growing those businesses that benefit from growth and not growing those businesses that are themselves not beneficiaries of growth. While a lot of time has been spent on the notion of permanent capital, very little time has been spent on the notion of permanent asset origination. It's pretty much a new concept. You will hear, as I walk through these slides, that we generally start the year with a significant amount of the assets that we need for that year locked up.

This is what we will look like as an asset manager. We project that our AUM will double to roughly $1 trillion over the 5-year period. As I said, we will grow from $2.1 billion to roughly $4.6 billion in FRE revenue. Our FRE earnings, given some of the comp redesign and investments in the business that I'll take you through today and that Martin will spend a lot of time detailing, we should add some operating leverage and fee-related earnings should be up 2.5x. Again this is all before any return on $5 billion of capital. We forecast organic growth, and we will benefit from how productive we are at spending that $5 billion.

Let me walk briefly through some of the businesses and then quickly turn into the credit business and insurance, which I know is on a lot of people's minds because we've received a lot of questions along the way. The equity business, this is the historic franchise of Apollo. We have a very strong track record over a period of time. In and of itself, private equity is not a growth business. It's a farming business. You plant, you harvest, you plant, you harvest.

Yes. The business will grow in times when there's more opportunity, but there is nothing that we gain. Today we are a $25 billion fund. At $30 billion, we gain nothing, at $20 billion, we lose nothing. In and of itself, scaling the business does not make you a better investor. In fact, I would argue that scaling the business without scaling the capacity to originate opportunity is just going to push down return. Here, it is the promise of long-term return.

Then, yes, we will raise Fund X, as Scott will detail for you. We will grow other equity businesses in the white space around private equity. The business itself will grow. This is a massively important and profitable business, a huge source of intellectual capital, but it is not a growth engine. That doesn't mean there's a negative to it or that we don't like it anymore. This is an amazing business, but we have to, again recognize businesses that can be scaled and businesses that are at scale.

Hybrid business, a little bit different. Hybrid business right now, again the midpoint between debt and equity. This is the beneficiary of institutional misallocation of capital. So I've said already, I think the world is totally awash with capital in almost every asset class. Hybrid is one of the few places where there is not too much capital chasing too few deals.

Here, if you think about a typical consultant and a strategic asset allocation, they typically will have alternatives in a strategic asset allocation accounting for a huge part of the return of the overall portfolio. Therefore, institutions who are consultant-driven tend to allocate to alternatives for highest rate of return rather than for best risk/reward. There is simply no bucket in the vast majority of pension funds sovereign wealth funds or other large consultant-driven institutions for something that is a tweener, lower-risk, lower-reward equity. As a result, returns here are really good. I expect growth here to be really good, and I don't expect this misallocation of institutional capital to change anytime soon. I think this business, despite having many of the characteristics of a mature equity business, is actually going to grow pretty fast because of this misallocation of capital. The performance on the debt side through Accord or on the equity side through hybrid value, very, very strong.

Yield is our largest business, $339 billion today $750 billion in five years. This is a large addressable market. I say with all humility, at $339 billion today we are not meaningful in the context of this ecosystem. That makes me happy. I'm not a dominant player. I have plenty of white space. I think I can grow this business. We have a fully built ecosystem to scale it. We are limited reliance on third-party fundraising. This, unlike the equity business, is a business where scale actually is good. The more touch points you have with the borrower, the more touch points you have with the capital markets, the more looks you get. This is a benefit -- a business that benefits from scale and will scale.

Last, in terms of introduction is our capital solutions business. You'll hear later from Craig Farr. Capital Solutions is the product or the institutionalization of the belief that every asset has a home. The mantra at Apollo is originate good assets. Originate them in yield. Originate them in hybrid. Originate them in equity. Do not worry about whether there's a fund for them. Do not worry about whether there's a balance sheet for them. Ultimately, good assets, good risk rewards have a home. Our job is to find that home. It can be in a fund. It can be in a strategic account. It can be on a retirement services balance sheet or it can be syndicated to the market. This business is already a $0.25 billion revenue business, and it will be a $0.5 billion revenue business in five years. Again assets are what's in short supply, not liabilities or capital. Every asset we originate has a home.

Quick summary of the base plan. FRE, 18% CAGR over the next five years, plus return on $5 billion of what we estimate will be our investment in growth capital in the business. In addition, we will return another $10 billion to shareholders in the form of fixed dividends and in the form of either buyback or dividend increases.

Along side our base plan, come three what I call and like to prefer to as embedded options. Fintech, you're going to hear a bit today from Blythe Masters about fintech. But briefly, if you think about what's going on in the financial services universe at every point in the financial services ecosystem, whether you're an exchange, a depository, a record keeper, a broker, a bank, an originator or a wealth manager, you now face a technology-led competitor. The one unique thing about all of these fintech competitors, not a single one of them wants to be a balance sheet. They all want to be toll takers.

What are we happy to be? We are happy to be a facilitator. We are an amazing balance sheet for good originators, and you will see us increasingly powering these fintech challengers. We want the assets that they originate so long as they represent good risk award. We will not only provide them capital in very large amounts, we will take stakes in their business and benefit from the toll taking alongside them.

We are also a validator. You saw us announce a transaction with Figure. We are a massive user of the securitization market. We've agreed to validate Figure's blockchain by putting our securitizations on their blockchain. It's good for us. We take 30% cost out of our business. We get better data. We get better information. It's good for Figure from a validation and market acceptance point of view, and we take a stake in Figure, and we take a stake in the coin represented by the Figure blockchain.

We also are a huge customer. We are, today in the retirement services business larger than Munich Re and larger than Swiss Re. We are a massive customer in our insurance businesses. We are a massive customer in our underwriting and other businesses. Therefore, we are also an investor and very well placed. Fintech is a very important embedded option of our business, and one we spend a lot of time on.

The second is this whole notion of democratization of finance. Stephanie will take you through our fundraising and our retail and high-net worth channel plans today. Whatever Stephanie is going to show you, it will show very good growth, but it is a fraction of what may happen in the business. I say may because this is in part dictated by the pace of regulatory change by politics and by other factors out of our control. But we are witnessing a real sea change in the business. Historically, when we were young as an industry, institutional investors came into our business through funds, and high-net worth clients came through their private bank or their broker through a feeder, through two sets of fees through no privity with the manager and generally through a terrible experience.

Today what you're seeing is changes at both ends of the business. On the institutional side, yes, the largest clients still come to us through funds. But increasingly, they want to be invested side-by-side with us direct. We should not resist that. We should embrace that. We are uniquely positioned to provide side-by-side investments given our massive access to capital. And at the high-net worth level, they are now the beneficiaries of pure institutional product, one level of fee, sophisticated interaction. I think that there is just an unbelievable opportunity given how under-allocated people are to these alternative products and the need for yield for us to massively exceed our goal.

Finally, Asia is a big place. It's only four letters up on the screen. I don't want to leave you that we're just amorphous in what we're doing. Any free day that any of us have, my view is we should spend in Japan. Think about the characteristics of that market. Most of our peer group has gone there either to fundraise or to be an investor in private equity. We're going there, yes, in those capacities, but we're also going there as a retirement services company. There is a set of liabilities there that needs to earn a return that dwarfs the need in the U.S. In Europe. There is no asset yield in the indigenous market. There are massive pools of savings, and we're already starting to see the beginnings of this. We, through Athene, have already done our first two reinsurance transactions with Japanese counterparts. We have ongoing flow relationships.

Challenger in Australia is another way for us to access a different part of Asia, but Challenger also has a relationship with the Japanese market. And for those who follow us very closely, you'll know that we took a stake in FWD and invented into a strategic relationship with FWD in Hong Kong, which is both a product relationship, a retirement services relationship and an asset relationship. Asia, for us, represents a very interesting embedded option in the business. One of our most senior partners, experienced retirement services investor, Matt Michelini, is relocating to head our Asia operation.

Okay. This, to me, is where I think the differentiation in our business starts, and I start with the history that at least I have. All of the large alternative firms today started life the same way. We started as private partnerships in the private equity business. If we were successful in that, we got to be large private partnerships in the private equity business. If we didn't screw that up, we were trusted by investors to diversify across a bunch of different asset classes. If we didn't screw that up, we got to go public. That's where the similarity and the business strategy of the publicly traded peers really ends.

Most people grew into adjacencies to the businesses they were already confident in. So if you were in the private equity business, yes, real estate and some inferred or natural homes, but private credit was also a very, very natural home. The next step from equity was to do opportunistic credit, mezzanine distressed and more yield credit. That is an amazing business. We are really well known in that business. John Zito has produced a 10-minute video to explain it. He's not going to get to speak today. We have amazing returns, and we love that business. It's in a $3.5 trillion market, and it is growing very fast. That's not what we're talking about in our yield business.

Our yield business is a fixed income replacement business. We grew our yield business differently than all of the other peer set. We started our yield business to serve two clients, Athene and Athora. The kind of credit, the kind of yield that goes on to the balance sheet of a retirement services business is not opportunistic credit, it's not distressed credit, it's not mezzanine credit. An insurance company, a retirement services balance sheet is a terrible place to take credit risk. It's a terrible place to take equity risk. It is a wonderful place to take liquidity risk.

We have institutionalized the willingness to accept liquidity risk and structure risk, but not credit risk or duration risk or any of these other risks in scaling the business. If you think about where this fixed income replacement opportunity exists, it historically has existed inside of banks. It has not been an investable product for all of you or for your clients or really for institutions more generally. It was in the GE Capitals of the world. It was within the big money center banks.

2008 began a process around the world where governments not only delever the banks and forced them to downscale, they made them less enjoyable places to work and, therefore, talent in all of these areas was readily available. They also pushed a series of activities outside of these banks, and for good reason. As I sometimes took, Dodd-Frank worked. It took activities in illiquid, but highly secure assets out of the liquid balance sheet. A bank balance sheet is liquid every day and therefore, it is not necessarily a great place to take liquidity risk.

A retirement services balance sheet is not liquid any day. The risk it is set up to take is liquidity risk. What we have done is we have built this amazing business focused on fixed income replacement, which we define as 150 to 250 basis points above investment grade at a comparable risk reward point. You can see off to the side there, all of the categories of opportunity that we are either in or looking at in our business in a good way. Without the cautionary tail, it looks a lot like GE Capital a long time ago. That's not by accident. GE Capital in its day was the single-best originator of secure senior but less liquid assets that offered increased spread.

We think this market dwarfs the alternatives market. Whether it's 3x the size or 4x the size, we've debated. We've given you a number of $40 trillion as the addressable part of the market for fixed income replacement. This is not what I'll call the commoditized investment grade, drive by, pick up a bond. This is the originated 150 to 250 basis points above comparable rated return market, and this is a vast market.

Why aren't others in this market? Why don't they speak about this market? Why don't they really include this in their focus? Well they're starting to. A number of our peers have woken up to what we've built, and we've now had a 10-year head start on constructing an ecosystem. To serve this market, you need a completely different ecosystem than you serve coming from the equity business or coming from the risk business. This is not a business of smart people behind screens. This is a business with different origination. You have to have a completely different capital base. The fund business is not a good match for this business.

I'm going to come back to this theme again and again raising a fund to do something in fixed income replacement is a waste of time. I've seen reports of a $13 billion, a $15 billion fund. That can be four trades. This is not a market that is served by funds. You need a different capital base. You grow differently. You think about growth different. You think about everything you do differently, and you have a completely different organization in terms of risk and controls and technology and infrastructure.

Let me take these pieces apart. Chris Edson who gave up a perfectly nice day job in the private equity business as a rising star heads our origination business, and you will hear from him later today. But we have built the capacity to originate directly. We like origination, as Jim Zelter will tell you, because we get to control the documentation, we control the diligence, we control the structure, we control the tranching and we control the pricing. What we don't control and what we have to accept is the lack of liquidity, and we're fine taking that. The businesses we've built are businesses that source credit. Every day we do it in plane finance, in train finance in mid-market. No one decision in the context of this business is consequential. This is a fully diversified business. This is the business of sourcing credit. This year, we will originate $80 billion. Our goal is to get this to $150 billion.

We have a different capital base. As I said, rates are very low today. Investment-grade spreads are very tight today. We are accepting risk at 150 to 250 basis points above investment grade. That means we need a capital source that is scaled to accept and wants low returns, low but safe returns. We have scaled this capital base. We are, today $339 billion in our yield business. You can see roughly $250 billion of that is on Athene and Athora's balance sheet. The remainder is with third-party clients. You can see how we compare to Munich Re, how we compare to Fifth Third. We've also put the credit businesses of a number of our peers. In dark green, we've given what is our best estimate of their capital base to attack this marketplace.

You do not go out and raise a fund to serve this market. There is no fund that will actually work in this context. It does not go into a BDC or into a permanent capital vehicle. It needs something like a retirement services balance sheet to be able to handle the size, the scale, the diversification and the ability to make a lot of money at 150 to 250 basis points over investment grade.

The way we grow is different. I've seen in a number of remarks, questions leading up to Investor Day why hasn't Apollo raised more third-party capital? Well the answer is we thought about it differently. We've raised a lot of third-party capital on our hybrid and our equity business. Those are fun businesses. Those are BDC businesses. Those are strategic account businesses. Up until the last three years, Athene and Athora have been growing faster than Apollo. We have not had the capacity to serve third-party clients until about three years ago to provide them the kinds of yield that we provided Athene and Athora. And part of the reason is, yes, we're growing, but we're also growing organically every day.

This year, Athene will raise according to some north of $35 billion of capital that is very low cost, that is permanent, that will allow us to take this capital and match it with an asset and produce spread over a long period of time. This is our growth. You take what we raised in the institutional channel. You add to that $35 billion of organic inflows, not to mention that we've grown inorganically on a massive rate. We are in a growth business, and we grow every day.

The other interesting thing about what's happened in this market is we, as an industry, have grown to the size we are from what I'd like to jokingly say from the little office down the hall. Every time we show up in a massive pension fund, we're all ushered into the alternatives office, which manages about 13% on average of a typical pension fund portfolio. This is 13% of a very large number. It has built all of the firms in the alternative universe that you are familiar with today. But just occasionally, we'd like to get into the larger office with a better view. 50% of portfolios are allocated to fixed income.

Fixed income has been perfectly fine, unless, of course you step back and realize you're not earning anything. On the margin spreads in public markets are not adequate to provide strategic asset allocation return to pension funds. We believe, as a firm, and you will hear this today that there is no excess spread in the public markets, there is a wall of money waiting to come into liquid markets. It comes through open-end mutual funds, it comes through ETFs, it comes through derivative traders, it comes through an mountain of cash on the sidelines. This problem is getting worse it's not getting better.

And so spread has left the public markets, and so it's taken a long time. But what we're seeing is, for the first time, we're seeing institutions taking a portion of their fixed income bucket and going into something called private credit, which means something totally different than we, as alternatives people, historically have thought of private credit. They are now moving into fixed income replacement. And as you saw from the chart just before, we have built roughly $100 billion business in fixed income replacement for these large institutions for other insurance companies side by side with Athene and Athora because we have finally caught up and created the opportunity to originate sufficient credit to serve our own needs and to serve third parties, and we like having third parties in our business. We like diversification. We like the institutional holdings of other products. These are all really large and growing markets.

This gives you just some notion of what we're projecting. While we grew, there was not a tremendous amount of growth in third-party capital. You will see we are budgeting greater than 2x growth. We have a product set, which you see off to the right that is being taken up every day, day in and day out, by these large institutions and by other insurance companies.

And here, I'll make a point which should be obvious, unlike any other asset manager, these people -- third parties do business with, we take $0.40 to $0.50 of every trade side-by-side, same time, same price with them. There is no better alignment across the industry. Institutions that might have committed $50 million, $75 million or $100 million to an Apollo fund regularly give us $1 billion to $2 billion side-by-side investments in fixed income replacement. The scale of fundraising, the scale of commitment here is totally different than in the hybrid and the equity business. Our model going forward is to tell clients that they can invest side by side with Athene and Athora, same time, same price. No one will be able to offer them that alignment in a sophisticated way. It's good for them. It's also good for us. It lets us attack much larger trades, much larger market segments and still maintain our diversification.

Finally, we are a massive retirement services yield-focused franchise. Inside of Apollo, I've used a number and you saw on the first slide, 2,000 people. So 10% of the firm wake up every day and do nothing other than retirement services. In addition, not included in that 2,000 headcount are another 1,100 people today soon to be close to 2,000 who work in our origination vehicle. This is a massive undertaking. No hedge fund attacks this market given the scale of what's here. No alternative firm dabbles in this market. There will be others who seek entry into this market, and they will make the investments, and they will pay the tuition, and they will learn how to source and how to rate and how to structure to get things on NAIC and Solvency II balance sheet. I like where we are. I like where we stand, and I like that we can scale this market.

So in summary, this is a massive market. We get paid real fees for generating excess return in this market. We can earn excess returns, and we think what we're doing is trading liquidity and structure and origination for duration or credit. It is permanent. This is not, again a smart person behind screen business. This is the business of originating credit. The kinds of businesses that GE Capital once owned, the kinds of businesses that are resident within the money center banks. It is less cyclical. It is very scalable. I like competing with large money center banks. It's not that they do not have their advantages, we are just a better employer. We are a better employer any way. We regularly hire on a competitive basis into our hybrid and to our equity business. But when you come and visit our firm and visit our yield floors, you will see a group of happy people who have departed large money center banks and find Apollo just an amazing home to apply their craft. It is a completely differentiated ecosystem. It does not overlap with the traditional definition of alternatives.

So let's move on a bit and let's talk about Athene. I'll switch modes a little bit. As Noah said, three years ago, Jim Belardi and team led an Investor Day here. So we're going to try to do a better job than we did three years ago. I thought we did a good job, Jim. But clearly, the market really didn't -- wasn't paying attention that day I'll say it that way. So this is a very simple business at the end of the day. But I will admit, because I suffer from this in some areas. I've been doing this 36 years. And every time one of my partners starts talking about oil and gas, my eyes glaze over. I just can't learn it. I think a lot of people have the same issue with insurance.

So we're going to try and I'm going to try to tell you what we like about this business and how we think about the business. 95% of Athene's balance sheet is in fixed income assets, and the vast majority of that are investment grade. About 65% of the portfolio is pure beta, and 35% represents fixed income replacement and provides excess return. 5% of the portfolio is in equity alternatives. And even that 5% is not in traditional private equity or traditional hedge funds. So roughly, a $200 billion balance sheet, 95% fixed income, 5% equity against spread-based liabilities and an equity account.

This is how the business works when you boil it down to the essential parts of the P&L. There is a return on those assets, those $200 billion of assets. There is a cost of funds, the promises that have been made to the policyholders. There is OpEx and taxes. There is spread. We have run this business over 12 years with a better than 15% cash-on-cash ROE without leverage. The asset yield is a book yield. Everything in the insurance business is held at cost, unless it is impaired, in which case it is written down with one exception, alternatives are mark-to-market or equity is mark-to-market, but 95% of the book.

If you do what I've said we do, we put on safe illiquid assets. We lock them in against liabilities that also have generally a fixed cost. We lock in spread. Markets go up. Markets go down. Rates go up. Rates go down. This P&L does not change. This is a spread-based business where we're not taking ALM risk. We're not taking mortality risk. We don't care much about longevity. We never thought about P&C. We're not in the health business. We're not in a lot of other businesses, people think we are. We are a pure spread-based lender. So me think of us as a bank. But rather than have deposits, which can flee every day we fund ourselves on our liability side with annuities.

Success here, 30 to 40 basis points of excess return. That is the difference between success and failure in this business. We come to market differently than others. We have more capital, and we run with excess capital versus almost everyone else in our industry. The peer set here are the AA- and the A+ companies. These are the well-known household names. No one gets to run with excess capital in the business. When you run with excess capital, you depress your ROE, most of our peer set is not earning an adequate ROE anyway so they have no excess capital. That means when you have a pandemic, they sell assets immediately in the pandemic because they can't afford any marks, and they pull back on new business because they can't underwrite capital in that business. Running with excess capital is a huge luxury for us, and it makes us opportunistic in our business. We have earned this 15%-plus ROEs holding massive amounts of excess capital. We have less debt.

Another way the competitive set keeps their ROE high is they borrow. Typically, in our peer group, you would have 25% debt-to-cap. We know that having dry powder in periods of market turmoil allows us to put assets on the books at wider spread than we otherwise would put assets on the books and lock them in for another seven to eight years. Running with low leverage is another benefit in our business that we get because we can produce a 15% ROE without the leverage and with the excess capital.

Lower credit losses. This would not be obvious to most, but it does feel obvious to me because if you are not affiliated with an asset manager who actually understands what goes on a retirement services balance sheet, the way you get excess return is you take duration risk or you step down the credit curve and take subordination risk. That is historically what has happened in our industry. 20 years ago, large competitive retirement services companies could outsource this BlackRock, PIMCO, Western, DoubleLine, GSAM or someone else. Today there is no excess return in the public markets. So either they are going to build the capacity to do what we do internally or they are going to sell their block of business because they cannot produce excess return. Scott will take you through just the dynamic that is happening in the industry.

And finally, as a single product company, we are all about spread. We simply operate more efficiently. Grant Kvalheim and the management team in Des Moines do an unbelievable job, not just on cost, but on responsiveness, on turnaround time, on answering the phone and all the metrics and additional service.

Athene start and will start at the merger with roughly $8.3 billion of deployable capital. That's excess equity capital. That's under-borrowed leverage. Athene before it earns a nickel has $100 billion of built-in growth. This is growth if Athene funded 100% of it before any earnings, before anything else happens. This is a huge source of dry powder in our business, and we will continue to add to this capacity through earnings and through outside capital. As I said, Athene has earned really high returns over time. If you include the excess capital, we've earned about a 16% ROE over time. If you look at just the capital required in the business, if you compare us to the peer group, we would actually have a 23% ROE. We strip out the excess capital.

Book value has grown 17% year-over-year for more than a decade. These are impressive numbers and interesting only in a sense they lead to another opportunity. When you run your business as a spread-based business and you produce consistent returns, investors, even if they're not willing to buy the Athene stock because maybe they don't understand it, investors are willing to buy a piece of Athene's business.

So in 2019, we raised the first sidecar in the industry called ADIP. Sometimes refer to as ACRA, we like our acronyms at Apollo and Athene. We keep it interesting that way. This is $3.2 billion of capital. More than half of which has been spent at this point. And essentially, what we did is we gave these LPs two-thirds of all the inorganic growth with Athene taking a third of all the inorganic growth side by side, same time, same price. They own the same liabilities. They own the same assets. They have the same operating costs, except for allowing limited partners to come into that book of business. Athene took a fronting fee. So if the business produced a 15% return, Athene got 16.5% and investors got 13.5%.

This is a choice. Taking in capital into the business is what comes from running a prudent business by showing people your risk taking over time. It's a huge validation of what we're doing. We have produced better than the returns, low to mid-teens returns that we have told investors. We will get to do this again and it's up to us to decide how big this is based on how much of the spread earnings we want to keep and how much of the spread earnings we want to give away.

This is what it looks like today. When people think about capital coming just out of Athene, 100% of the growth of the business was funded by Athene's internal balance sheet. There was no ADIP pre-2019. Post-ADIP, when you blend the organic and the inorganic business. Athene funded roughly $0.77 of every dollar of capital going into the business. On a go-forward basis, my guess is that ADIP will pick up its pro rata share of organic and inorganic because investors have now seen that some of the most profitable business is actually the retail originated business. There is no difference in return really between the inorganic and the organic business. So it is up to us, but my gut tells me that we will end up taking in enough ADIP 2 money, so that of each dollar of capital going forward, somewhere between $0.55 and $0.60 will be Athene's and the rest will come from outside investors. Again this is totally our choice to decide how much spread earnings we want to keep versus how much capital we want to release.

If I summarize this business, this business, if I had to look at one metric, I would look at assets. I would spend an awful lot of time on the assets. It is 90% of the predetermined outcome. We lock in spread, we try to target 30 to 40 basis points of excess return on the portfolio. We're very transparent. We will, at the end of the day today file a deck, which will be a full detailing on our risk report. It will show you our stress test the way a big financial services company would show stress test. We'll show you what we think happens in a downturn. This is good for us and bad for the industry. We have nothing other than exemplary risk measurement here. We have a great story, and it's consistency over heroism.

So why change what was a good thing? It was working so well. It's a question many of you individually have engaged me on. For us, as I've said to some of you, this is table stakes. There is nothing more strategic across what we do. We get $35 billion of organic inflows every year and growing. That's a huge part of our franchise. Asset origination this year, as I said, is $80 billion. Most of the asset origination platforms, which not only benefit Athene and Athora but benefit Apollo across the asset management landscape, are owned by Athene. They're not owned at Apollo. We project, and you'll see this in the numbers, some $13 billion of spread earnings on a pretax basis over the next five years.

And finally, keep in mind, Athene today is roughly $200 billion, 95% fixed income, 5% equity. 5% of equity is still $10 billion invested in equities. That is going to go to $20 billion over the next five years. There's another $10 billion of growth in platform acquisitions, in supporting new funds and supporting new products. That is inherent in the Athene balance sheet by itself before you even consider Athora. There is nothing more strategic than we do, and there is now a total alignment at every level going forward or I say there will be as of January 1.

Let me build this out a little bit more. So if you take the actual balance sheet, the fixed income portfolio itself is driving our fixed income replacement business. The knowledge that we can take down and support almost any fixed income replacement business allocate Athene its share, Athora its share and then third-party clients its share, whether it's our corporate business, our ABS business or any of our platform businesses, all of this is supported by Athene's fixed income allocation, 95% of their balance sheet. This is a win-win.

Then if you look down in the equity bucket, what is the equity bucket on? As I said, it tends not to own traditional private equity and hedge funds. It owns asset origination platforms. It owns PK Aviation. It owns Donlen. It owns Redding Ridge, which you'll hear a lot about from Chris today. Our future is funded by Athene's equity account. The best and clearest way I can say this. This is the total win-win. The equity of an origination platform has been a lower risk, better returning asset, less volatility than a private equity or hedge fund. Athene wants more of this, and we want more of this. This is the growth in our yield business. This is the growth in our asset management business. Athene's equity account also holds capital-raising platforms. The stake in Athora is primarily held by Athene, not by Apollo. The stake in Jackson, the stake in Venerable, the stake in Catalina, the stake in FWD, they are all held primarily in Athene's equity account and not at Apollo. We'll delve into this and actually unpack this on the whole notion of capital light and capital heavy.

Athene wins when it can find alternatives that produce consistent 12% plus rates of return. It primarily -- it's not a hedge fund investor. It is a limited private equity investor. It owns strategic things, and it also has the capacity to seed other businesses. There is no better risk reward in fund format for Athene than hybrid value. Think of it downside protected equity, mid-teens returns, not a lot of volatility. That is among the largest investments that

Athene has in fund and fund format. Nothing more strategic. It allows our holding company to be capital light. It allows our holding company to be capital light. Very poorly understood, very often misunderstood in the research I've read, the whole notion of book value and running a capital-heavy business. People really have not absorbed where these things are held.

This has already proven out. Those of you who follow us closely will recognize this from through the lens deck. If you look at just those strategies that Athene has supported for its own interest, third-party AUM on that today is $117 billion, $300 million plus of revenue and a lot more on the horizon. Everything we're doing in capital solutions that Craig Farr will take you through is ultimately underpinned by Athene and Athora. Asia, as I mentioned, all the new platforms and all the new products, this is a win-win for both of us.

As we think about the efficiency of the funding model, as I said, there are a few balance sheet adjustments that are taking place ahead of the transaction. So $9 billion is now $10 billion. But Athene's equity account is going from $10 billion, as I suggested, 5% of $200 billion to $20 billion over the next five years. That $10 billion of capacity and equity, vast majority of which is going to go into strategic investments, probably mostly into origination platforms.

In addition, Athene creates a tremendous amount of spread-related earnings. And again we have funded the business historically 100% with Athene's balance sheet. With ADIP, we're now down to 70% or 77%. It's our choice in the future how much capital to release out of Athene and how much capital to keep. Even funding 100% of the balance sheet, even growing a $10 billion equity account, Athene has thrown off massive amounts of capital. It does not need the capital in its business. It -- right now, it's an A+ rated company. It holds in excess of $1 billion over AA capital. It has $8.3 billion of firepower. There will be a lot of capital that continues to come out of Athene, doubling its size of its business and maintaining its ratings and maintaining its capital buffers. There is just a lot of excess cash flow.

We got to buy this excess cash flow on a merged basis at a very reasonable price. You can see here, to be able to buy something that is strategic and recurring and important to us between 5x and 6x cash flow, almost unheard of. One thing we have not forgotten at Apollo is when the market does not understand something. We are supposed to back up the truck and buy the cheap asset. We backed up the truck and bought the cheap asset. This thing -- and anyone who thinks that we didn't know what we were doing -- forget about what our competitors are saying and just watch their lips move, watch what they're doing in their business, see all of them making their moves in insurance to try to replicate the ecosystem we have spent more than a decade building and creating.

So let me change gears a little bit. So I do have a little bit of nontraded BDC and REIT envy. I'll have to admit it. This has just been amazing. Kudos to the firms that have really gotten in front of this market and have really shown us that how much money is out there at retail, how desperate retail is for solutions and for yield. This is just a great business, and it's probably the biggest source of growth in the alternatives industry over the past five years.

Let me now break it down. Why is this such a great business? It's a great business because you get 1.25 on equity, a management fee, and you get 12.5% of the alts over 5%. That sounds like a pretty good business. To earn more than 5%, which is harder today than it used to be, you have to take some amount of risk. You have to either go below investment grade. You have to invest in companies. You have to invest in things that are not as secure. 5% is not the easy bogey it once was. But I don't want to take anything away from this business. This is an amazing business.

The market values this business as if it's an amazing business. For one of our peers, incentive fees and management fees, roughly a third of their overall business. For another of our peers, 17% today growing to 25% projected over the next few years. The market trades this at incredibly high multiples for the good business that it is. We are envious of this business. We wish we were here first.

Now let me tell you about a better business. Rather than owning 12.5% of the alts and 1.25 on equity, how about if I could earn 40 basis points on assets rather than 1.25 on equity as a management fee? And how about if I took 100% of the alts over 2.5%. 12.5% over 5% or 100% of the ups over 2.5%.

It's tough. I like the 100% of (technical difficulty) being mostly investment grade. I can deploy the strategy of illiquidity. Think of Athene, think of Athora as a fund, a BDC, a REIT, which is how we think about it. Yes. It's a retirement services company. Yes. It's a regulated business. Yes. It needs capital. Al of those things. But economically, it is no different. 100% over 2.5% or 12.5% over 5%, 40 basis points on assets or 1.25 on equity. I think this is a better business, and it is hugely undervalued.

When I put them side by side, I get to own investment-grade assets versus non-investment grade. I get a much lower cost of funds. I have no high watermark. Profitability should be much less cyclical. One of the single best thing, the mark of my portfolio is cost and less impaired other than 5% of the portfolio that's in alts. We have not lived through a down market in the BDC and the REIT business where it is going to get marked down and investors are going to be told just how much less their portfolio is worth. I would much rather be in the held-to-cost business. There is no liquidity. The fee is on assets, not equity. I assure you on an interpolated basis, it is more than 1.25. The only negative, the only negative is rather than zero capital. I have to put up 8% of the capital. And for putting up 8% of the capital, I get to earn 15% cash on cash. And because I get to earn 15% cash on cash, if I want to, I can give half of that away to LPs and charge them a fee.

We like all three, don't get me wrong. But I think that what people don't understand about alts and it's really where I started, our business is not a nostalgic business. Our business is in the change business. What started for private equity and illiquid high MOIC long-term asset was totally appropriate for funds. When the MOIC started shortening for mezzanine and for debt, it was totally appropriate to go to BDCs and to REITs. But when you are in the fixed income replacement business, when you are looking at illiquid assets, you want to hold these things in a matched book with really low cost of capital, with no chance of liquidity flight in a healthy cost environment. It is simply a better business.

The only one who's built a business like this before has been SunAmerica. None of the other public companies do it. No one else thinks about this business this way. Every other business is run by someone who thinks about insurance and diversification of insurance and diversification of product. We are in the spread creation business. We are in the spread creation business. This is a better business, in our opinion, than the non-traded REIT and the BDC business.

Spread is recurring. This is what spread has looked like since 2015. When I say normalized, all we're doing is normalizing the alts book, 5% of the portfolio is mark-to-market. We have not seen the nontraded BDC, nontraded REIT market, really go through a cycle at the scale it's at. We have seen the retirement business go through a cycle at massive scale.

In case I didn't make the point, this is how we think about it internally. We think that the public market actually values the tail of the dog at better than 30x PE. The meat, the 100% over 2.5%, the market values at 7x to 8x. We have already made our bet. We made our bet by issuing a massive number of shares to consolidate that piece of Athene that we did not own. We did it willingly and joyfully, and we can't wait till January 1 to get going.

This comes back to, in my opinion, where I started in this section. I understand because I can't internalize oil and gas, that there are people who cannot internalize the notion of an insurance company, a retirement services company.

At the end of the day we're not in the variable business. We're not in the health business. We're not in the mortality business. We're not in the P&C business. We're not in any of these other businesses. We are in the creation of spread business.

The only one who has done what we have done previously is SunAmerica. We are very much following what SunAmerica's playbook was. I much prefer having 100% over 2.5% versus 12.5% over 5 -- And I think we will weather a lot better than those who are in the tail of the dog.

On that happy note, let me now switch and talk about capital efficiency. I think internally, we take -- we're very open and we love discussing our business because we're so passionate about it. It is one of the most frustrating things when we read that we are a capital-heavy business. We're a balance sheet. It really does, in our opinion, reflect a lack of understanding of what we've created and how we think about the business.

So first, let me start by bringing the financials together overall. As I've said, we expect fee-related earnings to grow at 18% over the next five years and more than double. Spread-related earnings, which are the earnings from our Retirement Services business, we expect to almost double. On a combined basis, our distributable earnings, which Martin will talk you through, better than 15% compound annual growth over the period. Principal investing income, which represents our incentive fees and our balance sheet also growing at better than 15%, all before the application of $5 billion of growth capital to this business.

We forecast our business organically. We have the ability and we have the budget to grow it inorganically on top of it. We have never had the opportunity to run with $5 billion of growth capital. We are tremendously excited to put that to work, and we have a very high bar for putting that to work. We have historically used a 15% cash-on-cash unlevered cost of capital within retirement services. I would expect that to be the minimum for us at the holding company as we make growth capital investments versus returns to shareholders. Again base plan, 18% FRE, plus the upside from $5 billion of capital, plus the embedded options, $10 billion returned to shareholders through base dividends and through excess dividends or buybacks.

A lot of questions came in. How do we think about capital? And how do we think about capital prioritization? Keep in mind that we are a holding company. We're talking here now about the holding company. The asset management business, Apollo, has always been a capital-efficient, 100% conversion of FRE into cash. Athene, I've now taken you through. Athene has massive opportunity on the capital side. It is capital generative. It has always produced capital even when it funded 100% of its growth. It is going to produce more capital going forward. Its alts book allows us to not have to invest about $10 billion of equity that we otherwise would have to invest off the balance sheet. It allows us to be capital light. It allows us to be capital efficient.

An illustrative capital split. We have a base dividend, as we said, going forward of roughly $1.60 a share. That's about $5 billion over the 5-year period. We've budgeted another $5 billion for either additional dividend growth or for buybacks. It will depend on the most opportunistic thing to do at the time. We have $5 billion reserve for growth. We are a growth business. That does not mean we spend that lightly. We have a very high bar for investment. I believe we will earn in excess of 15% ROE on the $5 billion that we spend.

What is it we're spending it on? Well the $5 billion in base dividend is very straightforward. As I've said, the additional $5 billion will either be dividend growth, share repurchases or some combination of the two more likely. But if you think about what we do at the holding company, we make strategic investments, and we add to our asset management and platform businesses. We do not generally have to buy origination businesses, origination balance sheets. Those businesses are primarily being bought at Athene and Athora. We are free to be a capital-light business at our holding company. Athene and Athora want the equity of these capital originators because it represents a good alt for the 5% of their portfolio that goes into an alt, and it's strategic to the business.

How do we think about firepower? Well as I've said before, Athene starts with $100 billion of embedded growth. Athene has in our estimation, $10 billion of alts capacity that will grow over the next five years to support investments in the business, plus the $5 billion that we've earmarked for growth at our holding company. At our holding company, we are a capital-light business. At our asset manager, we are a capital-light business. At our Retirement Services business, we have a balance sheet, but we are cash flow generative. They are all separate boxes in separate finance, and Martin will take you through how we are constructed, how we think about credit groups and the like.

The past year has been amazing. It's been very liberating. We've had a lot to do. Many of you have friends within Apollo. There has never been better momentum, better alignment, more excitement, more to do, quite frankly, on any given day. This is a very, very busy group. We will be larger and more profitable. again the numbers up there before the benefit of investing $5 billion. We will generate more capital. If you look at everything that we did over the past five years, even paying out 90% of what we have, one might say we actually starved the growth business of growth capital and missed a few things. Over the next five years, I've said we will generate at our holding company some $15 billion of cash flow. I've reviewed how we will go through it and how we will seek to invest it. But we will generate more capital.

We are more aligned with our employees, you will hear from Martin, going back to the first slide. At the end of the day the only thing we offer our client is judgment. Judgment ultimately relies on people and people spending their whole career at Apollo. We have done not just a major realignment and culture and everything else we do. We have done a massive realignment in compensation. The senior people at Apollo, myself included, generally will be paid exclusively in equity. I believe that powers alignment. Most of the team will be paid in significant amounts of additional equity versus what they have been paid historically. This has been no small feat. That, for us, drives margin.

In addition to equity, we are also making the appropriate trades in our business. We are trading FRE comp. We think we will actually drive our ratio by at least five points and giving up pieces of incentive fee, pieces of upside, pieces tied to the investment of the business. Not only is that the right alignment, that is also the right valuation methodology and valuation approach for all of you. It aligns employees with the business, allows them to absorb the volatility of the business that they work in every day where they fundamentally appreciate the underlying cash flow, which at the moment is also taxed on a preferential basis. This is essential to driving performance for shareholders, and Martin will spend a decent amount of time going through the specifics here.

Significant amounts of talent. You've seen announcements over the past few days. Bill Lewis joining us. Roger Ferguson, joining us. You can see some of the other faces, including Noah's smiley face they're up on the screen. We are attracting amazing talent to our platform. People see what we're doing. Roger Ferguson can go to work anywhere. He's the former CEO of TIAA, one of the most prominent minority businessman in the country, on the Board of Alphabet. No one is doing what we're doing in the investment business with retirement services and really taking on this fixed income replacement challenge. It is just exciting to talk about with people, and he sees our passion and wants to be part of it.

We will be more investable. As you know, January 1, we will be one share, one vote. We already have gone to a two-thirds independent Board, led by Jay Clayton, Chairman of our Board, who's in the back over there. You can pigeonhole him at lunch time. We will be more liquid as a combined company, north of $40 billion of current pro forma market cap, and we have made ourselves index eligible. We do not get to decide to be included in index. We have to be selected, but we have made ourselves the first in our industry to be eligible for S&P Index inclusion.

I'll end exactly where I started. If I had to choose between the hour I've just walked you through of strategy or culture, I would take culture. We are in just a great place internally. Yes, culture is about redoing the comp. Culture is about a simplified operating model. Culture is about people believing in the plan that we have put forth.

Yes. It's about having fun, but it's also about doing more good. This is a big deal. We are a majority of millennials workforce. We have added amazing talent in ESG. Dave Stangis is here in the room, somewhere around. Sorry, Dave, I didn't see you, bring again another amazing addition to our platform.

And we have defined what it is we're doing as expanding opportunity. Everywhere in Apollo, if you ask them what the purpose is, it's to expand opportunity. You scratch the surface of anyone at Apollo, they will tell you their story of how they got there, how someone made it possible for them, how they got some lucky break. We have, along with others, to find that opportunity more narrowly. We've generally picked people like us who also want that same opportunity. And now we have an opportunity to expand it and to expand it to other groups, other people, other geography, veterans, people of color, different genders in every way we can expand opportunity. This is not something that lives within HR or DE&I. This is something that lives in the firm. So with that, I will pass it on and allow you to watch a brief video. Thank you.

(presentation)

Unidentified Speaker

Ladies and gentlemen, we will now take a short 5-minute break. Thank you.

(Break)

Jim Zelter {BIO 1908625 <GO>}

Good morning, everyone. I'm Jim Zelter, Co-President of the firm and excited to be here this morning. It's always a pleasure to follow Marc as he laid out his vision. What I'm going to do as I'm going to give some historical perspective to our business, really how we've built today's premier yield franchise. But more importantly, put some detail around what Mark has described as our strategic vision, how we're building this yield platform and what the years ahead have for us.

Simply stated, we have the premier platform and yield in the industry. We have a full suite of capabilities with (inaudible) every asset class, with 300 dedicated professionals that come in every single day and focus on not only executing our business and deployment, but where the business is going.

And as Marc clearly has put forth, the key differentiator to this business over the last several years has been the low-cost capital of the liability stream that's generated out of retirement services, and that low-cost capital has really created a flywheel for us in how we've invested in human capital and how we really want to grow in the future. And again for us, this is really the foundation, the architecture for our business going forward in the future.

We've had great success to date over the last several years, as you can see, five years taking the business from $120 billion to $339 billion today. We certainly believe that the confidence to get to $750 billion is grounded in a handful of principles.

First, it really, really is understanding that unique relationship and partnership with Athene and also how it creates this flywheel to our third-party business. Secondly, the continued evolution of creating solutions in our toolkit, which you'll hear myself, Chris and Craig and many others talk about, and you'll really hear about the growth of origination really be the centerpiece of our growth plan.

And certainly, it's our view that the Athene merger really is the accelerant to growth, not just as Marc has discussed, but because the flexible capital, the continued alignment of interest, our ability to see businesses and platforms to be quicker fleet of foot, all these come together to be the massive accelerant to growth.

So let's level set. Marc touched a little bit about this, but the -- to have the preeminent business and franchise in credit and then to grow over the last five years like we have, we have a creative and disciplined DNA. It's the -- Marc talked about the intellectual capital of our franchise in the equity business, and that has resulted in the business that most people in this room think that we have.

It's the traditional senior loans, high yield, distressed. We're superb in it. We've executed demonstrably well last March and April when the market was in free fall. We drew down all our dry powder for investors. And again this is what has been the hallmark of what we do. We love this business, and we love traditional private credit.

But as I say this, what we talk about is private credit really is the small pond. I remember sitting here two years ago talking about the advent of private origination, large cap origination. We had just done large transactions for Westinghouse, $800 million, and Gannett, $1.7 billion. We talked about the advent of private credit. But what you're going to hear about today is really the transition. We've only seen the beginning of taking it from this small pond to the great ocean.

And what we're really doing is the term that you've heard, as Marc talked about, private credit or traditional private credit. As I stand here today the term that you will hear constantly over the next three to five years is fixed income replacement.

And what we've really done is we've taken the DNA, the infrastructure, the process, the sourcing, all the things that we do in the higher-yielding space and brought the entire resource and focus of the institution on this area from 3% to 8%. You can see here, large-cap direct origination, trade finance, a variety of areas, this is a much, much larger opportunity set. It is the proverbial ocean.

And what Athene has done is it's created this relationship, it's forced us over the last 10 years. Marc talked about, a term I use all the time, tuition. We've invested. We've learned about structuring. We learned how to put these products in different vehicles.

And no one else has this full suite of capabilities. We've been the pioneer. This is what Apollo does. We've used this unique relationship, this unique partnership to expand into an area of the fixed income world and fixed income replacement, that, as you sit here in two and three years, you'll say yes. It started in private credit, and fixed income replacement will really be the mantra of the future.

So digging in a little bit today. Again you all know quite well what the $4 trillion to $11 trillion. These are numbers that have been based on all the other research. But really, it's this -- it's what Marc talked about what used to be housed in the bank.

We bought a franchise finance business from PNC over the last 24 months. We've also bought PK Aviation from GE. Those were all businesses that really had reside in other parts of firms and didn't have the unique attributes that come best on our platform.

So whether it's asset finance, whether it's trade finance, whether it's inventory finance, broad consumer platforms, how individuals in the U.K. fund, the renewables or other products in their home, you need to have the capital base. You need to have the scale. You need to have the intellectual process to fill those gaps that others are not focused on.

And so really what we are, we're really a massive solution provider for financing needs across a much, much broader universe. Private credit was the beginning. It was the pond. This is the new ocean.

We've constantly presented this slide in front of this audience in terms about the ability to really have in multiple gears of success as a platform today. This is not for the faint of heart. There's a lot of great $3 billion to $5 billion hedge funds. There's lots of great other alternative firms. You need to be able to pivot constantly between public and private opportunities. You need to have primary and secondary.

And again all the components are critical, but what's central to our business model, as Marc laid out, is the ability to have origination, origination at scale. So it's clear to us that this needs to be the centerpiece of how we grow our business over the next five years.

When you think about the building blocks of success, certainly, it's the 31 years in our business, the 31 years of the integrated platform, but it really is the open architecture. It's having great liquid market presence in our business.

We have a $4 billion hedge fund that we shut a couple of years ago in terms of new investors coming in. We have a $2 billion line. The ability for us to have that liquid business, which we did not abandon, but we really made sure we scaled it properly, as Marc talked about. But having that broad integrated platform, having these 4,000 clients, so we're the incumbent lender on, the incumbent dialogue, putting this all together on top of the foundation of low-cost capital, this is the unique founding -- financing partner of choice, and this is what we have as the differentiating factor as you bring it all together.

Nothing better than a concrete example to bring it to life. Hertz, a great American name, certainly got caught in the tide, the changes of what happened during Covid. This was probably our finest hour as a firm in terms of our yield franchise and bringing all the pieces together.

A great American name, but over the course of 12 months, we provided $9 billion of capital in an opportunistic DIP and a $4 billion ABS securitization, and purchasing the fleet finance business of Donlen, and finally, $1.5 billion exit preferred, opportunistic, investment-grade, platforms, opportunistic, $9 billion of commitments, fully public process, approvals each long -- part of the along the way. We ended up holding of the $9 billion, $5 billion in a variety of our funds. We syndicated $4 billion. There is not another firm on the planet that could have executed this transaction.

Do not confuse scale of AUM with skill and ability, the ability to bring it all together, partner with the company, not be solely focused on one silo, whoever gets there first for a private credit opportunity, whoever gets there first for the DIP. We brought all of the four pieces together of our firm. In aggregate, scale matters, but you need to have the backdrop of organization, the cost of capital, the skill and the process. So again a proud moment, but you'll hear more about this today through my conversation, but many others and Chris after me in terms of the platform.

But this is not a first-time event for us. This is what we do. For 30 years, we've been a leader responding to secular change, whether it was the first BDC out there, whether it was the first European NPL fund, whether it was large cap origination. I sat in front of this audience a couple of years ago and talked about where the private credit was going, club transactions out of the syndicated market. And also what Marc talked about, the insurance, the ADIP product, these are what we've done time and time again looking around the curve, where the puck is going, and certainly, what we've laid out today in terms of our strategy and execution, long track record in doing so.

So why do we want to be the first mover? The economics are compelling, and whether it's in retirement services, asset management, by growing our platform for Athene and Athora not only their balance sheets, and how doing that creates other insurance companies who want to come to us, also what we did in dislocated credit with Accord, these all allow us to create scalable, repeatable enterprise value. That's what you should care about as a shareholder for our firm.

This first mover, the ability to look ahead, create these platforms, like we've announced the credit secondaries, these all are replicable and scalable to our business model. So how do we grow the franchise from here? Certainly, in 2021, lots of risks out there, probably not the best time to take duration risk, probably not the best time to go subordinate. But from our perspective, you need to really lean into origination, and this is not available to everyone.

You need to have the right people, process, experience and capital. And by definition, large-scale origination is a small club, and it's getting smaller every quarter. So our ability to be a first mover in the ocean of fixed income replacement, that's going to lead forever ability for us to generate greater returns.

As you heard Marc discussed, a point that we talk about is consistency over heroism. So if you have this scale and you want to create high-quality, low-risk spread, origination is controllable, it's scalable and really allows us to create that constant spread in that SRE model that Marc talked about.

And certainly, from our perspective, if you've got these 4,000 issuers and you can be a much greater solution provider, we're not just competing with one sponsor on a LIBOR plus 500 facility. It's been greater than that.

How do we finance them in their over parts of their business? Do we provide a triple-net lease solution? Do we provide a secondary solution? Building these long-term tools in our toolbox, this is what creates the stability of that SRE earnings and create stability of our long-term franchise and, again enterprise value.

The numbers are obvious. The business gets better every day. We take these tailwinds and apply them to that proverbial ocean that I talked about. You need to have the right model as an originator today. Funds are terrific. We have many funds for large scale origination in the non-investment grade ZIP code. We have a flagship vehicle.

But again what we're talking about in terms of fixed income replacement is far, far greater. And having that capital that's long dated and that matched ability, that's the differentiator of our business model. It's really shown the resiliency over the last two to three years, in particular, as we've accelerated growth and went through the last March and April with flying colors.

Let's dig a little bit deeper now into what I talk about this concept of private credit and how it's growing. Traditional origination on the left-hand side, again we love this business. It's been critical to us. We are a player like a handful of others in terms of direct lending, CLO origination, CRE origination, all those are very, very attractive to our business. But that's where the rest of the market is focused and is standing today.

Let me focus on the middle and right-hand box. The first is large cap origination and high-grade alpha. As I mentioned, the first scaled corporate solutions. In 2019, we sat in front of you and talked about the new marketplace of that Westinghouse and Gannett deal. We've committed one transaction over $1 billion. 2020, that number went to five transactions of around $9 billion. Year-to-date, we've made 21 commitments, $37 billion and we'll probably be at 50 -- 30 commitments for $50 billion by the end of the year.

The reality is large-scale corporate origination is turning into a club group. We're at the leadership of that in the marketplace. And for a variety of reasons, when you think about the $1 trillion of high yield on loans and the $18 billion of revenue, if it's not underwritten, issuers are coming to us because of our incumbency. That's only going to continue, and we want to harvest that opportunity across our platform.

The second is what we call high-grade alpha, and that simply is taking the concept that we talked about when Marc talked about the 150 to 250 over and applying in that Hertz transaction. One of those, the $4 billion ABS securitizations. We pushed aside many of the incumbent lenders because our ability to take down the $4 billion in one document, in one conversation.

And so for us, whether it was Hertz, whether it's the Abu Dhabi National Oil Company that needed to do a multibillion-dollar credit tenant lease, where, again we took 51%, syndicated the rest to other vehicles we have, or the situation in AB InBev, these are all situations where, for us, large-scale solutions are unique if you can bring it all together in an organized fashion. This is not something that people do as an amateur hour to hedge fund. That's a key part of our growth and a part of our Apollo edge.

The second, we'll talk about origination platforms, a critical aspect of our long-term growth. This is where we bring in, hire, bring in a proprietary team that has industry expertise, 5, 10, 15, 20 years of aircraft finance, of franchise finance, of auto lease finance like the Donlen situation, or Newfi, which we just announced yesterday and by bringing them in, providing them the capital for equity where we control that equity and then the ongoing flow of that business in terms of debt and securitization that comes to our balance sheet, this is the business that no one else in our industry is in today. These are differentiating factors. Again we love what's on the left. But the middle and the right, this will define our ability to succeed over the next several years.

The reasons are obvious why we're doing this. If we scale all three of our business, our traditional, our high-grade alpha and large-cap origination and platforms, we'll take a $49 billion platform 12 to 18 months ago, $80 billion today and $150 billion. We want to come in every January 1 knowing that we've got $80 billion, $100 billion, $150 billion of scalable, repeatable spread product that we can apply to our liability stream.

And again not limited by capital, but only how quickly we can scale this front end. This is the secret sauce, and we've built the machinery. We've spent the 10 years to really bring in the right people and the right processes and to generate those assets.

But again for us, it's this 10-year head start. It's how we've organized our business. It's taking the best and brightest of our platform in opportunistic, our equity business, our hybrid business and our yield business, and bringing that intellectual capital and focusing it after we've succeeded in the pond, really applying it to the ocean.

What will make this all work? As Marc said, it's all about people. If you built the preeminent leadership team in the yield industry, which Apollo was known at, the best and the brightest are voting with their feet. In the last 18 months, we brought in over 80 people who really share our vision of where the industry was, where it is today but more so where it's going for the future.

And this is critical. If the folks have the shared vision, and they see what's going on, they're joining our team. We're having, again great success by expanding it day in and day out around the globe. I'm going to pivot for a moment and transition to how we're broadening the distribution channel. Marc alluded to it for a moment ago, but this is really the concept of Apollo Capital Solutions in terms of our overall business.

In the past, a pretty simple business model. We held product on traditional third-party funds. You know the economics, established leader with LPs and consultants, still focused on that as a main driver. Certainly, we've talked about retirement services today a great driver for us, unique capital base, low-cost capital.

Finally, to round it out, it's capital solutions. This is really the syndication distribution business for us, but what it really has allowed us to do is really be a solution provider on the margin, on the competitive margin at the right cost of capital, and it maximizes economics across our platform.

What we've really done is we brought together the centralized origination of our platform, origination, structuring, syndication with a clear path of doubling this business that we've talked about from $250 million run rate to $500 million on a run rate basis.

We're going to do it because we have a large existing portfolio between private equity and our retirement services balance sheet. If you have the premier yield and origination platforms, and you can provide this excess flow, the reality is we have our 2,000 LPs. We have our captive platforms, but Craig will talk about the thousand and thousands of other LPs out there that can benefit from our ecosystem that we see coming knocking on our door, trying to do it. And certainly, we think with the fintech growth, will be distribution of the future, which we're excited about.

So the key takeaways. There's a massive opportunity. As we think about the transition from private credit to the ocean of fixed income replacement, you combine that with the low-cost capital from our origination partnership in terms of Athene retirement services, we then add capital solutions to us, you can see why we are excited about our future. We have an unmatched set of cards at the table, and there's no better set of cards to play for the next five years and double our business, which we've put forth today.

For those of you who like to spend a little bit more time having a deep dive, we put a -- John Zito, our Deputy CIO, did a great video on the detail of a variety of our vehicles, and I would urge you to watch that post this conversation today. With that, I'm going to toss it to Chris Edson. Thank you.

Chris Edson {BIO 16202118 <GO>}

Great. Thanks, Jim. Hi, everyone. I'm Chris Edson. I'm a senior partner. I've been at Apollo for 13 years. I started in the private equity group. And now I'm the co-head of our U.S. FIG business, and I spent all of my time on origination platforms. Marc talked about the excitement at the firm today about everything going on. I'm really excited to tell you guys today about origination platforms.

When we think about origination platforms, as Marc and Jim both mentioned, there is no excess spread left in liquid CUSIP markets, so we believe that we need to originate this directly. This is basically manufacturing and basically creating the factory to generate these assets on an ongoing and recurring basis to drive excess spread and to effectively create these assets at wholesale prices. This compares to -- we think it's much better than standing in line, fighting for allocations and effectively paying retail prices.

What are these origination platforms? They're living and breathing companies. They have management teams. They have dozens or hundreds of employees. They operate independently, have Boards of Directors. Some examples of these, we have commercial finance companies like MidCap and Redding Ridge. We have real estate companies like Apollo Net Lease and MaxCap. We have transportation, finance and other leasing businesses, like PK AirFinance, Merx Aviation, Donlen and Haydock. We have consumer finance businesses, like Foundation and Newfi.

What's really important is the types of companies that we're looking for are companies that have really long track records, that have really sophisticated management teams with a proven ability to generate stable returns and perform through multiple cycles.

A couple of examples for you. Donlen, our fleet leasing business. We acquired this earlier this year. This business has peak losses for the last 20 years of six basis points. MidCap Financial, our commercial finance business, has aggregate cumulative losses over the last 20 years of about 35 basis points. PK AirFinance, our aviation debt business, has average annual losses of about 11 basis points for the last 20 years. These are the types of businesses we're looking for.

What do these do for Apollo and our clients? For our clients, on our largest client, Athene, they generate both equity and debt deployment opportunities. On the equity side, we're targeting low to mid-teens returns, and these are really downside protected investments. As I just mentioned, we're looking for companies that have long track records of performance of very low losses.

On the debt side and the flow side, we're typically targeting high-grade investments, and we're looking to earn an extra couple of hundred basis points of spread. This all aggregates to generate this excess spread related earnings for Athene and for our other clients.

On the Apollo side, because we're driving significant deployment, we're also driving originations and syndications. This is what's really driving excess spread related -- fee-related earnings for Apollo.

In terms of quantifying this excess spread, we typically benchmark ourselves versus the liquid indices. We're finding that most of our platforms are generating a couple of hundred basis points of excess spread.

How do we do this? And what's driving this? It's really two main factors. The first is we're cutting out intermediaries, we're cutting out brokers, and we're going direct. Then second, we're providing customized solutions, and we're creating more value for our potential counterparties and clients, and that allows us to charge more.

This is my favorite slide. This is why I'm so excited to have the role that I have at Apollo. How are we different than all of our competitors? Investing is about a number of things. It can be about fundamental analysis. It can be about industry expertise. It can be about patients. But really, what it comes down to is having some sort of an edge, and we feel that we have a real edge in a couple of different areas.

First, in terms of capital structure, Apollo has always been known for capital structure, and this is where we really thrive in these investments. When our competitors are looking at these transactions, they're typically looking for equity investments only, and they're trying to raise third-party capital from others.

The problem with third-party capital and third-party funding and third-party debt is it's not always available. It's not always reliable. It's volatile. It's not confidential. It takes a long time to raise. What we have is we have the ability to show up and speak for the entirety of the capital structure, and this is something that we find none of our peers are really able to do. So when an opportunity is confidential or require certainty, we really are striving, and people can't compete with us on these types of opportunities.

The second thing that sets us aside is cross-platform collaboration. You'll hear more and more about this from others, but our firm works really well across the board. Our FIG and M&A teams and equity teams work really closely with our credit and underwriting teams. We work really closely with our capital markets teams, and then all of our insurance solutions and other structuring teams that help us manufacture these assets into consumable assets that drive excess risk reward.

And we find that most of our deal teams have 50 to 100 people that work on them to get one of these transactions done. When you compare that to our competitors, they typically have five or 10 people working on any individual transaction. It really isn't the same thing.

The last thing is our investment horizon. Most of our competitors are looking for transitory investments of three to five years. We're looking for permanent investments into perpetuity, and that makes a really big difference for our counterparties and for our management teams on how we focus on the long term.

A great example of this is PK AirFinance, a business we bought from GE Capital a couple of years ago. And most of our competitors had a team of five or 10 people, either an aircraft team or an equity team. They were focused on raising as much third-party capital as possible to try to invest a couple hundred million dollars of equity.

When we showed up, we had 75 people that worked on this transaction. We signed the transaction inside of a month. We committed to the entirety of the capital structure. It's a $4 billion commitment, and we have $2 billion of long-term deployment in this investment.

It's not just about the reward. It's also about the risk. When we have these direct relationships with our borrowers and our counterparties, we're able to do due diligence directly as opposed to reading summary reports. We're also able to control the credit pen and control the credit documentation. This allows us to put covenants in, something that you don't find in very many broadly syndicated loans anymore, and provide protection for ourselves.

Also by having these direct relationships, we're able to generate recurring origination volumes from the same borrowers. We're able to generate origination income. And by providing these customized solutions, we're able to charge outsized spread on these assets.

MidCap is one of our longest performing platforms. We bought this platform in 2014. It's a commercial finance business. It generates ABL loans, leverage loans, life sciences loans, lender finance loans and real estate loans. And MidCap has grown materially under our ownership. It's grown about sevenfold from an origination volume perspective, from that $2 billion of originations in 2014 to about $15 billion of annual origination volume today.

It does this with 200 employees that both originate, service, source and manage these assets. I already mentioned the losses that has incredible track record for about 20 years, and it's driven material deployment for Apollo and our clients, about $10 billion of total deployment.

And what's important to note is more than half of this is for clients outside of Athene and Athora, so true third-party clients that are part of Apollo. It generates tens of millions of dollars of management fees to Apollo every year.

This next one is an example of a signed transaction that has not yet been announced. It was an exclusive opportunity, and the counterparty only talked to us. They talked to us because they knew that we would be able to confidentially sign this transaction without involving any third parties for any of the financing.

So we've committed to the entirety of the capital structure. This will drive $3 billion of deployment for us across the debt and the equity. A lot of our competitors could have made this equity investment, but none of them can make this high-grade commitment to the debt side, which is really what differentiates our ability to get these transactions done. This transaction also will generate $45 million of fee income to Apollo into perpetuity.

How we think about growth? We have more developed platforms like MidCap and Redding Ridge, and we expect these platforms to continue to grow in the mid- to high single-digits organically. Then we have a bunch of high-growth platforms. These are some of our newer platforms, and we're targeting the same trajectory that we've been able to achieve with MidCap and expect to be able to achieve it for some of these.

Then we have a massive white space opportunity. It's geographically by expanding into Europe and Asia, but it's also expanding into very large asset classes where we have limited penetration today like consumer finance and trade finance.

Jim mentioned the flywheel. We think about this as a positive feedback loop. As we have more and more of these platforms, we have more products to offer potential counterparts. We can expand beyond traditional corporate lending, into fleet and equipment leasing and trade finance and other things, and we become much more relevant. And Jim gave the example on Hertz where we were able to create a number of different transactions with them over the past 18 months.

And really, when we think about this feedback loop, plus the growth that I talked about on the prior page, we're -- we have confidence that we'll be able to more than double our origination volume from $25 billion today per annum to $60 billion in five years.

The key takeaways on our origination platforms are: first, we're generating assets with excess return and lower risk; second, we're doing this at scale, tens of billions of dollars today and we expect to continue to be able to do that; third, we're generating significant fee income to Apollo; and then lastly, we have significant growth runway where we expect to more than double this business over the next five years. So with that, I'd like to turn it over to Craig Farr to talk about our Capital Solutions business.

Craig Farr {BIO 22382626 <GO>}

Good morning. As Chris said, I'm Craig Farr. I joined Apollo six months ago and thrilled to be part of the platform. I was chatting with Marc yesterday and he walked up to me and said hey. You've been here six months. I know we put a big budget on you, doubling revenues, but this has got to be the easiest job you've ever taken. So thanks, Marc.

Anyway so I am super excited. I spent almost three decades in the financial services industry. I started my career at Citigroup, where I -- my last role there was running their U.S. Equity Capital Markets Group. I actually worked on some of the pioneered permanent capital vehicles with Jim and Scott and Marc and others, also AAA, so I've seen the innovation through Apollo and Stephanie, too.

Then I was -- went to KKR. I spent nine years building their capital markets group and eventually ran their credit franchise as well. And most recently, I was at Carlyle as a senior adviser, providing advice to their credit and capital markets. So I've seen a lot of different businesses.

So I want to walk you through why I'm really excited about ACS. But before we do that, what you've heard already today is we're sourcing a lot of unique deal flow. That's the raw material. That's what really attracts me to the platform. And as Chris said, we're augmenting that with additional origination.

This has created the strategic imperative to create the centralized utility, we're calling Capital Solutions, to really syndicate to a broader market and also bring these solutions to the market in a cohesive way to our sponsors and companies as well.

So what is Apollo Capital Solutions? We define it in three pillars. The first, origination, you're hearing it all day. What Apollo Capital Solution is going to do is we're going to take all that origination that's happening across the whole firm, put it together in an integrated way and bring it to companies and sponsors, so they can easily see what capital we can provide. We'll walk you through on the next slide a very powerful case within that front.

The second, capital markets. We need to be competitive. We need to be fast. Jim talked about Hertz. That's a great example where we had a credit view, and we had speed to execution, and that's why we were able to win that transaction.

Then syndication. This is probably where I'll spend most of my time today. This is the easiest way to articulate the power of coordinating in an integrated way and broadening this out to a broader marketplace. This will give us a bigger bat to swing. It will give us -- win more business, develop new client relationships and, obviously income economics for shareholders.

So I talked about the power of bringing integrated solutions. Here's a great case study. Many people would think of Blackstone as a competitor, and there certainly are cases where we do compete, whether it's in private equity or certain situations. But in many cases, we are really now a capital partner. And by bringing all this to bear with Blackstone has really paid dividends for us.

In the last several months, we provided fund finance for their credit vehicle. We provided direct lending to one of their portfolio companies in Europe, real estate project finance. We provided a bespoke securitized financing solution to one of their tac-ops businesses. We also provided a large loan order in their Medline financing.

On the flip side, Blackstone has also been very active in our private equity portfolio. It's actually been one of the largest direct lenders of our private equity companies. So I think you see there's an ecosystem developing of illiquid capital where both franchises can thrive and grow.

So we talked a lot about syndication as the key here. As Jim said, opening up this broad market, right now, let's say we think we address maybe a $7 trillion market with some of our syndication products and co-investments. If we broaden that out to mutual funds, to hedge funds, family offices, we believe that addressable market moves to $60 trillion, and this is a critical tool for us, as we'll walk you through.

What this does for shareholders is and -- for clients is it's a multiplier effect. In the old world, maybe John Zito would invest $400 million in this fund. Stephanie would syndicate $100 million to LPs. Still a great transaction, still very profitable.

In new world, where we have confidence that we can also distribute to this broader market with these relationships with mutual funds and hedge funds. That should double the unit economics in fee-related earnings for that single transaction, $500 million to the fund, $500 million to LPs and third parties. This also, as Marc mentioned, helps us maintain diversification in our funds as well.

I talked about Marc telling me this is a layup, but he kind of he's right. This is -- this business has all the tools to thrive inside of Apollo. We have the differentiated capital base, you've heard a lot about. That's being able to walk in to Blackstone and tell them the five or six things we can do is pretty powerful.

We have partnerships with the banks. We're not trying to disremediate. We're trying to partner with them. We're in the market this week with Polynt, where we underwrote the original EUR 1.3 billion underwriting, but then brought in JPMorgan, and we're partnering together in the market and distribution. Lots of ways to still work really well with the banks.

Relationships, Stephanie has built an amazing business of LPs and relationships, and she's going to talk to that. Then you've heard about origination all day. So we have so much raw material to work with. All my job is, is to integrate all this together and bring it to the market in a seamless way.

So as any business, we have to make sure it helps all stakeholders. We've walked through how sponsors and corporates and banks benefit from one-stop shop, structuring expertise, coordinated coverage. Our LPs, you're hearing they want both funds and co-investments. We can do both and do both well. Then shareholders, of course that should translate into greater fee-related earnings.

As Marc said, we're anticipating doubling this business over the next five years, and a lot of this should fall right to the bottom line because, really, all we're doing is amplifying the work that's occurring across the whole firm.

We've talked about the importance of fintech. If you've heard from Marc, innovation is a key focus. You're already starting -- we believe, today syndication is very labor intensive. It's a salesperson to investor. Over time, that's going to evolve. It's going to end up being much more digital. We're already seeing that in funds and yield products, and we think direct investments will be the next frontier.

So in closing, we're investing in ACS to drive a centralized integrated platform. All these dedicated syndication and origination efforts connect the dots between all the investment professionals and the addressable capital that's out there. And lastly, this should -- it will accelerate our fee-related earnings growth. And now I'll hand off to Scott Kleinman, our Co-President, who will speak to our equity and hybrid franchises.

Scott Kleinman {BIO 2322865 <GO>}

Okay. For those who don't know me, I'm Scott Kleinman, Co-President of Apollo. I've been with Apollo for the past 25 years, spent most of my career on the private equity side and ultimately leading that business of several years and then about 3.5 years ago was named Co-President with Jim Zelter.

So I'm going to spend the next few minutes talking about our equity and hybrid business. I think this is probably the business that most of you are most familiar with. It's one of the largest platforms in the industry, almost $135 billion of assets under management.

The equity business has been a cornerstone of Apollo since we were founded. We're known for our flexible investment mandates, our focus on valuation, our focus on complexity to find that valuation.

Our hybrid strategies are newer to us, but similarly bring a lot of flexibility to the investment profile and offer some of the best risk rewards that we see on the Apollo platform. We'll talk about that in a few slides from now. The takeaway here, though, this platform has been incredibly active over the last year, $25 billion of deployment, $15 billion of return of capital.

So this business has also been a growing business for us. We've doubled this platform over the last five years. We look to grow it by 150% or more over the next five years. As we go through the slides in this section, I think you'll see the assumptions underpinning that growth are actually quite conservative, and there's probably a lot more upside as we'll talk about.

So why don't we dive -- deep dive into our private equity business? This, like I said, has been our core franchise for 30 years. We have a 30-year track record of 39% gross IRRs, but that's not just legacy.

Our current fund, Fund IX, which is a $25 billion fund, our largest fund ever 75% committed at this point, and that's sitting on a 49% IRR. Both Fund VIII and Fund IX, our two most recent funds, are in the monetization curves right now, Fund VIII extensively so. '21 was a big return of capital year for Fund VIII. The next 18 to 24 months, we'll largely fully monetize that fund. Fund IX is just starting its monetization curve. We've had some realizations this year, and we'll continue to do so for the next several years.

Both Fund VIII and Fund IX are performing well. Both of those funds will be north of a 2x. Fund IX, probably pretty extensively so. That's a good segue into Fund X. So I've been out talking to investors for the last several months, and I am extremely confident that when we launch Fund X early next year that, that fund will ultimately be as large or larger than Fund IX.

So let's talk a couple of -- about a couple of the differentiating factors of our equity business. First and foremost, of course is our differentiated investment philosophy, right? In a world where most of the private equity industry has seemed to have shifted towards a growth equity investment strategy, Apollo has stayed very true to its value orientation. Our investors not only give us capital for that reason, but appreciate that we've stayed true to that strategy. They haven't sacrificed returns, and we've been able to find amazing transactions in what we do best.

Other tools in the toolbox, you heard from Craig about our Capital Solutions business. It's great for the firm, but it's also great for our PE portfolio. Our portfolio solutions team, this is a platform we've been building for several years. In particular, in recent years, we've been investing in digital transformation, data analytics, innovation, which has really driven value again to the portfolio.

Then lastly, our investor base. Historically, we've been heavily skewed towards institutional investors. Thankfully, we have a broad and deep set of relationships in a year like that -- in a year like this, I really appreciate that.

But going forward, we have multiple channels. Our wealth management channel, which you'll hear from Stephanie, we're investing heavily. That will be a factor in Fund X and going forward. Then our retirement services business. You heard from March, historically, it's been a big investor in our yield platform, in our hybrid platform. As it scales, it's going to become a more relevant investor in our equity business as well.

Okay. So turning to hybrid. The first question is, well, what is hybrid? Not everybody uses the hybrid definition. And certainly, other people define it differently. For us, hybrid is where we fill the gap between traditional yield and equity with a suite of flexible investment products.

As you've heard from Marc and me, it literally is some of the best risk return that we see across the entire Apollo platform. Its hallmark characteristics are it's highly structured, it's downside protected. Often, it's opportunistic in dislocation, well positioned in the capital structure. But perhaps, most importantly, from a standing start about five years ago, this represents over -- almost $50 billion of capital today and will continue to be a big part of the growth curve of Apollo.

So why is this such attractive investment capital? It really comes down to two sides of it, the demand side and then the capital formation side. On the demand side, right, this is just a really interesting piece of paper to a company, right? It's less expensive than equity, and it's more flexible than traditional credit.

Why wouldn't a company love this type of capital? It's typically very bespoke to the needs of the company. And as a result, huge demand, we're seeing -- as we've grown in this market, we're seeing a huge reverse inquiry for our product.

On the capital formation side, Marc touched on this earlier, but it's actually quite interesting. Institutional investors like to bucket their investments, equity, credit, real assets. By definition, hybrid lives in the space between these buckets. So most institutional investors can't allocate to this category. And as a result, it leaves, for those who can, just much more attractive investment opportunities to go pursue.

Okay. So on this next slide, what I wanted to do was give you a sense of how we think about growth of this platform. I've divided the businesses into slightly different categories starting with mature. These are our flagship products, so businesses that have been on the platform for many, many years.

We've established market leadership, performance leadership. We have very good visibility into the deployment of funds, and we have a good sense when the next funds will come. The working assumption is that each fund will be similar to or slightly larger than the last fund.

Next, we have our scaling strategies. These are businesses that are newer to the platform, but have been around long enough to establish performance leadership, our understanding of the addressable market and the belief that there's huge room to grow. These funds will typically come faster than our flagship funds, and fund will be meaningfully larger than the last fund.

Then lastly, we have our emerging strategies. These are typically first-time funds where we like the market, we've built the teams, and it will just -- time will tell how fast we can scale these businesses.

So what are we counting on here? Well really, not a whole lot, right? This is very straightforward. It was very mechanical. We know how to do this, and the timelines are pretty well understood. We've got great visibility over the next four, five years and feel really, really good about what we've put on the page here. In fact, if anything, there's probably more opportunity to speed up funds and scale even larger than we've embedded in our base case.

And speaking of scaling businesses, part of the reason I feel so good about the ability to scale these businesses, in addition to just the stellar performance that each of these funds are delivering, is laid out on the page here. We've shown our AUM in the category versus the market leader. And as you can see, we have huge room to grow.

Secondly, if you look at the numbers in the bubbles at the top of the page, really interesting. So this is the amount of co-invest that we've issued in our most recent funds in those fund families. In each instance, it's 100% or more of the size of the fund.

That tells me two things. One, that our deal teams are deploying twice the amount of capital than their fund size. Two, investors like the product we're finding and want more of it. Both are really good indicators that the next fund is going to be meaningfully larger than the last.

So taking a step back, when I think about our equity and hybrid businesses, they really center around four key themes that are consistent across all of them. We call them our pillars, and I'll walk through each of them.

First and foremost is our team, right? What you're looking at here is the leadership of our equity and hybrid businesses. On average, 22 years of experience, more than half of which is at Apollo. In fact, a number of them have spent their entire careers at Apollo, that promote from within culture that we talk about a lot.

They lead a team of about 300 investment professionals. And as Marc alluded to earlier, our yield business handles thousands of transactions a year, right? It's all about the repeatable processes, the underwriting structures you put in place.

In our hybrid and equity businesses, lot fewer transactions, every transaction matters. It all comes down to the team, and I couldn't be prouder of the team that we've built here. Really, I would argue, the best in the equity business.

Our second pillar is our investment philosophy, value orientation with a growth mindset. So what does that mean? That means we're looking for good companies, but purchase price matters. We care what we pay. Purchase price is a huge determinant of downside protection. It's a huge determinant of upside capability.

This is something, like I said earlier, in a world where so many of our peers have drifted their strategy towards much more of a growth orientation, our investors look to us to provide the diversification to their portfolios and deliver the type of returns that we've been delivering.

All right. A corollary to this is our integrated platform. You've heard a number of examples of this today from Marc and Craig and Jim. But the platform is absolutely critical. Other firms may talk about having integration. But I promise you, nobody delivers an integrated platform the way Apollo does.

All 2,000 of our employees sit on the same side of the information barrier, the collaborative culture, the one-firm mindset This is a huge competitive advantage for Apollo. It allows us to do better deals. It allows us to avoid bad deals. It's absolutely mission-critical.

Third, of course is performance. We consider ourselves an investor's investor. You can't do that if you don't have top-tier performance. Thankfully, across the board, we really do. Then lastly, modernization, right? I'd just spend a minute ago talking about our consistency of our 30-year strategy. But of course you always want to improve yourself, make yourself better every day.

I touched on our portfolio solutions team, where we're bringing digital transformation to our portfolios, but we recognize we don't always have the best talent inside the firm. So we've partnered with groups like Motive and Figure and 25madison to drive that value into the portfolio. You should look out because we're going to continue doing things like this.

So this is a good place to pause. Everything I've talked about thus far relates to the base case, the numbers that I've shown you. The next slide here talks about upside to those base case numbers.

Of course like other parts of the business, we're always innovating. We're always pushing into white spaces. I've laid out here on the page a number of places where we've already been pushing into through other pools of capital around our core private equity business. I would anticipate in the coming quarters, you will see more of this, including dedicated funds in these areas and others.

So lastly, just as I wrap up for our equity and hybrid business, the big assumption here is there are no big assumptions. We know how to do it. We know where to do it. We know what we're doing. This is a fairly predictable business for us, and we intend to keep pushing on our core platforms, scale our scaling platforms and then, of course delve deeper into the white space I just highlighted.

If you want to learn more about our equity or hybrid businesses, David Sambur and Matt Michelini, two of the leaders of those businesses, have put videos on our website. I strongly encourage you to go visit those.

I was supposed to now tell you that we were going to be taking a 10-minute break. But unfortunately, somebody ran over their time, so we lose the break. There is refreshments outside if you feel the need, if you're fading and need a little bit more. But otherwise, we're going to switch over to our retirement services business.

So retirement services, you heard from Marc a little bit earlier extensively on the retirement service business. You're going to hear from Jim Belardi in a few minutes about a deep dive on the Athene business that we're acquiring.

But I thought I would give you a little bit of perspective because I sit in a fairly unique position. I grew up on the asset management side. But for the last several years, I've sat on the Board of Athene and Athora. And as part of my duties, I really deep dive into our retirement services platform, so I can give you a sense of what you should be thinking about as you look at this acquisition.

So first off, retirement services is a growing business just like all our other businesses. We've tripled the business -- or more than tripled the business over the last three years and intend to double it over the next 5. You'll hear about our organic channels, our inorganic channels. Again I think you're going to come away from this presentation thinking we're massively underestimating the scale of where we can take this business.

Secondly, what is retirement services, right? We've been talking about it. Other people talk about it. We define it in a very specific way. It's a spread business generating investment income for retirees, right? It's a simple, stable, predictable way to generate spread-related earnings. What it's not are complex liabilities, like variable annuities, long-term care, traditional life insurance with all the associated mortality and other risks.

Ultimately, this is a simple spread lending business, and this business raises capital in a very similar way to Apollo, right? Apollo accesses the institutional markets for capital, so does retirement services through pension group annuities and inorganic transactions.

Apollo accesses the retail market to sell product, so does retirement services through its retail annuities and flow reinsurance business. And Apollo accesses the capital markets through cap -- for capital solutions and syndications, and so does this business through funding agreements. Ultimately, this is just an asset management business in another format.

So what's the key, right? The key to success, you've heard it all morning, the key to success is the ability to generate safe, predictable, recurring yield, right? That's why we're so maniacally focused on direct origination, right? You heard it from Marc. You heard it from Chris. You heard it from Jim. This is the key to success.

And because Athene's balance sheet is 95% investment grade, right, we don't need huge outperformance to be successful, right? You can see it up here, 30 to 40 basis points of outperformance on the asset gives us the ROE we need to go from mediocre to best-in-class. With the power of our yield platform, this is a stable, predictable and profitable business.

Okay. So I've established that we've built like a great platform here. Where are we going with this, right? And this is the exciting part, right? Today we serve the retirement service business in North America through Athene, in Europe through Athora. We've talked about moving into Asia and Pacific with our Challenger investment in Australia, our FWD investment in Hong Kong, our reinsurance partnerships in Japan.

But for all of that, we're still just a drop in the bucket. This is a huge addressable market. We represent less than 2% of the market. And by the way Europe and Asia, massively fragmented, massively. We intend to show the same type of leadership we've shown in the U.S. in those markets.

Secular tailwinds help as well, right? Billions of people becoming retirees over the coming years. No ability to find yield in the public markets, right? This should be a bonanza for retirement service products, right?

But what's happening in the industry? What's happening is that traditional insurers are getting out of the market. Why are they getting out of the market? Marc talked about it earlier, right? 20 years ago, these companies outsourced much of their asset management to the BlackRocks and the PIMCOs and the DoubleLines, et cetera. That was great at generating alpha 20 years ago, but in the subsequent 20 years, all that alpha has been squeezed out of the public markets. Those firms can deliver you really low-cost, attractive beta for that part of your balance sheet. But if you want alpha, you have to do what we've been doing, which is building these direct origination platforms. These companies haven't. And as a result, they're making the right decision to get out and taking that capital and redeploying it to other parts of their business where they can be profitable.

And we've been a huge beneficiary of that, right? Over the last decade, we've completed 12 sizable transactions, numerous smaller transactions. Every single one of these has been a win-win. A win for the seller. They got out of a business they can no longer operate profitably and are able to redeploy that capital elsewhere in their business. We picked up some really interesting, really attractive liabilities that we were able to apply our asset mix and enjoy that proper spread income.

So now when you look at the growth prospects of the business, this starts to look actually incredibly conservative. We feel incredibly good. Jim Belardi will walk you through in more detail the buildup of this. But in my belief, there is massively more upside to what we've laid out in our base case here.

So again a good time to pause and really take a step back, right? For the last 10 years, I've been talking to many of you, the equity markets in general, our competitors about what are we up to in the retirement services space? Why are we spending so much time here? Well we're hoping that you're starting to understand. Certainly, our competitors have started to figure this out over the last couple of years as they've been moving rapidly in this direction.

But like the slide says, imitation does not mean replication, right? We've spent 12 long years paying our tuition, really learning this business from the bottom up. We've invested massively in people, in product, the hundreds of people who sit on the Apollo business today focused on insurance and retirement services. The 1,000 people on our direct origination platforms that are sourcing product every day for our retirement services business. The billions of dollars of capital that we've raised for the retirement services business, and now the full alignment upon completion of the merger of Athene and Apollo. This is what it takes to be successful in this industry. Time will tell if some of our competitors have the fortitude and staying power to do what we've done.

So before I hand it over to Jim, I just want to leave you with what we're looking at here as opportunity. A huge M&A opportunity in Asia and Europe where there is massive fragmentation and in need of market leadership. A pension group annuity business, where we are the number one player in the U.S. Europe is just as large, but in the early innings of that game, again we intend to show leadership there. Then lastly, on new product side, whether it's insurance wrap solutions, annuities to 401k holders, these are potentially huge markets that, again Apollo will show leadership in. So with that, thank you. And I'll now turn it over to Jim.

Jim Belardi {BIO 16440022 <GO>}

Good morning. Delighted to be here. I'm Jim Belardi. I'm CEO of Athene. For those of you that don't know that much about Athene, although you've heard about it a bit from Marc and Scott and others, we have a very simple business model. It's make more on your assets than you pay in your liabilities. This generates net investment spread, which is very predictable and reliable. That business model was based on the SunAmerica business model, where I worked for 20 years before I worked with Apollo to start Athene. It was a fantastic place to work.

How do we generate net investment spread? Well we start by funding ourselves and we fund ourselves by issuing, reinsuring and acquiring principal-protected investment products in the retirement savings area. We invest those funds with Apollo into a high-quality investment portfolio and we benefit from keeping 100% of the upside from our investments.

We have at least five distinct competitive advantages that benefit us every day in the marketplace. We outperform on the asset side. We source low-cost, persistent, reliable liabilities, so we can invest with certainty behind them. We're able to add large amounts of business with only very little incremental expense. We have a highly rated, strong balance sheet with excess capital. It allows us to be opportunistic as opportunities come along. And unlike others in our industry, we have no legacy issues based on when we started the company after the financial crisis. And maybe our main competitive advantage is our ongoing accessibility to third-party capital from our relationship with Apollo.

Another advantage and a huge one for us is our management team. It's not even close, that it's the best management team in the industry and in the business. They're smart, deeply experienced executives and it's a combination of very strong financial services experience, with also specific industry experience. Our 1,350 employees are focused and disciplined across three countries and we don't get distracted. I mean being able to do the largest reinsurance transaction in the middle of the pandemic, partly working remotely is testament to the work ethic and focus of our employees.

We create value through outperformance on both sides of our balance sheet. We've talked about the asset outperformance from Apollo on the asset side. We have a highly efficient cost structure and we drive superior returns from our business model and execution. That outperformance ROE is upwards of five points versus others in the industry.

The nature of our asset portfolio starts with the nature of our funding and our funding is long-term, persistent and reliable. 75% of all of our liabilities are either nonsurrenderable or have significant surrender restrictions. The weighted average life of these liabilities is nine years. Through every crisis that I've been associated with, even before Athene, Covid, the Great Financial Crisis, surrender rates do not pick up. Customers hate paying surrender charges, and that dissuades them from surrendering their policies.

We generate compelling organic and inorganic growth. When we're able to do both at the same time, our model is very compelling. We've talked about our ability to be with Apollo, a solutions provider, and we've been very successful at that. We've talked a bit about that. So I'd like to talk for the next few minutes about our organic business and our four product offerings in the retail space, the pension group annuity, flow reinsurance and funding agreements.

Before I get into the details of that -- so we built -- we started in the middle of '09, that funding from Apollo. We built the company with Apollo to $60 billion through M&A and block reinsurance. Our business model always anticipated that we would go -- would be a public company, be able to access public markets. And as we are thinking about the timeline for that, we said to ourselves, Well are we going to attract the appropriate high market multiple if we're just a roll-up M&A strategy? We thought maybe not. So we better pivot and add organic growth to our platform.

But that's easier said than done, and you need ratings to do that and we had none. But we had the single most important component of the rating process and that's capital. So we worked at getting ratings and got BBB ratings, then A-, then A and now we're at A+. With those increase in ratings and improvement in ratings, our organic growth has mushroomed. So over the last eight years, it's increased 11-fold. And maybe more importantly, we're the number one in each of our channels: number one in retail, pension group annuities, funding agreements and flow reinsurance, essentially starting from nowhere. So it's been a fantastic story. And 2021 will be our best year ever in organic premiums in the mid-$30 billion.

And even though we've been very successful in our organic business, we think we've only scratched the surface. The total size of the markets in which we participate are huge and we only have about 1% market share. So there's huge upside from where we are today going forward. Let's start with some points about our retail business. We're the leader in the fixed indexed annuity market, a position we've grown into when we unseated Allianz recently, which had been the traditional leader. Success has been driven by our product offerings, being a leader in the independent marketing organization space, IMOs, and growing our bank and broker-dealer distribution.

Regarding pension group annuities. This business exists due to the macro trend of companies moving from defined benefit plans to defined contribution plans and there's a need for solutions for their old pension plans that are underfunded. We entered this business in 2017. Credit goes to Bill Wheeler, who knew about this business from his time at Met. He hired Sean Brennan and that combination has led to our success.

This business levers a lot of the competitive advantages we lever in other parts of our business like our retail business. But in pension group annuities, we're doing it in much bigger size. We've completed several notable transactions that provide pension solutions for blue chip companies. We're on track for our best year ever this year in this space and we expect that our momentum in this space will continue in the U.S. The U.K. where we've done the transaction.

Funding agreements actually was the first organic channel we founded the company upon. But as I said, this is a very ratings dependent business funding agreements. It was the principal source of funding at my alma matter, SunAmerica back in the '90s. We started this business. It's grown into a more than $250 billion market. And Athene now is the top issuer in the market. It's the simplest and cheapest source of funds that we have and therefore, the highest return. And now that we have the strong ratings and we're combining with Apollo, our premiums have mushroomed. It's now Athene's biggest funding source.

Then finally, flow reinsurance. I think we've historically been the market leader in this space. We've been active as a reinsurer for many years. It really exists because our clients rely on us, in our capital position to provide some capital relief for them. Some of these companies are larger than us, better rated than us, but still want capital relief. We're not really risking cannibalizing our retail business because our counterparties in this space are really in a different distribution segment of the market. So it's really complementary to our business. It does not hurt our existing business. We are expanding geographically here as well. It was mentioned earlier by Marc that we have now two arrangements -- flow reinsurance arrangements in Japan, and they're going very well.

Let's talk a little bit about capital. The capital we need to run our business starts with our large, predictable and growing earning stream. And about 80% of those earnings convert into cash flow. When we combine those earnings with the capital release from runoff of existing business on our balance sheet, it's huge capital generation. Then when you combine that capital generation with our current stockpile of over $4 billion of excess equity capital, $3 billion of untapped debt capacity, another $1 billion of sidecar capital, as we've said in the past, it provides buying power right now for us of over $100 billion.

And how do we use this capital? We use the capital four ways -- to fund and support both organic and inorganic growth; ratings upgrades, which we think there could be more now that we're combined with Apollo; and share buyback. We think we'll continue deploying these areas going forward in a more capital efficient way with Apollo.

Next, I'd like to talk about the Apollo/Athene Dedicated Investment Program or ADIP. It's an on-demand capital pool. That was the first of its kind, very creative. I give Marc credit for that. We've used more than half of that available capital to support growth on our balance sheet. This helps us to grow in a more capital-efficient manner. We don't have to speak to the entire capital stack and transactions that we do. It's very profitable in that were on a wrap fee when business goes into ADIP. That adds upwards of three points of ROE to the business. We fully expect that when ADIP 1 is exhausted, there'll be ADIP 2 and 3. We should never have to issue capital when we don't want to or issue equity when we don't want to through the capital markets. We'll keep doing ADIP.

Asset management has been mentioned as another one of our competitive edges with Apollo. We've constructed a high-quality liquid portfolio, optimized for two key things -- yield outperformance and downside protection. We've done those, I think quite well over the last 12 years. Our portfolio is comprised of mainly high-grade senior secured fixed income instruments across a diversified range of asset classes. You've heard a lot about the importance today of proprietary asset origination. I've seen firsthand how important that is to our business model and what a big contributor it's going to be to our performance going forward.

This brings us to risk management, which is core to our success. It's embedded in everything we do on both sides of the balance sheet. We don't add any asset on our balance sheet unless we've figured out and run cases as to how it's going to perform in a crisis. We're mindful and focused on matching asset liabilities on both a weighted average life basis and on a duration basis. And again downside protection is the key for us.

We're leaders in transparency around our credit quality and the projected impact to our business when a stress event happens as we were the leader coming out during the middle of the pandemic in March 2020 with a discussion about this. We're in an annual cadence. I think as Marc said, of publishing this information and our latest addition will be released on the Athene Investor Relations website today after the market closes.

Here, we illustrate the types of recession scenarios we simulate. We evaluate potential baseline and deep recession scenarios akin to the Lehman event. These stresses are aligned with our risk appetite and consistent with our historical -- with historical dislocation events we're all familiar with. The reality is we just don't lose much money in either a recession or a deep recession.

Because of the focus on risk management and focus on downside protection, we've had very low credit losses during the 12 years of Athene. If you think about doing a dislocation, we started the company after dislocation after Lehman. So it provides large opportunities for our business to jump-start profitability even further than we have in the past. We can load up on attractive assets that are priced more cheaply than typical and/or add liabilities like we did when we started. And a real-world example, just recently, in Covid, we executed the largest, I think the second largest inorganic transaction in our history and maybe the largest block reinsurance transaction with Jackson right in the middle of the pandemic.

So in summary, we have a very simple business model, very predictable, growing earnings. Our liability profile stable, reliable. We're the market leader in all four of our business avenues. We're very conservatively capitalized, have a history of being very opportunistic, a proven 12-year track record of minimal credit losses.

And I just want to add one more thing since Marc brought up SunAmerica a couple of times ago -- a couple of times today. It was a great place to work, and we based the business model of Athene on it. But regarding valuation, I just want to end with one more point. So the Apollo-Athene merger, essentially Apollo is merging with Athene and basing Athene's valuation of about 1x book. AIG bought SunAmerica in January of 1999 for 6.6x book. Different time, different environment, but that kind of gives you a little bit of perspective of why we think Athene is so undervalued, and there's huge upside in the valuation just from the Athene side.

Thank you very much. I've really enjoyed talking with you. I'm really excited about the combination of Athene and Apollo going forward. It's going to be a financial juggernaut and a huge solutions provider. Thank you. All right. I want to introduce Stephanie Drescher now. I'm sorry. Thanks.

Stephanie Drescher {BIO 6802325 <GO>}

Thanks, Jim, and good to see all of you today. For those of you that I have not yet met, I'm Stephanie Drescher, I oversee the client and product function for the firm globally and I am personally focused on the build-out of our global wealth channel that we'll speak about today.

To set the stage, we have four businesses that raise capital to serve the needs of our investor base. Retirement services and capital solutions were well covered by Scott and Craig. So I will focus my time today on the institutional and the global wealth management segments and really excited about the future of both of these businesses.

From the institutional perspective, you've heard me cover before, we focus on pensions, sovereign wealth funds, third-party insurers, et cetera. And global wealth, just to make sure that we're all on the same page, we will focus on private bank relationships, wirehouses, the independent channel, both through IBDs and RIAs as well as family offices. We have been in these markets for decades, but it has been more episodic. What you'll hear today is that has meaningfully changed. Our investor franchise is strong, 1,500 LPs and growing, geographically diverse in fact 64 countries, a variety of investor types and size. These relationships run deep with great longevity. On average, our investors have been with us for a decade and nearly 150 client situations for over two decades.

We also importantly continue to expand our relationships. So such -- even from just the beginning of last year, we have added 200 new LP relationships to the Apollo family. We also see our relationships continuing to grow with us across products and strategies. It's important for us to see that cross-sell. If you look at our 50 top clients, just by way of example, a decade ago, they had committed to approximately five of our offerings. As we fast forward to today that's more than double.

We're a solutions provider at heart, whether it's for an institutional client or a global wealth, we are, as Marc mentioned earlier, looking to provide and do provide excess return at each point of the risk/return spectrum. We do that, as you've heard throughout the morning, by offering access to yield, hybrid and equity opportunities. What you may not know prior to today was how quietly we were building up our third-party capital in the yield segment, in particular.

Today that is approaching $100 billion of assets from third parties versus -- that's double from where we were just five years ago. We are well positioned to accelerate that growth from here by either scaling what we currently have and/or providing new opportunities going forward. We see a massive opportunity to grow our footprint. In addition to the institutional market, we have made a strategic decision to turbocharge our commitment to the global wealth channel. Why now? It's a market that is 2x the size of the institutional, yet they're under allocated by 2x to 5x to alternatives. In addition, as mentioned earlier, the demographics continue to change, especially in relation to wealth transfer, where over time, as baby boomers age, there is an expected $70 trillion that should pass to the next gen.

And finally, I do believe in the democratization of finance and the ability over time for high net worth and mass affluent investors to continue to gain greater and more efficient access to a number of high-quality alternatives as we move forward.

At Apollo, we're experiencing strong fundraising momentum. Typically, as many of you know, we raised between $15 billion and $20 billion a year in a nonprivate equity flagship period. Despite losing some growth over the last 12 months due to the headlines, we are still on track for a record fundraising year in '21. We're also in great shape to execute against our fundraising goals going into next year, inclusive of Fund X, where we expect to go to market with strong investor demand. In fact, we believe next year should be our best organic fundraising year in our history. Our 5-year base plan has what we believe are modest expectations for our institutional growth. Approximately $5 billion of incremental dollars raised where we have great confidence, given the breadth and depth and current expansion of our institutional business.

Scaling global wealth is our key bet. The positive trends in the industry coupled with our brand, our track record of performance, the breadth of our product capabilities and innovation, we believe, sets us up for great success. We anticipate that this business will grow from only 5% of the capital that we raise today to 30% and maybe more going forward. Given the magnitude of the shift in the market, we believe that the $15 billion future target per annum here, the target that you see is modest in the past -- and given the potential that we believe we have over time.

We are committed to making this initiative a success. And in fact, have been laser focused on critical hires that will position us for that. So we already have 20 people in place. We have our Head of Private Banks and Wires here in the U.S. We've hired a Head of Global Wealth Asia, a Head of Product Development and many others that will help us to achieve our longer-term goals. We recognize the pieces of the puzzle that need to come together here and are highly committed to doing that quickly. By the end of the year, we expect to be at 30 around the world. If we fast forward to the end of '22, we expect we'll be halfway to our longer-term headcount goal.

Importantly, we're already building great momentum with our global wealth partners. I just want to give you a few examples today and these are but a few of the relationships that -- and the pipeline that we are building, both in the private banks, the wirehouses as well as the independent channel.

So we did a bit of an experiment in late August. We had a new SPAC offering with one of our bank platform partners. We knew it was late August. In fact, it was going to cross Labor Day yet we gave them $200 million of capacity. In only nine days, they had demand well exceeding the capacity. This week, we're actually launching with a bank platform, our Hybrid Value Fund II, building on institutional momentum that we have for that strategy. And next month, we're going to launch in a global wealth platform, our private credit BDC. You may refer to it as A cred [ph]. We will start with this platform as an anchor. Then going into next year, we already have about half a dozen relationships that are interested in building on that momentum.

Then final example is with Fund X, where we have a number of interested global partners that would like to offer Fund X in their system to their clients going into next year. So lots of great tailwinds here. We recognize the commitment and the investment that we need to make, and it's well underway. We want to deliver a world-class experience to our clients across the institutional as well as the global wealth channel.

Product innovation. I think many of you know it's in our DNA. It's critical to what we do and we are constantly looking for opportunities across our integrated platform to weave together our investment capabilities, our view of the market opportunity and investor demand. We continue to develop new products that reflect the evolution in the investment landscape as well as the investor interest level. So you will see, and frankly are already seeing a range of our product from qualified purchaser through to the mass affluent. So we look across our new strategies. Just this past year, we launched nine new strategies and you'll see more to come.

I'm really excited about our growth trajectory from here. The strength of our institutional business based on its breadth and depth, our massive opportunity ahead in global wealth and our strategic commitment to that success, and ultimately our 5-year plan, which I have great confidence in and the possibilities for upside potential beyond that.

Before I pass it over to Blythe Masters of Motive, I wanted to mention as we look forward to the future of distribution of alts, the important role that technology plays in it. It's exciting to think about the possibilities and what technology could mean for the experience of a client throughout the investment life cycle. Our partnership with Motive and with Figure have already provided great and valuable insights, and I'm sure you'll hear much more about this going forward. So with that, I'll pass it to Blythe Masters. Thank you.

Blythe Masters {BIO 2299977 <GO>}

Thanks, Stephanie. Good morning, everyone. My name is Blythe Masters, and I'm the only non-Apollo person who's going to be up here this morning, which means I'm going to need to explain what in F I am doing here. My background is, like several others, I have spent more decades than I'm actually going to admit to in and around the financial services space and more recently, the fintech space, spending the first 27 years of my career at JPMorgan where I started when I was 12.

When I left JPMorgan, which at the time I thought was well thought through and strategic and self-initiated, but it turns out it was actually a byproduct of the inevitability of Dodd-Frank, I had reached a view that what was going on in the fintech space was both fascinating and quite profound and little understood. That led me to spend the subsequent years of my career focused exclusively on the fintech space. Initially at a tiny start-up that was a very early mover in the enterprise blockchain space with a company whose technology today lies behind the ongoing replacement of Australia's entire post-trade clearing and settlement infrastructure for securities. And more recently, I've been working on the investing side of the fintech space as a founding partner with Motive Partners who, as you've heard, just recently entered into a significant strategic partnership with Apollo.

Now he hasn't come quite out and said it yet, but I have a feeling that as the individual who was one of the architects and one of the ongoing advocates of that partnership, Marc thinks that this is the easiest second full-time day job that I've ever had. So today I'm going to walk you through the details of the partnership between our two firms, which brings together the scale, the acumen, the brand, the balance sheet capacity of Apollo with the fintech specialization and talent at Motive.

And we'll cover our view of the emerging fintech landscape, importantly, how Apollo can play a variety of important and different roles in that landscape and how we're positioning the firm for success. Now this slide shows just one of countless statistics that we could have shown to illustrate the scale of the expansion of opportunity in the fintech space in recent years. The interesting question, of course is why is this happening? And I'll point to at least three phenomena.

Firstly, we're living through an era where we're seeing becoming of age simultaneously of a number of technologies that individually are powerful, but collectively represent an almost irresistible force. I'm talking, of course about the expansion of Internet bandwidth capacity, development of cloud, APIs, micro services, big data, machine learning, artificial intelligence, cryptography, DLT, I could go on. With this renewed toolkit, many young technology companies are turning to the ripe space and enormous space of financial services. What they see when they get there is something that, frankly, most 12-year-olds could have done a better job designing.

The fact of the matter is not many of us would have bet upon autonomous vehicles on our streets occurring before we reached T+1 settlement. So there's a long way to go before the kind of technology transformation and financial services is fully played out. In short, fintech is becoming so pervasive, so relevant, so diverse that no self-respecting financial services company should be avoiding the need to evaluate its positioning from both a defensive and an offensive point of view. It won't surprise you that what we're focusing on in our partnership with Apollo is exactly that.

Motive's own analysis shows that although the progression of opportunity in recent years has already we've been eye-popping, that opportunity is going to grow even more significantly into the future. We estimate that by 2030, the revenue opportunity in the fintech space will be $10 trillion. That's roughly 1 in 4 of all technology dollars being spent by financial services firms and also by nonfinancial services firms that are seeking to embed financial capabilities into their businesses.

Now this slide represents the phenomenon that has been the source of perhaps some of the most colorful, and I would say entertaining expletives emanating from C-suites at incumbent financial services firms since 2008. The fintech challenges are being rewarded by markets with premiums that are eye-popping relative to their incumbent cousins. Yet the reality is that many of these richly valued upstarts have actually been challenged to develop sustainable and profitable business models. The growth is there sometimes with the uptake and the topline, but the bottom-line isn't necessarily following through. At the same time, incumbents have demonstrated significant motes where there's a brand, an existing network, an existing customer base. There's still opportunity here. In essence, there's an open arbitrage. So for those financial services firms that are able to adapt and adopt and embrace and weaponize themselves with the technology that is being developed by the challenging -- by the challenger organizations, there's the opportunity to close this valuation gap.

So what exactly is Motive Partners doing with Apollo? Well first of all, a couple of words on what and who Motive are. We are a private equity investing firm that is 100% fintechs focused, one might say fintech obsessed, that combines a unique operating model, of course of dedicated specialist investment talent, but alongside that, an extremely deep bench of operators who have experience in and around the fintech space from startups all the way through to multi-decker billion dollar public company concerns. And alongside that, a large in-house team of technologists and innovators known as Motive Create who work with our portfolio companies, create and execute value creation plans that are technology-driven.

So the Apollo of yesteryear when presented with the opportunity of a partnership with Motive would no doubt have seized upon the opportunity to pursue deal flow together. And don't get me wrong, there's plenty of that underway. But actually where the bigger area of opportunity lies and where the greatest excitement resides is in the opportunity to use the resources at Motive and the specialization of motive to drive digital transformation, both within portfolio companies and group companies of Apollo and within Apollo itself.

You've heard a lot about the excitement and the opportunity to expand origination, capital markets and distribution. You all know, though, that as you try to grow those kinds of businesses, there's a very real risk that the operational burden complexity and associated costs could accelerate more than proportionately. The way to avoid that is to weaponize and empower these businesses using digital channels. That is exactly what Motive is working on with Apollo's distribution, origination, capital markets and internal operations teams.

So let's talk quickly about the roles that Apollo has the opportunity to play and there are several of them. I'll go through each in turn. You heard already about the partnership with Figure. Too often in the early-stage fintech space, we find new technologies that feel a little bit like solutions looking for a problem. They're really lacking the traction in viable use cases. And adoption is everything in this space. So in this context, where Apollo has the capacity to bring validation to a use case it can drive extraordinary value because of its credibility.

Figure is one of the most impressive young companies operating in the DLT or blockchain space today. They chose as their first vertical or use case, the consumer financial lending business where, as you know, Apollo is an 800-pound gorilla through its securitization businesses and its balance sheet appetite. What Apollo is able to do in its partnership with Figure is to validate the attractive features of the blockchain solution, increase security, significant cost savings and the benefits of real-time information, driving value both for Apollo and for Figure.

Too often also in the fintech space, great tech-enabled origination businesses are actually constrained, as Marc said earlier, by their lack of balance sheet capacity. Apollo can act as enabler, bringing its balance sheet capital, its expertise, its relationships or ideally all 3. And a great example of this is the recent commitment to Victory Park's asset-backed growth lending platform.

Too often challenger businesses lack access to capital and the infrastructure to grow. Apollo here has the opportunity to act as a partner just as they have done for Motive, bringing equity capital, scale and an established infrastructure and allowing those businesses to thrive. Apollo is, of course at its core, part of its DNA, an investor. And as you know, it has been a superlative investor in the financial services space for years, changing both the shape of its own organization and trailblazing in the industry. Combining that with Motive's fintech specialization and growth equity expertise, has the opportunity to create a growth and fintech investment powerhouse.

Finally and not least, is the opportunity for Apollo as an actor in the fintech space. Apollo has the brand, the track record the infrastructure, the balance sheet capacity to truly differentiate itself from most other fintechs in the pack. If it enables its own businesses with digital channels and technology weaponization, the opportunity is to combine the fin in Apollo with the tech from Motive into a fintech killer app. Watch this space. Thank you. I should know who I'm handing over to, but it's not showing me. So come on up.

Jonathan Simon {BIO 21390470 <GO>}

Thank you, so much, Blythe. Good afternoon, everyone. My name is Jonathan Simon. I'm Head of Diversity, Equity and Inclusion and Leadership Development at Apollo. As you've heard, this tremendous growth story, Apollo of today and Apollo of tomorrow. I'm here to share with you the role the diversity, equity and inclusion will play in this growth. But let me just take you back.

Last year, we really anchored on our values, which are here along the wall, championing diversity, equity, inclusion is core to that. As you've heard us talk about culture, the essence and heart of everything that we will do will deeply be rooted in diversity, equity and inclusion. Our work in this space will be no different than any of the other ways that we approach our business, thinking about the complexity and embracing innovation. I'm incredibly excited about this new bold vision for this work. It is approached with a growth mindset, and as Marc said earlier, we call this expanding opportunity.

What is expanding opportunity? It is truly an opportunity to engage the whole of the Apollo ecosystem. When we look at our leadership, which is engaged in this work, our employees who are embracing it and driving it every day in everything that they do. This is how we will create meaningful and significant impact. As you know, Apollo loves a challenge. This work of diversity, equity, inclusion is indeed one. But as it was said earlier, this is not nostalgia. We're looking to make creative change and sustainable change, not just within Apollo, but across our industry.

This work is a broad grassroots activation where we're co-creating with all of our employees who've been empowered to truly lean into this work. As you see here on the slide, it represents a few of the things that we have done that demonstrate the innovation. As you know, when others zig, Apollo zags. So we're really looking to be a leader in this work. We've made tremendous strides. We're innovating, as you can see, some of the transactions even that we've done most recently with Lafayette Square and with HarbourView, the work that we will do internally around building a modern, high-performance culture, and then, of course the broader work that we're having in community. I couldn't be more proud and excited about the deep commitment of purpose that we have for this work and the impact that we will have across the broader industry.

No slide can frankly do justice to this work, although we'll look to continue to try to bring that to you in slide form. But we took this year as an opportunity to ask our colleagues who've been actively involved in this work, what it means to them, how are they having impact in expanding opportunity and what they're excited about related to the future of Apollo and the impact that we will have. With that, please queue the video.

(presentation)

Thank you.

Unidentified Participant

Ladies and gentlemen, at this time, we will be taking a break to serve lunch in the ballroom. Programming will resume in five minutes. Thank you.

(Break)

Martin Kelly {BIO 15261625 <GO>}

Great. Good morning. I'm sneaking a good morning in at the stroke of noon. That was a bit unclear. We didn't want you -- to make you wait. You wait at the ballroom, eat, and get back in a 5-minute space. I'm Martin Kelly, I know many of you. I've been in my seat for 36 quarters now. I've never felt more enthusiastic about the future of the firm than I do right now. We appreciate you joining us today.

We've spent the morning speaking about our growth strategy and different components of the firm. What I'll do now is describe how this all comes together financially, which is what you'd probably expect the CFO to do, including the financial construction of the group post the merger of Athene with Apollo.

You've heard three primary growth themes persistently throughout the morning. First, we're a high-growth manager, operating in a high-growth industry. Over the next five years, in our base case, we expect FRE to grow at an 18% CAGR, underpinned by a doubling of assets under management and a greater than doubling of fee-related revenues.

And that's really importantly before embedded options that we spoke to and before investment of capital. At the same time, we expect to continue through a sustained realization cycle anchored by our flagship PE funds. Then supplementing that, all the asset manager earnings as our stable growing and highly accretive stream of spread-related earnings, Athene's earnings profile. When you combine all of that, looking ahead, we expect a 4x increase in our distributable earnings over the next five years relative to the trailing 5-year period.

Then thirdly, capital generation is significant and massively important, and you heard Marc, in particular, emphasize this morning. The $15 billion of capital accumulated and the $10 billion of equity deployment capacity within Athene's balance sheet. Think about this as two capital boxes within the overall structure. Athene will be its own capital box and credit box. It will manage its own capital to support its growth, to support its capital in accordance with regulatory requirements and ratings requirements, and it will dividend up a portion of its earnings each year.

Then the other capital box is everything else, the dividend, plus the everything else is the $15 billion, and I'll talk about this more as I go through this next presentation. Then separate from that is the $10 billion of embedded equity deployment capacity embedded within Athene's balance sheet in the equity portfolio. Sometimes we call it the Alts portfolio or the equity portfolio. It's the 5% of Athene's balance sheet that's available to invest in platforms, funds, new businesses across the platform. I'll explain how we think about that and how we allocate capital.

So we have choices, as Marc explained, we'll be opportunistically -- we'll be optimistic about that. I'll give some more examples later, but illustratively, group investments, investments that are of strategic importance to the group, like Motive will be funded out of our holding company. Investments that are focused on origination platforms like MaxCap in Australia will be funded off our retirement services balance sheets, either Athene or Athora.

Then other investments that further the retirement services business like the FWD commitment in Hong Kong will also be funded off the retirement services balance sheet. So the combination of these capital sources and all these components, the earnings profile and the growth that we expect, gives us great optimism and confidence in what lies ahead.

So we are close to entering 2022. As we approach it, all of the key business drivers are operating well. There's a flywheel in effect and it's feeding the cycle here. I'll start with talent. We've talked about talent in every section today. We've hired 900 people in the last three years. We've been able to do that while maintaining mid-teens FRE growth in dollar terms and maintaining our operating margins. We've been doing that purposely to position ourselves for the growth that we think lies ahead of us. Our platform, as you heard multiple times, is originating $80 billion of new investment opportunities each year. It's a massive focus. It will remain a key focus point for us. Expect that to grow and expect that to be funded by Athene's equity portfolio.

Our performance across every business is strong. Scott spoke about our PE performance since inception. Funds VIII and IX continue that tradition of strong performance. We expect to double LP capital in each of those funds, giving us great confidence in Fund X. Our hybrid value business is performing well. That's a new business and a very important franchise for us as we look forward. Our credit businesses are consistently outperforming their benchmarks.

So the high performance is then driving a wave of realization activity. We -- and you can see that today in our distributable earnings metric, which this year has really stepped up. Again anchored by Fund VIII and Fund IX. Fund VIII is actively monetizing. We expect that to continue for another three years. Fund IX is early stage monetizing. It will ramp in the medium term, and then it should continue monetizing for a 5- or 6-year period. Then Fund X should overlap with Fund IX at the back of that. We're seeing the same overlap benefit in other fund families. EPF, we're seeing that certain of our equity real estate businesses we're seeing that.

We're seeing that in our credit doing our capital businesses. So the overlap of vintages is very powerful, and we're seeing that as we look ahead. We've spoken today a lot about fundraising. We are very confident in $20 billion plus of third-party capital raise off the base business as we look forward. Combine that in 2022 with Fund X and add to that organic growth that are seen, which is run rating at $35 billion. So next year, we see an $80 billion fund raise here. Then obviously assisted by the flagship PE fund, but then we see growth from there.

So Marc spoke about the efficiency of our capital structure. It's really important. I'll talk more about that. You see that today leading to the start of a new growth paradigm for us. We've announced 10 corporate transactions this year, some are strategic to the group. Others are focused on growing origination platforms, others are focused on the retirement services opportunity. Each of those represents for us a unique growth opportunity. So going forward, you should expect to see us very active in pursuing investments and partnerships to create growth opportunities broadly across the platform.

So before we get into the numbers, let me talk for a few minutes about the future reporting structure. This really represents the evolution of our business brought about by the merger and other changes that we are implementing around the same time. So we will post merger report three segments, each with a distinct earning stream. Asset management, which is our growing diversified management fee business will include our capital solutions business that Craig spoke. To the primary earnings metric will be fee-related earnings, FRE, and this will house our yield, hybrid and equity businesses. This will be asset light with no balance sheet.

In the appendix of the materials today you can find a mapping of the legacy views, PE credit and real assets to the new views of yield, hybrid and equity presented on both a revenue basis and an AUM basis. Secondly, retirement services. This represents the stable, growing spread-related earnings stream. It really -- as you've heard today it really is a retirement services business. Little insurance or duration risk and comes with a highly efficient cost and capital structure.

And thirdly, principal investing. This will house the excess capital of the group available for investment in growing the business or return to shareholders, entirely separate from excess capital that tails within the Athene capital box. It will include our strategic investments. It will also include performance fees, investment income, a layer of corporate costs to run the overall firm and financing costs. We'll label that principal investing income.

So you can see here the components, the -- effectively the earnings statement for each of the three segments. We know this is important for modeling, and we plan to publish pro forma financials historically once the merger closes and well ahead of Q4 earnings, so you can see the impact on each of the segments in each of these components. Together, the sum of these three segments will add to our distributable earnings metric.

As we look forward, we expect 90% or so of our DE over the next five years to come from FRE and SRE. I'll show more about this in a few minutes. This includes the 18% growth rate in FRE. It includes the asset growth that we've spoken about, transaction fees from the capital solutions business. It also includes a return to operating leverage expansion as we get past this accelerated investment period that we've been operating through.

We expect SRE, spread-related earnings, to grow to around $5 per share over the same period as we balance our ability to drive, on one hand, asset growth and spread-related earnings, with, on the other hand, the capital benefits to the group of using the equity sidecar structure. In principal investing, even with the impact of some balance sheet restructuring, which Marc referenced, and I'll talk about more and a fundamental reset of our compensation programs, we expect principal investing income to more than double on an annual average over this timeframe relative to the trailing 5-year period.

You can see here, we've provided our current estimate of 2022 estimates for each of FRE and SRE. That's an anchor point to model the combined company going forward. We've used a consistent share count here of 600 million shares, which includes some vested and unvested shares that we anticipate issuing around time the merger closes.

And importantly, this assumes no benefit in the share count from buybacks beyond regular way immunization of all employee stock awards from '22 onwards. So how does this all come together? We expect next year to deliver roughly $5.50 per share of after-tax DE. That's fully taxed across both companies and we expect that to grow to about $9 per share by 2026, again before any benefit of embedded options or investing accumulated capital. To that point, the $5 billion, which we've indicated comes with it or brings with it significant upside. You should expect that we'll deploy that in a way which optimizes the long-term growth profile of the company.

So let me step back and talk about a couple of important actions we're taking around the time the merger closes. The merger provides us with a unique opportunity to optimize both our financial structure and to completely reset our compensation programs. This sets up what we think is a logical balance sheet and comp program for the long term. So three things here. One, we are moving assets to the most logical balance sheet within the structure.

Marc spoke before about the Alts book or the equity book growth $9 billion becoming $10 billion. We're moving around $1 billion of assets that are currently owned on the

Apollo balance sheet, GP investments and certain other investments, some of which are actually owned mutually with Athene today into the Athene equity portfolio. That's a more natural home for those assets with their risk return profile than sitting on the Apollo balance sheet. Secondly, the opportunity to create massive amounts of capital. This is the $15 billion and the $10 billion that I spoke about.

Then three, a fundamental reset of comp Marc referenced, and I'll talk about more in just a minute. We are taking these steps to intentionally to set us up for long-term success and growth. The result of that is better alignment between employees, shareholders and clients, acceleration of growth, a reset of our FRE comp growth down in our highest value earnings stream and then more efficient capital usage and consumption around the group.

So let's talk about the compensation reset. Our objective here is several fold. One is to create better alignment with performance; two is to create a more close alignment between FRE comp growth and FRE revenue growth; and then three, as a result of that to reset the FRE compensation profile down. There are three important components here. One is we're aligning more compensation for investment professionals with performance. What does this mean? We're giving more carries to investment teams, partly in exchange for currency that they own today. It's logical given the asymmetry between the value that employees place on it and how that's valued in the markets.

Secondly, we're replacing an existing profit share program, which is used broadly throughout the company with Apollo shares; and thirdly, we plan to award long-term vested and unvested stock awards to partners, which creates better alignment with shareholders and reduces FRE comp costs, respectively. Marc and the Board have been very focused on these changes. The consequence of them are, on one hand, the FRE comp ratio drops from 30% today down to 25% over this period of time. Then the comp that's applied against performance fees and investment income, which today averages around 50%, will glide path to a 60% to 70% range over this same period of time.

The exchange is roughly equivalent in dollar terms over this time period. The benefit is employees on a currency that they put more value in, it provides better alignment with shareholders and it resets the metrics in a way which is favorable to our valuation. We have announced some of these changes internally. They've been very well received by employees. Other changes are being considered. If approved, will be announced around or by year-end.

This -- all of this results in the 600 million share count that we've used throughout all these numbers today. It comes with it or brings with it a sizable noncash GAAP charge, which will take -- reflecting the value of the vested stock that will be issued and that will also be taken around the time the merger closes. We view these changes as a really big positive. The alignment, the reset of the comp ratio and focused on the parts of the earnings stream that matter most and are valued the most.

So let me dive into the earnings model for each of our three segments. I'll spend a few minutes on each of the 3. Asset management P&L, the metric here is fee-related earnings.

This essentially reflects FRE as it exists today within the Apollo structure. So you can just walk down the page. We expect to double AUM. The capital solutions business is the reason that revenues grow faster than assets. The combination of revenue growth and a return to margin expansion, including through the compensation profile and including through noncomp, which rebases next year, and I'll talk about it in a minute. All of that combines to an FRE margin that we expect to be 60% plus over this period of time.

So Marc, Jim and Scott all spoke about where we expect the growth in assets under management to come from, with a doubling in yield, doubling in hybrid and a 50% increase in equity. Then Stephanie spoke about our plans in fundraising around each of the channels. If you view those fundraising efforts through four different lenses that we've shown here: one, organic growth from third-party clients; two, new platforms and retail expansion; three, organic growth from retirement services clients; and four, inorganic growth from retirement services clients, you see four roughly equivalent contributors to this asset growth.

When we look at this and we look at these growth options, we think there are many paths to deliver on the plan that we've set out today. On the inorganic side, as you all know, we have a very successful track record in M&A and retirement services, and that requires little to no capital from the holding company.

So let's talk about investments in talent. It's been a focus point recently. We're embarking on this leg of growth with significant investments behind us in talent, in technology, in workplace modernization and in infrastructure of the firm. Marc spoke about the massive investment you've seen through each of the sections, a selection of people that we've added and the people we've been able to attract to our platform. 900 people in the last three years are represented on this page. About 300 people in our investment teams and our distribution team, and about 600 people in our enterprise solutions team. Enterprise solutions is finance, risk, ops, tech, legal compliance tax, human capital.

And so you've heard a lot about the 300 today. The 600 people we've invested in outside our investing teams, half of those have been in Mumbai. We have a highly talented team now in Mumbai of 300-plus people that support our global operations. And all of this, again to position ourselves for the growth that we see -- that we're experiencing and that we see coming.

So we are nearing the end of this period of accelerated investment in people. We will expect to resume operating leverage through 2026. You can see that with the headcount growth moderation in the years from now relative to the 3-year period that we've been operating in. From here on out, we expect investment in people to be concentrated in areas that drive direct revenue growth, such as in distribution that Stephanie spoke about recently. Then on the non-comp side, we have and we continue to invest heavily in our workplace environment. We want a great place for people to work. We want collaboration. We want to attract great talent. So that's been in our physical footprint and it's been in technology.

All major centers around the world have had this investment. This cost is rebasing, and you can see the chart here, it will rebase by 2022. Thereafter, we expect further increases in non-comp to be driven by the same dynamics, revenue focus and revenue-producing initiatives. We are working closely with our technology partners, as you heard, both inside the firm and with Figure and Motive, focus on innovation and scalable solutions and further focus on distribution as well as the efficiency of operations of the firm.

So while we always have focused on FRE dollar growth over margin expansion, and we continue to, but the two are obviously connected. So as we look forward, we expect to resume increases in operating leverage for the three reasons that I've laid out. One is the reset of our comp programs. Two is the moderation of headcount growth. Three is the rebasing of noncomp expenses. Taken together, FRE margins will grow to 60% plus over this time period. But more important than that, FRE dollar growth will step up from its growth rate in the last couple of years to an 18% growth rate, again before embedded options, before investing capital that we generate across the group. So that's FRE.

Let me move on to spread-related earnings and the retirement services segment. You've heard a lot about this today from Scott from Jim Belardi. In simple terms, as you heard, spread-related earnings is just the difference between what we earn on the assets and the liability costs that we incur less a light layer of corporate and financing costs. Athene's duration is matched. 95% of their assets earn income, as you heard, on a book yield basis and the cost of liabilities is fixed. So the near, the net interest earned is very predictable.

You can see walking down the page here, 140 to 150 basis points on average of net income less a 35 basis points of both operating costs and financing costs, which is favorable to -- very favorable relative to the industry average. Taken together, this amounts to a low double-digit growth rate in SRE and an expectation that we'll hit $5 per share by 2026. Obviously with the choices that we've laid out today around the use of the ADIP structure and how we deploy excess capital relative to dividending it up to the group.

So underlying the SRE growth expectation, you can see our planned asset growth. We expect gross invested assets over this timeframe to roughly double. 40% or more, as you heard from Marc, of that growth will be funded with capital from ADIP and its successes. So ADIP for us represents yet another valuable source of capital within the group. Returns on ADIP1, as you've heard, have been higher than expected. We have confidence that we'll raise a successor. And ADIP really allows us to strike an appropriate balance between asset growth and SRE growth and excess capital that's available for use for other purposes.

On the right here on this chart, you can see the stability of NAV over the interest rate environment that we've lived with and lived through for the last six years, again underscoring the stability of that as an earnings stream. So our third component -- or our third segment is principal investing. This will include realized performance fees, realized investment income, corporate and financing costs. Realized performance fees are essentially the same as they are today in Apollo's incentive business with a higher compensation cost applied attributed to the compensation reset that I spoke about.

With the shift of GP investments to Athene's equity portfolio, investment income will represent income on strategic group investments. Corporate expenses will be costs that are directly tied to managing the combined company. This will be a light expense layer. Then financing costs will represent the existing Apollo debt and preferred financing costs. We expect this segment to be consistently profitable. Although the timing of carry from one quarter to another is inherently less predictable. The cumulative amount, you can see here, we believe, is very well supported for reasons I'll talk about in just a moment. We see a meaningful increase relative to where it's been for the last five years. That's driven by what we think is a long-term realization phase that's ahead of us. We will, as I mentioned, publish segment historical -- segment financials with historical pro formas of each of these three segments in January after the merger closes.

So why are we confident in these carry projections now as they relate to principal investing? Over 70% of the numbers embedded within those forecasts from the established funds that you see here, they're well through their investment periods. They've got high returns, and they're our flagship businesses. So we have high confidence that these set of funds will produce the carry projections that you see. You can see over $1 billion of unrealized carry at the end of the Second Quarter, which is a launch point for that projection.

So how does this all come together? This is the $5.50 per share that we expect next year. You can see the components down the page here. The combination of FRE and SRE is the majority. Then there's a principal investing on top of that. We're tax affecting earnings at the same tax rates that we indicated when we did our through the lens work, which is around an 18% tax rate. Then as you look forward to 2026, you can see the vast majority of that earnings growth is driven by FRE and SRE, the predictable, stable, steady growing earning streams that have high valuation.

So let's spend a minute on the $15 billion. Where does it come from? Where does it come from within the group? There are three sources to the $15 billion down the page. Firstly, we enter 2022 in a position of capital strength. We're having a strong DE year, and our dividend has allowed us to accumulate capital to invest in the business. Secondly, we expect to generate $10 billion of free cash flow from our FRE and our principal investing business over this time period. This importantly assumes that all cash requirements of the business are satisfied out of that earnings stream. That includes an assumption that we immunize all stock issuance to employees starting in 2022.

Then thirdly, we model each year $750 million of a dividend from Athene, which allows Athene to double and maintain excess capital within its regulatory and rating requirements. Then allows it to dividend up $750 million. That's a choice that we have, as Marc spoke about. Interestingly, $750 million represents half to a third of the projected SRE after-tax earnings over this time period with the other half to two-thirds being retained by Athene to support its growth. We have the choices we spoke about today but that's indicatively how we model the $15 billion.

So it's actually really important. We've spoken about capital availability around the group today. When you try to piece it all together and look at how we've applied that to investment opportunities this year, I think it demonstrates the power of the capital and how this can support a completely different growth paradigm for us as we look forward. So there's really four sources of capital. One is group capital, the $15 billion. Two is the $10 billion embedded within Athene's equity portfolio. Three is excess capital that's held today by Athene equity capital as well as debt capacity. Three is -- sorry, four is ADIP.

So each of those capital sources allow us to use capital in different ways to support growth. If you apply that to a sample of transactions that we've done this year, you can see bucketing into 3. Strategic assets, Figure and Motive have been funded out of what will become holding company cash. Their strategic assets, they operate across the platform, technology investing, distribution, operationalizing and efficiency improvements. There's a broad benefit across the platform. They belong in the holding company.

The focus we've had this year on Asia has been concentrated in retirement services. The investment that we made in Challenger in Australia, the investments that we've committed to make in FWD in Hong Kong are addressing an expansion of the retirement services opportunity in Asia, including Japan. The majority of that capital has been sourced from Athene's balance sheet.

Then thirdly, origination platforms and our focus on permanent asset origination, which benefits retirement services for the most part and then on other third-party accounts over time has been funded in these four transactions that we've announced, including one yesterday actually Newfi a mortgage originator by Athene and Athora's balance sheet. So you can see here, we can expand, we can grow, we can enter into strategic investments and partnerships with other companies without using a lot of holding company capital. Then we have choices around -- obviously around what we do with that. So let's end with valuation. I think I'm about to be joined on stage. So we have a pretty firm belief, as you've heard today that our price does not reflect our devaluation of our components. Not a surprising comment for a CFO to make. We think that applies to FRE, we think that applies to SRE. We think that definitely applies to the investment opportunities with the excess capital that we have.

At an 18% growth rate, our FRE would grow faster than our peers on average. Yet, we've been trading at a four turn discount just to the peer average. So that's point one. SRE, we think is the most undervalued earnings stream within the structure. Marc put forward a very compelling thesis on the disconnect between the valuation of SRE today and the valuation of earning streams from private BDCs and REITS. So we've shown a reset or a rebase of SRE here to 20x from 7. We have valued PII and balance sheet consistent with industry multiples in this math, 5x and 1x, respectively.

Then you can see the drive values, both today sort of one year forward today and then five years forward. What we've done is taken it to what we think are appropriate peer multiples. This is some of the parts. There's debate around PE. We don't believe book value is an appropriate methodology because we're not balance sheet heavy, and we don't plan to be. But I think really importantly, there's no value in any of these numbers for the value of capital, the $5 billion or whatever that becomes over time to invest in growing the platform.

Marc Rowan {BIO 1457142 <GO>}

I think that was great. I had to say nothing in the best way.

Martin Kelly {BIO 15261625 <GO>}

Thank you.

Marc Rowan {BIO 1457142 <GO>}

Good.

Martin Kelly {BIO 15261625 <GO>}

All right. Well let me hand over to Marc.

Marc Rowan {BIO 1457142 <GO>}

Then one more slide. Great. So I want to thank all of you for sticking with us. That was a pretty long slog through the business. I, of course exceeded the time that was allocated to me by a substantial amount, I apologize. But hopefully, we succeeded in giving you our view through the lens of how we think about our business and all of the various pieces. There are, as Jim and Scott both alluded to, there are three modules online. One is a module that goes through in detail our credit business, John Zito. Then there's one each for private equity and for hybrid.

At close of business today there will also be a filing by Athene, and Athene will put out the updated version of the risk deck, their asset deck. So you'll have incredible transparency. It's hard to understate that no one in the retirement services industry actually does what we do. We get a lot of interesting comments from other CEOs in the business from putting this deck out. But our view is we're here -- the risks we're taking should be well known. The risk, I believe we're taking is liquidity risk.

If I summarize the day it's great to lead a company that's in an industry that's growing. We have, we believe, a very logical plan. Yes. I saw some of the headlines addressing AUM growth. But I assure you, inside the company, people understand that AUM is the reward for good performance and not the goal itself. And not the yardstick by which we will measure ourselves.

We do see expanding margins, and we do see increases in revenue from non-AUM sources such as capital solutions. We serve a completely different market. It's not to say we're always going to have this fixed income replacement market to ourselves versus our alternatives peers. Some are making good progress. I would say KKR is probably making the best progress because they have the greatest understanding of what is needed to feed a retirement services balance sheet. So I do expect the business to get more competitive. We're not going to do every deal. We are very disciplined about how we grow.

Athene is an absolute competitive differentiator, a growth accelerant. We've gotten along famously. We've had a great deal of fun building it. The notion that we've been able to build something from a start-up to larger than Munich Re, larger than Swiss Re in 12 years is extraordinary and highly rated company. Jim probably didn't emphasize enough, we hold more than $1 billion in excess of AA capital for us, an A+ rating. That only is because of our relatively young existence.

Ultimately, we should be able to release some of that and deploy it in the business for the rating that we want to maintain, but we're very comfortable where we are right now. As I pigeon hold some of you in the hallway this capital efficiency point, I believe, to be the greatest source of misunderstanding in our business. We are very capital efficient. And rather than having a balance sheet heavy, this is an absolute win-win for Athene and Athora. For the 5% of their portfolio that they need equity returns on, we budget a 12% net equity return.

Financial services platforms, these strategic investments have been an amazing source of stable, double digit, lower volatility equity returns. That will -- leaves the holding company in turn of having to make all of these investments. I don't see a peer out there who can take $10 billion of capital invested in strategic origination and not issue a share of stock, take cash off their balance sheet or issue debt. We saw one of our peers yesterday buy a sale-leaseback entity. A sale-leaseback market is a perfectly fine market. That for them is a holding company expense. That's a capital-heavy business. That, for us, doesn't touch the holding company. I think you'll see, as day by day as this goes by, as people who envy what we've done try to get into the business, they will have to bear the capital cost in addition to the tuition to develop what we've developed.

Finally, I hope you've seen it from everyone who spoke today and everyone on the screen, we're actually having a really good time. We are having to -- we're having fun.

Martin Kelly {BIO 15261625 <GO>}

We are. I would agree.

Marc Rowan {BIO 1457142 <GO>}

Okay. With that, I'm going to invite my co-presidents up, and we're going to sit for Q&A. I think I'm down there.

Noah Gunn {BIO 18319821 <GO>}

Great. So for those in the room, we'll have mic runners come and meet you if you want to just raise your hand. I'll call on you. Then we also have some questions that came up from the virtual participants, so I'll read a couple as well. We'll begin with -- if you could just state your name and your firm, that would be great. Glenn?

Questions And Answers

Q - Glenn Schorr {BIO 1881019 <GO>}

Glenn Schorr, Evercore ISI. You talked a lot about today about the importance of asset generation. You talked about the $80 billion scaling up to 150 at some point. I think a lot of us had looked at other financial institutions and whether it be consumer finance, aircraft, mortgage, whatever. We've seen cycles of origination. We've seen credit cycles.

So curious if you could talk to two things. One is the durability of that origination when cycles happen. Two is that notion of there's no excess spread in the markets. That's a today thing. But I'm assuming when there's a credit cycle, maybe there will be excess spread. Does that change your value add over time?

A - Marc Rowan {BIO 1457142 <GO>}

So why don't I start, and I'll pass it to Jim pretty quickly. What I'd say is the following: if one looks back and thinks about some of the problems that GE and others concentrated originators of spread fab, they relied too much on too few businesses. It is clear that origination in each individual area can and will be cyclical. We want to have 15 or 20 of these. No one origination platform should be all that important to us. If there's a year when we should not do aircraft, we shouldn't do aircraft. We'll do more in sale leaseback, we'll do more in transport. We'll do more in mortgage. Diversity of sources of origination is key for what we need to do.

The second is, I don't want to quibble with you over the notion that there will be cycles. There will be cycles. In those cycles, those people who have excess capital will source amazing assets. But that's not how you run a business that generates $3 billion to $4 billion a month. In an asset management liability context, you need to match the assets and liabilities, otherwise you're a speculator. So yes, we will be prepared for those cycles. We hold excess capital for those cycles. We will make a lot more money than the case if we get those cycles, but that is not the same as saying, every day.

A - Jim Belardi {BIO 16440022 <GO>}

No. I think Marc hit it. The one thing I would say is the idea of being able to pivot up and pivot down. I mean a good example was PK Aviation. We actually closed that three or four months before Covid, probably the most impacted industry. The fact that we control the equity have provided most of the financings except the AAA, which is a commodity, we were able to really pivot the origination and really be quite opportunistic in that point in time, but really with being able to withstand the volatility.

So there's no doubt, as Marc says, if our future plan is to have a portfolio of 15 of these, whether it's in the real estate, commercial real estate, pivoting up origination, pivoting down origination as somebody who's -- there's a legendary figure in the P&C business, not every day he's open for business. We'll take that same approach with our portfolio approach. But controlling the entity in terms of the funding, when those companies get in trouble, it's because they lose access to funding. So the flywheel of us providing that funding as well as controlling when we increase and decrease origination, that's the beauty of our model.

A - Noah Gunn {BIO 18319821 <GO>}

Alex.

Q - Alex Blostein {BIO 15412167 <GO>}

Alex Blostein, Goldman Sachs. Really appreciate the day very comprehensive, lots of food for thought. Maybe a bit of a basic question, but I guess we heard a lot about capital efficiency, capital opportunities for the firm as a whole. How do you think about the ROE in the business today? How do you think that's going to evolve over the next sort of five years as you get to your targets?

And maybe within that, you can help us with the bookings between deploying all of that $5 billion of excess capital or not. And kind of what impact that's going to have on a holding company ROE over that timeframe.

A - Marc Rowan {BIO 1457142 <GO>}

I'd say the -- I don't think the holding company has an ROE. The ROE is infinite. We simply do not need capital at the holding company in any way shape or form. We don't think of it. There's no discipline around it. It is distributable. So of the $15 billion of cash flow that we will generate at the holding company, we've earmarked 10 to be distributed, and we've earmarked five to be invested. Could that be 9 in 6 or 11 in 4, absolutely. Opportunities will dictate what happens at the time. And again I would say that probably the most misunderstood part of our business is this notion of capital efficiency. I think yesterday's example of a competitor firm announcing an acquisition for nearly $1 billion of a sale-leaseback entity is the perfect juxtaposition of capital-heavy in versus capital light.

I believe these terms are so misunderstood and so bandied about. Someone who has to come out of pocket with $1 billion to buy an asset origination platform, which otherwise could have been used to distribute to shareholders, invest in growth in the business is capital heavy. For us, that is the normal course alternative that Athene and Athora want to source in their equity book does not impact our holding company at all. That is capital light. Having these boxes, other peer firms have come at this differently. Other peer firms have come with a capital-heavy balance sheet at the holding company. That's not what we're doing. So there is no concept of ROE at the holding company. We're not building book value at the holding company. No one thinks about book value at the holding company, kind of end of story.

At retirement services, retirement services has a balance sheet. It has a capital base. It historically has targeted a 15% ROE in its business. That 15% ROE is not some God-given number. It is a number at which we believe we can show the market that there is a profitable disciplined business here, and therefore, we can, even within that business, dial up and dial down how much of our capital we use versus how much LP capital we use.

As I said, ADIP1 finances two-thirds of the inorganic only because we set it up that way. If we had said to investors, we want you to finance two-thirds of everything, they would have said, great. ADIP2 likely will be more flexible and will finance up to two-thirds of everything. It's up to us to dial up and dial down this capital.

Third point of your question is capital return. Historically, we have been very judicious with the use of capital. Even within retirement services, we want a 15% unlevered return on our capital. I view that as the base return that we should expect on capital we invest in growth at the holding company. Quick math, we put out all $5 billion. We should expect $750 million pretax, $600 million post tax in the out years on that business and strategic.

A - Jim Belardi {BIO 16440022 <GO>}

I'll just add on the triple net lease that we saw someone purchase yesterday. And again we love the business. When you think about the risk of those assets versus investment-grade securities, huge pickup in safe yield. But we've created this business out of a team that we've assembled the last 24 months. So for us to be able to save that $1 billion and do that, there's plenty of situations we will use our currency for. But when we can do that, it makes sense.

A - Martin Kelly {BIO 15261625 <GO>}

To maybe help you think about where I think you were going with that question, remember, the $5 billion that's accumulating up at Holdings, right? Athene, as Marc said, can do acquisitions transactions at a 15% ROE based on that. So if we're doing it up at the holding company, you should assume it's going to be north or well north of -- for the four walls of that particular transaction we're looking at.

A - Noah Gunn {BIO 18319821 <GO>}

Jerry.

A - Marc Rowan {BIO 1457142 <GO>}

Now you're going to have to look right and left.

Q - Gerry O'Hara

Gerry O'Hara, Jefferies. Retail has clearly been kind of a focus of investors clearly for the past several months, but you've outlined a path towards -- from 5% allocation -- or 5%, I'm sorry, incoming capital raising to closer to 30% over time. Perhaps could you give us a little bit of, I guess context around timing on that? And also what might accelerate the move towards that kind of 30% target? Or I suppose on the other side, what might be a bit of a headwind?

A - Marc Rowan {BIO 1457142 <GO>}

So I guess I'd say the following. First, I start with the basic. When you look at the retail penetration of peer alternative firms, you're looking at their debt and their equity in one bucket. When you look at our retail penetration, you have to consider that we've elected to raise $35 billion organically for debt and yield through Athene. So we're doing massive amounts of retail business today.

If you then flip over to the equity side of the business and the hybrid side of the business, which is where we've really seen the pickup, we have been very good at accessing this money, but we've done it episodically. We've started back in 2000, raising in our flagship funds significant retail tranches. We used to joke with each other, to invest with Apollo and to invest with any of the peer firms up until the last few years, you pay two full sets of fees. You had no privity with the manager. You've got anonymous capital calls. Your documentation on your brokerage statement didn't reflect your alternative investment. We made it as an industry so hard to participate in alternatives.

Regulatory change over the last five years, technology change so that it can be reflected in your statements and a recognition that this is a vast market, the product that retail is buying today is no longer the product they were buying five years ago. They are buying what institutions historically had bought. I fully expect it to become completely transparent with respect to product between institution and retail. While we have a lot of growth, I think as Steph said it, I think the numbers -- I don't want to tell people their job is easy because no job is easy. But we have a big opportunity at retail based on brand, based on track record and a willingness to go after it.

A - Martin Kelly {BIO 15261625 <GO>}

Yes. The -- without sort of being ultra specific, right, you're going to see starting next year with Fund X coming with other things and the investments that we've been making on the wealth solutions side, the move from five to 30, you're going to see already a step up in that direction.

A - Noah Gunn {BIO 18319821 <GO>}

Chris?

Q - Chris Kotowski {BIO 1507062 <GO>}

Chris Kotowski from Oppenheimer. I mean it sounds like your vision is that you're almost like building a money-center bank without -- with these 15 or 20 origination plans, a money-center bank without the deposit side of the balance sheet. Then maybe that's a more secure funding, right? But I guess the question is, over time, do those 15 or 20 platforms all need to be integrated so that they're all like Apollo in sort of mid-cap and Donlen and all that? Or do you -- is the plan to just keep them all separate doing their own thing?

A - Marc Rowan {BIO 1457142 <GO>}

So I'll take it and then I'll hand it to Jim. I think it's important to understand that we come at this as an asset manager. That really 2008 was the opening bell. 2008 forced as a result of Dodd-Frank here and with regulatory change in Europe, force activities, leverage people out of these banking institutions. We have simply been the best home for them.

When you leave your job at Deutsche Bank, Citi, BofA, JPM, BNP, SocGen, whoever else, and you come to Apollo with your team, we want you to feel like you own your own business. If you ran trade finance at BNP, you had two career options, you and your 20-person team had two career options. You can go to a U.S. bank, you go to a Japanese bank. Those were your career options. Now you and your 20-person team can set up an independent entity, Apollo trade finance, you can own a piece of it. We will compensate you based on production net of credit losses over a long period of time, and you can retire 5, 10, 15 years with a piece of the business liquefied, bought out rather than a watch. We are simply an amazing home for talent. But part of this is the culture.

We are not intending to integrate the front end of these businesses. We are intending to bring integrated funding where needed to these business, integrated risk management. But the front end of these businesses, the culture of these businesses is very distinct.

A - Jim Belardi {BIO 16440022 <GO>}

Yes. No one-size-fits-all. What Marc just described, we obviously have a team at PK, a team at mid-cap, when we brought on the PNC franchise finance, we embedded that within mid-cap. You heard about what we're doing with MaxCap. You hear what we're doing with Newfi. So there's no black and white it has to fit like this in our template. We have access to this financing, we have access to the flywheel and depending on the right situation. But to Marc's point, if you get the right long-term alignment and structure appropriately with the proper oversight and long-term objectives, it's a model that works very well for us.

A - Marc Rowan {BIO 1457142 <GO>}

I'm going to hit one point. You didn't ask it, but I'll give you an example. We have had platforms that have been so successful. They've gotten too big for us. So we had Amerihome, where Amerihome went to doing, I want to -- my colleague correct me, we're doing $60 billion, $80 billion of originations a month. We had more than $1.5 billion of equity deployed in mid-cap -- excuse me, in Amerihome because it has built up over time. We look at the business and said we have $1.5 billion of capital tied up. But in terms of excess spread to the system, it was not worth $1.5 billion of capital. We sold it and we repurposed the capital into other platforms. So this is also a portfolio, and we will manage the portfolio over a long period of time.

A - Noah Gunn {BIO 18319821 <GO>}

Devin?

Q - Devin Ryan {BIO 5863151 <GO>}

Devin Ryan with JMP Securities. So I appreciate the presentation today. Really compelling, I think growth story that you guys laid out in front of us. It's also areas I think where you have good line of sight into and something that I think would be helpful is maybe to talk about the innovation process within Apollo because I'm sure that we'll be sitting here in five years, and there's going to be a lot more things on the page that you didn't even go into today that we don't know about, maybe you don't even know about yet.

But as we think about the innovation process, can you just give some perspective on how you form new products internally? Then if you can, just a preview on maybe some of the buckets that could be incremental. Obviously I think we touched on thematically some of those today but some of the areas you're most excited about that could be additive.

A - Marc Rowan {BIO 1457142 <GO>}

So why don't I suggest we work down to the thing. Unfortunately, Martin, we exclude you from this. Why don't we start with Scott?

A - Scott Kleinman {BIO 2322865 <GO>}

Sure. So look, on the equity and hybrid side, I did put up a slide. Obviously the single biggest white space on the Apollo platform today is growth. While I made a little bit of fun of some of our peers, it's actually been an amazing capital formation area. It looks like it's got plenty of room to run. We are really working hard in the lab on that, and you'll see some things coming in the not-too-distant future.

But beyond that, GP solutions, energy transition, I mean these are all things where we have expertise. We're doing deals today out of existing pockets and would expect to see dedicated funds in those areas in due course. But to your core question of how do we think about this, right, it's really about where do we see big market opportunities where we can either bring the Apollo expertise in places like GP solutions or acquire the expertise but bring in Apollo approach to it to be able to scale that to make it relevant to Apollo.

A - Jim Belardi {BIO 16440022 <GO>}

I'll focus a little bit for a moment on the yield space and distribution. But when we think about, Marc described and what I described what we did with Motive but also with Figure. We have a variety of credit products right now and yield products for institutions that whether it's tokenization or other products, I would expect that to be the next generation of where we're going until those situations.

I think what you've seen happen, the investment-grade public market, the large-scale noninvestment-grade loan market, I think the quantitative approach and how those are run in scale going forward is going to undergo a tremendous amount of change. And certainly in the whole distribution sector about how an investor comes, interfaces with us, the ability to get rid of the seven -- the old yellow pages of documentation, make that streamlined. What Greg talked about in terms of our distribution, having 7,000 to 10,000 investors, whether it's BlackRock or MetLife or whomever being able to come in and purchase tranches of our businesses, that's where the business is going.

The disruption that's going to occur, we love our business, but we assume that there's going to be massive disruption in every step of the way. Marc and I just took a recent trip out West, which I'm sure he'll talk about. But again every angle to our business, and we've not even started to touch the Athene business in terms of retirement products in terms of how those were sold, distributed, not only in the U.S. But globally.

A - Marc Rowan {BIO 1457142 <GO>}

So for me, if I could choose where to sit, which is mostly about what's fun and interesting going on, I would sit with Stephanie, Blythe and Craig. That's where the action is. Jimmy described it, but I'll give you like right now to be a co-investor, we source an investment for one of our funds that's growing, and that investment is too big for the fund.

What do we do? Well right now, we cobble together a little bit of money, and we take down the extra and then we'd syndicate it. That syndication process, first, we'd have to get you to sign a confi and we go do due diligence, then we document it and on and on and on. Going forward, we're going to commit to that on the fly. We're going to have a capital source up and running. You're going to log on our platform, you're going to feel -- you already have been prequalified and know your customer in anti-money or laundering and you're going to elect to take it down. You may or may not talk to us.

Originating assets is going to be the important skill set. While we love the fund business and the fund business is going to be amazing for concentrated high MOIC investments, it is not going to be for every product and everywhere, and that should not bother us and should not scare us.

I see the same in fintech and in distribution. I mean we forget, and I've used this example before. Like if it's not a wake-up call to all of us in the industry that 23 million people sent their money to a place called Robinhood to trade complex options and speculative stocks, I don't know what is a wake-up call. So imagine now an A+-rated entity that provides a series of solutions. Maybe we won't be as exciting. But I think that, that's a portion of it, the way product is being distributed. Whether it's the kinds of products that Stephanie mentioned or it's the kinds of products that Athene distributes, I think we will see more technology in there. So I think it's going to be a really exciting business, and this is not a nostalgic business. We have to keep moving. Rob?

Q - Rob Lee {BIO 1495505 <GO>}

Rob Lee, KBW. Thanks for the in-depth view of the business. It was really very helpful. And my question is on Athora. I mean you did touch on, in the presentation, doubling that business in the next five years. But I guess it's widely thought of that, that's the European version of Athene. But do you see the same organic growth potential from that platform as you've built in Athene? Is that something that's really not captured in your 5-year forecast? And maybe what have you learned from Athene that should make the pathway for Athora different from our perspective, whether it won't go public, will go public, how you view that?

A - Marc Rowan {BIO 1457142 <GO>}

So why don't I start and I'll quickly hand it to you. So if you go back in Athene's history, Athene was a relatively small company. We were $16 billion of balance sheet. Then we bought Aviva USA's business, which was a $44 billion business and vaulted us from $14 billion to $60 billion. We were a $60 billion company for almost three years. It was not that we were not willing to grow. It's that, that acquisition needed to be managed. Financials needed to be created.

And what we've seen is if you look at the growth rate and the trajectory of what's going on at Athora, it's pretty much following Athene's history. It was about a EUR 15 billion business. It bought the EUR 44 billion block from VIVAT, which had been owned by Anbang. It's now circa a EUR 70 billion business with a couple of little add-ons, but it spent this year consolidating that business. I, for one, met the Dutch management team for the first time in person since we've owned it last week. So --

A - Scott Kleinman {BIO 2322865 <GO>}

Yes. So to answer your question more specifically, as Marc said, the -- if you look at the retail engine of Athene, it only kicked on after the acquisition Marc was talking about. The -- at Athora, through some of the acquisitions we have been doing, first the VIVAT, then one of the more recent transaction we just announced in Italy, there is a meaningful retail presence. So certainly not foreclosing is the answer. Over time, I would imagine we will accumulate to be able to participate in that as well.

A - Marc Rowan {BIO 1457142 <GO>}

We -- I know we didn't harp on it. It was not an Athene Day but it's important to understand, Jim did touch on it. Low cost of funds is a really important part of the business. Low cost of funds means if you're not a great investor, you can still earn spread. If you're a really a good investor, you can make a lot of spread. We are very disciplined on the options, the features, the underwriting of these products. And ultimately, we have to balance the desire for growth with cost of funds, but we've been very successful in doing that. It's a lot of expertise in-house.

A - Noah Gunn {BIO 18319821 <GO>}

Mike?

Q - Michael Cyprys {BIO 16672489 <GO>}

Great. Michael Cyprys, Morgan Stanley. A two-part question just around the balance sheet and the capital-light approach. Just on the first part here, so it seems like you're pushing down the origination platforms to the Athene balance sheet. So I guess just can you talk a little bit about how do you navigate any sort of governance complexity just around bringing third-party capital along for the ride, third-party clients if the platform is not owned by the holding company? Like what differences are there? What restrictions, limitations? What complexity do you have to navigate? And what do you give up, if anything? That's the first part.

A - Marc Rowan {BIO 1457142 <GO>}

So let me hit that because that's a lot in and of itself. So we're not pushing down origination platforms. I think what's happened is there's not been a lot of focus on where the origination platforms have been owned historically. So imagine the world pre-agreement to merge. Apollo saw this great yield opportunity and the need for origination platforms, but those platforms were owned by an entity in which it held a 35% stake. So each time a platform came in, there was a little bit of tension between ownership and control of the platform and the need for that platform to serve a broader group.

So what's being pushed down are roughly $1 billion of normal GP fund investments and some tails of platform ownership where Athene is already the ownership of platform. These things have values. They're valued every quarter. Athene is already an investor in almost all the product. So there's the normal governance process between Athene and Apollo through its Conflicts Committee, and that's already been done, done and over.

You're asking a second question which is almost as interesting as the first in there. Some of the platforms are really large. So MidCap is now a $4 billion capital base. Apollo/Athene own roughly a third of MidCap, and investors own two-thirds of MidCap. So on large platforms, you will see us also bring in our third-party clients as permanent capital sources. There is no exit at MidCap. There's no IPO plan. There's no sale plan, but MidCap continues to pay roughly 11%, 12% dividend currently each quarter and has -- even in the crisis, I think it paid 9% and has continued to be a very good business. Our largest LPs like being side-by-side with us owning a third of the business. The terms in which we do business have to be at-market because we have outside investors, and we have no problem with the terms being at-market. In the alternative, all the equity owners have to want the same piece of the flow off the business.

Q - Michael Cyprys {BIO 16672489 <GO>}

Great. And just the second follow-up question was just around using -- how do you think about using the Athene balance sheet to sort of accelerate the pace of new product innovation, new product introductions and using that as seed for new strategies?

A - Marc Rowan {BIO 1457142 <GO>}

So I'll say look, Athene has to, at the end of the day do what is best for Athene and has always done that way. We have to create win-wins. So if you think about what Athene needs, Athene needs highly rated senior secured spread. The risk it's willing to take is liquidity. So if we don't have the business, like Jim gave the example of Net Lease, we will go out. We will hire the team. We will run the team. We will manage the team, and we will create $3 billion to $4 billion of flow from zero into the Net Lease business versus someone stepping up and paying $1 billion for a platform that's not much larger. That to me is seeding.

If that business then expands even more and we offer it to third-party clients, so much the better. That is how we've gone about it, which is a series of win-wins. If you think of Hybrid Value, one of our premier hybrid products, it is, in many ways, the perfect alternative for Athene. Athene wants a less volatile, downside-protected, 12% net return in its alts portfolio. Hybrid Value was the response for it. We started with Athene as the first launch client. We then went out to other clients and Hybrid Value Fund I was --

A - Unidentified Speaker

$3.25 billion.

A - Marc Rowan {BIO 1457142 <GO>}

$3.25 billion. So Athene was about 20% of Fund I. Again a win-win. Product was created to serve Athene and was then made available to other third-party clients to achieve diversification and for growth. We will continue to do this, and we always have to keep in mind that we're balancing the interest of policyholders and regulators and the capital, but there are a lot of win-wins in the world.

A - Scott Kleinman {BIO 2322865 <GO>}

I would just add to that, right? I mean we showed you the numbers. But as -- 95% investment grade, 5% alts. When Athene was $50 billion, that meant only -- the 5% only represented so much. Today at $200 billion, that's $10 billion. By the end of the projection period, we've doubled the size of that. That's $20 billion, right? So the ability to take on more types of investment scales as that pool of capital scales as well.

A - Noah Gunn {BIO 18319821 <GO>}

Sam?

Q - Sam Martini {BIO 16445050 <GO>}

Sam Martini with OCO. Two questions. I wanted to just confirm that on the $9, there's no consideration of the redeployment of the $10 billion.

A - Martin Kelly {BIO 15261625 <GO>}

Yes. That's -- it's clean, ex that and ex all the other embedded upsides that we spoke about.

Q - Sam Martini {BIO 16445050 <GO>}

Surely, that's at least a couple of bucks a share of potential upside. If you took $10 billion at a 15% ROI and taxed it at 18% over the share count, I mean there's a couple of dollars theoretically of real conservative cushion.

A - Martin Kelly {BIO 15261625 <GO>}

Yes. If it's $10 billion of that ROE or if we return it through buybacks, then obviously it shrinks the count. But --

A - Marc Rowan {BIO 1457142 <GO>}

To be very granular, of -- there's $15 billion of cash flow coming off the business. $5 billion of it represents $1.60 times the share count. Another $5 billion is what we have mentally dedicated to dividend increases over time or to buybacks, and a further $5 billion is what we have sized as the holding company growth budget, for which we are planning a meaningful ROI, but it is not included in any of the numbers. So when Martin says that, on the one hand, the $5 billion -- the return on the $5 billion of growth capital is not in there. And any share count shrinkage or excess dividend payment is also not in there.

Q - Sam Martini {BIO 16445050 <GO>}

But it's $10 billion of incremental return-generating opportunities?

A - Marc Rowan {BIO 1457142 <GO>}

Yes.

Q - Sam Martini {BIO 16445050 <GO>}

Right. Secondly, Marc, to your -- you brought up Amerihome. Scott, you brought up mortgage, which is obviously a $10 trillion, $12 trillion market. You sold Amerihome to Western because it wasn't pulling its own weight or for whatever reasons. I'm not fast [ph] on the rationale. But mortgages --

A - Marc Rowan {BIO 1457142 <GO>}

No. It had a massive equity value and appreciation. It was $1.5 billion of our $10 billion pool, and it was not pulling 15% of the weight.

Q - Sam Martini {BIO 16445050 <GO>}

Sure. Sorry. I wasn't trying to be (inaudible).

A - Marc Rowan {BIO 1457142 <GO>}

I just want to be (inaudible).

Q - Sam Martini {BIO 16445050 <GO>}

So mortgage is still listed as growth area by you, Scott and by Chris. What's the right way to attack this market? I mean it seems like such an obvious plug-in to the platform at such a giant market. What is the right way to attack mortgage?

A - Marc Rowan {BIO 1457142 <GO>}

Yes.

A - Jim Zelter {BIO 1908625 <GO>}

So today if you look at the -- Athene's book today on their investment book, they have -- they were very, very early in pre-crisis subprime paper they bought in the '50s and '60s. So they rolled that up. But between Amerihome and a variety of other single-family for rent financing, single-family for rent equity, we've deployed it on our own platform or with a variety of partners we put in business, the expansion of Newfi, the expansion of a variety of other areas.

So there is no doubt that the resi broad $10 trillion asset class, which is not part of fixed income replacement that we were talking about today that is a broad area where we believe we've got ecosystem expertise. When you think about the private solutions going forward with retirement services types balance sheets, the desire for a safe, predictable (inaudible), I would suspect that expansion in the resi area is something that we will take on. We've been a very tactical player, but I think you'll see us be much more of a strategic player in due course.

A - Marc Rowan {BIO 1457142 <GO>}

Not agency, though. The agency business is --

A - Jim Zelter {BIO 1908625 <GO>}

That's correct.

A - Marc Rowan {BIO 1457142 <GO>}

Which became a big part of Amerihome's business. There's no vig left.

A - Noah Gunn {BIO 18319821 <GO>}

Seeing a pause in questions in the room. We did get a couple online. I'll read one. Bill Katz from Citi asked, can you expand on areas of capital deployment at holdco? And how do you weigh buybacks against this, particularly given your view on the disconnect and relative value in the nontraded REIT and BDC example from earlier?

A - Marc Rowan {BIO 1457142 <GO>}

Okay. I think I said to Jim Belardi when we were suffering on the Athene stock price, you rarely shrink your way to greatness, but you have to manage it. So we historically have looked at long-term ROEs in the business. Long-term ROE for us and growth is -- at the bottom end of that scale is 15% plus strategic. So Bill, I think we're going to employ that same discipline and seek to earn better than 15% cash on cash and do things that are strategic at the holding company.

To -- with respect to buyback, historically, we have distributed 103% of our cash flow as dividend. It has left us unable to shrink the share count or to invest in growth. So we don't want to find ourselves in that situation again because either market gyration or otherwise, we do find windows where the single best thing to do financially is to buy back your own stock. If we get sustained periods of time where we can buy volume in our own stock, we'll do it. We've earmarked in the budget some $5 billion for that. As I've said, these are guidelines. These are our current thinking. It could easily be adjusted either way if we find incredible things to do with the money or if the stock doesn't trade well.

A - Noah Gunn {BIO 18319821 <GO>}

Samir [ph]?

Q - Unidentified Participant

Great presentation. Samir Puri [ph] from Juno Capital. Can you quickly opine on kind of the -- I know S&P is a little bit of a black box. But how you guys are positioned for the S&P yet on an absolute level relative to your peers?

A - Marc Rowan {BIO 1457142 <GO>}

Go ahead, Martin.

A - Martin Kelly {BIO 15261625 <GO>}

Look. I think Samir, we've done everything that is needed both in form and in substance. We will have, by the time the merger closes. There's no conditions that you could say we haven't satisfied. So I think on all of the measures, we're eligible. So hopefully, to your point on black box, it's hard to know. They invite you. And they need to remove someone to invite you. But hopefully, with time, we'll get there. I think we are better positioned than any of our peers given the actions we have taken and will continue and will complete taking through the merger close.

A - Noah Gunn {BIO 18319821 <GO>}

Glenn?

Q - Glenn Schorr {BIO 1881019 <GO>}

Just one quick follow-up. I remembered the last presentation a few years ago, you gave a sensitivity of move in rates and move in spreads and move in the equity markets. The bottom line was it had a pretty de minimis impact on what you thought your earnings would be. I don't know if you have a refresh on that or just say it's still good. But just --

A - Martin Kelly {BIO 15261625 <GO>}

It's the same. It's unchanged. Yes.

A - Jim Zelter {BIO 1908625 <GO>}

I've lived the last nine -- 10 years in a repressed rate environment. I would love to see the 10-year at 2.25%, 2.50%, 2.7%. We're not building our business based on that. But I recall being in that meeting and those questions you asked. We would embrace a higher rate environment. We're not building our business on it, but bring it on. I know Jamie Dimon came out a couple of years ago and said the 10-year was going to 5%. I'm not sure that's correct. But any rise in rates, Jim Belardi and I would embrace.

A - Noah Gunn {BIO 18319821 <GO>}

Alex?

Q - Alex Blostein {BIO 15412167 <GO>}

I wanted to go back to the discussion around the fixed income replacement business. It definitely stood out as one of the bigger sort of addressable markets you guys talked about today. When you look at the sources of growth, though, within that, it looks like the percentage of third-party capital roughly remains the same versus where it is today in terms of how much that contributes in the growth of the yield business and fixed income replacement. Kind of going back to your comments around the need from large institutions for those kind of products and you kind of moving out of the smaller office, talking about the alts into the bigger office and the corner office talking about the fixed income market broadly, why isn't third-party a bigger part of the story when it comes to fixed income replacement?

A - Marc Rowan {BIO 1457142 <GO>}

So this is a question of ambition and how aggressive we're going to be on what we can do. Recall that this is all originated. Our budget, the plan we put together, shows us going from $80 billion to $150 billion. If we get to $150 billion, we will have, in our calculus, room for $200 billion plus of third-party business alongside Athene and Athora. If we get to $200 billion, we'll have more room and so on and so on and so on. This is a function of -- it goes back to really the first thing that I've tried to say. The promise of alternatives, even in fixed income replacement, is excess return per unit of risk. We could certainly take the money. There would be no shortage of people who would want to access excess spread. But if we don't grow the front end as much as there is demand, and I agree with you, there is way more demand for this than there is going to supply, all we're going to do is commoditize the business by family to deliver on the excess return promise.

So we have been prudently scaling the business, including, for a long time, not really taking third-party money, years ago, three years ago, four years ago, beginning to take third-party money, producing a $100 billion business in what will now become a $200 billion business. It's growing slightly faster than the internal sources, but only slightly faster, and it's really a function of a dose of conservatism into how much we think we can scale the origination on a recurring basis and be comfortable telling you that's what we can do. If there's more to do, we're going to do more.

A - Jim Zelter {BIO 1908625 <GO>}

Yes. I'll also add -- and I'm going to depart a little bit here. But one of the challenges from lots of dry powder private credit vehicles is institutions now are realizing that my real challenge is deployment.

I've set aside the money. But it takes two, three, four years for private credit to be deployed. When you look at work that's being done by many -- some of the consultants in the business right now, they talk about, especially in an insurance balance sheet, how that's a massive capital charge for them that's not earning any assets.

So the promise of going out and raising all this capital and then having it sit there for false promises, we have better alternatives. No doubt, in 2020, when we went out and did transactions for ADNOC and Hertz and ABI, we found many friends, many, many friends. So we're just being very thoughtful and strategic about the objectives of our bottom line versus a AUM headline number.

A - Noah Gunn {BIO 18319821 <GO>}

Last call for questions.

A - Marc Rowan {BIO 1457142 <GO>}

Great.

A - Noah Gunn {BIO 18319821 <GO>}

All right. I won't rehash. Marc closed it well and summarized the day earlier. I just -- I think it's appropriate to end where we began and simply say thank you for taking hours out of your day today to come spend some time with us. We really appreciate your attention and your presence here, both in the room and virtually. If you have any questions or a follow-up on anything we discussed today please feel free to reach out to us. Thank you.