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Athene Holding Ltd. (ATH.PRA)

Investor Meeting - Fixed Income

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Athene Fixed Income Investor Call. At this time, all participants have been placed in a listen-only mode, and the floor will be open for questions following the presentation. [Operator Instructions] As a reminder, this conference is being recorded.

I would now like to turn the call over to Jeanne Hess, Vice President of External Relations at Athene. Thank you. Please go ahead.

Jeanne Hess
Vice President-External Relations, Athene Holding Ltd.

Thanks, John, and welcome, everyone. We must remind you that today's call may include forward-looking statements and projections which do not guarantee future events or performance. We do not undertake any duty to revise or update such statements to reflect new information, subsequent events, or changes in strategy. Please refer to Athene and Apollo's most recent quarterly and annual reports and other SEC filings for a discussion of the factors that could cause actual results to differ materially from those expressed or implied.

We will be discussing certain non-GAAP measures on this call, which we believe are relevant in assessing the financial performance of the business, and you'll find reconciliations of these metrics within our materials available at our refreshed Investor Relations website, ir.athene.com.

Earlier today, we posted the fixed income investor presentation to our Investor Relations site, and we intend to publish revised versions of our commercial real estate and corporate structure presentations in the near-term. These presentations are an important part of our ongoing commitment to be transparent, provide leading disclosure, and be responsive to your questions.

Joining me this morning are Jim Belardi, Chairman and CEO; Grant Kvalheim, President; Marty Klein, Chief Financial Officer; and Noah Gunn, Global Head of Investor Relations for Apollo. Noah?

Noah Gunn

Managing Director and Global Head of Investor Relations, Apollo Global Management, Inc.

Thanks, Jeanne. Athene's strong quarterly results were reported last week as part of Apollo's first quarter earnings release. Athene delivered record organic growth and continues to be a significant contributor to Apollo's growth outlook and franchise value as a $60-plus billion market cap company in financial services. As many of you are aware, Athene has been active in the bond market so far this year. At the holding company level, we raised a total of $1.6 billion in senior and hybrid debt to prefund growth at attractive spreads. And as we'll discuss, it was a record quarter for our FABN program where our spreads have outperformed year-to-date. All of this activity would not have been possible without your support of our business and confidence in our credit profile.

Our commitment to fixed income investor engagement continues with this morning's update. Jim will provide commentary on Athene's growth outlook, the vital role the company plays in the retirement landscape, and the investment portfolio. Grant will then take you through Athene's record volumes driven by diversified sourcing capabilities. And Marty will then discuss financial highlights, capital, and our sidecar program. Following these remarks, we look forward to being helpful and fielding any questions you may have.

With that, I will now turn the call over to Jim.

James R. Belardi

Partner-Apollo Global Management, Inc. and Co-Founder, Chairman, Chief Executive Officer & Chief Investment Officer, Athene Holding Ltd.

Yeah. Thanks, Noah, and good morning, everyone. On the heels of our record results in 2023, Athene entered 2024 extremely well-positioned with significant momentum. We delivered a very strong first quarter, highlighted by record organic growth with flows exceeding $20 billion. Continuing to demonstrate our ability to source predictable, long-term, spread-based funding across our multiple organic channels. Importantly, as always, the new business we are putting on is aligned with our return targets of mid-teens or better. Following our strong first quarter, we remain well-positioned to achieve record annual organic volumes of $70 billion.

Demand for our products illustrates the ongoing societal need for guaranteed lifetime income. This need is prevalent everywhere in the world. The retirement crisis in the US is particularly acute, with retirees facing an estimated retirement savings shortfall of $3.7 trillion. The reason for the lack of preparedness is twofold. Not enough savings and too low of a return on those savings. With more than 11,000 people reaching retirement age every day, there is a substantial role for Athene to play in securing their savings and providing increased financial security.

Throughout my career, I recognize that there is an increasing retirement savings crisis and we built Athene to be a big part of the solution. We believe that fixed annuities are the best retirement investment vehicle and Athene is the biggest and best provider of annuities. These savings products serve a fundamental need in retiree portfolios. Offering significant value centered around principal protection, tax deferral, flexible investment options, guaranteed income for life, and strong rates of return.

We have tremendous potential for additional growth, given the vast, global, addressable retirement savings market that is continuing to expand. We are all getting older. Whether you look at the ageing of the population, the decline of defined benefit plans, or the inadequacy of government-supported programs, retirement is going to continue to be a massive driver of our business. And of course our ability to drive growth is twofold. Resource spread-based liabilities and invest the proceeds in high-grade assets to generate net investment spread. We have a gross invested asset portfolio of nearly $300 billion, which is 95% fixed income with 5% in alternatives.

At Athene, we seek to generate alpha through illiquidity and structural premia, not incremental credit risk. Through our alignment with Apollo, we have access to proprietary asset origination that sources senior secured private investment-grade credit, designed to capture compelling levels of excess spread. We outperform on asset yields against comparable corporate benchmarks, while having lower impairments than our peers, which is a very powerful combination in our business.

For example, the average yield on our total fixed income purchases in the first quarter was more than 70 basis points higher net of fees than the average BBB corporate bond index. Within the quarter's deployment activity, there was $7.5 billion of investment-grade credit directly originated by Apollo, with attractive excess spreads of 200 to 250 basis points above comparably-rated public corporate benchmarks. These are the types of differentiated asset opportunities that drive Athene's continued ability to produce attractive growth and returns.

In total, gross asset purchases were $24 billion in the quarter, which is nearly 3 times the amount deployed in the first quarter of 2023. This activity was mainly in three categories. First, we found value in public and private corporate bonds, which accounted for approximately 40% of our purchases. Second, we found attractive opportunities in structured securities like CLOs and asset-backed securities, which accounted for nearly 30% of our purchases. As a reminder, Athene focuses on the senior investment-grade tranches of these securities, which benefit from significant credit enhancement and enable us to earn incremental yield at a similarly high ratings profile compared to our corporate purchases. Importantly, approximately 99% of our existing CLOs and 95% of our asset-backs are investment-grade.

Third, we source mortgage loans, residential and commercial, which account for approximately 25% of our purchases as we continue to see very strong relative value in absolute yield with comparably high credit quality in this asset class. While inflows and asset deployment activity were well matched in total for the quarter, the liability generation took place at a relatively even pace, but a meaningful portion of the asset origination occurred at the end of the quarter. This resulted in higher average cash balances and delayed deployment that will normalize as we move forward.

One of the most important actions we took during the first quarter was to significantly decrease Athene's allocation to floating rate securities. Our approach to managing our floating rate position is simple. When rates are low, we've been able to earn excellent returns without maximizing current period spread related earnings by adding floating rate exposure, providing upside as rates normalize. When rates return to more normalized levels, we reduce our exposure.

In the first quarter, we reduced our net floating rate portfolio by nearly 40% to $16 billion, reducing our earnings sensitivity to interest rates and protecting future earnings power if interest rates move significantly lower. For now, we expect our net floating rate exposure to remain around the current level and we'll reevaluate periodically in the months ahead. Floaters remain an important component of our portfolio as they help achieve our asset liability management objectives, while also mitigating the unlikely income reduction from elevated surrender activity.

In terms of credit quality, 97% of our available for sale fixed maturity securities are investment-grade. And Athene's historical credit loss experience outperforms the industry. Since the beginning of 2019, a period that has included market disruption related to COVID-19, the Russia and Ukraine war, the regional bank crisis, and a significant move higher in rates, we have sustained average annualized impairments of only 11 basis points compared to 13 basis points for the industry. In 2023, we posted impairments of 16 basis points, which again outperformed the industry average of 18 basis points.

In the current environment, one of the areas of our portfolio that is of interest is commercial real estate. As Jeanne mentioned, we will publish an updated version of our commercial real estate presentation in the near-term. To give an early look at the highlights. First, virtually all of our CRE investments are debt, in the form of commercial mortgage loans, not equity, and well-suited to match Athene's long-dated funding profile. Second, our CML portfolio is well-constructed with relatively low weighted average LTVs compared to the industry average. The portfolio consists of newer vintage loans with several years to maturity and approximately 80% is designated CM1 and CM2.

Third, we have below average concentration of investments in the office sector. Our office investments comprise only 2.5% of our net invested assets. Our long-term view on CMLs remains constructive, driven by strong underlying fundamentals within the portfolio. Within the capital impacts disclosed as part of Athene's annual stress testing, losses are conservatively assumed to occur over a 12-month timeframe, when in reality, modeled losses would likely play out over a multiyear timeframe, as loans mature and incremental capital is needed at the properties. While we've started to see some of this unfold, overall, our CMLs have been very resilient, generating only 3 basis points of losses within Athene's total investment portfolio in 2023, and just 2 basis points on average since COVID in 2020.

Regarding capital, we have always run the business holding excess capital as we are not near-term profit maximizers. We have proven over time that this approach provides strategic flexibility to be opportunistic and a prudent margin of safety when dislocation occurs. Athene continues to be exceedingly well capitalized with approximately $23 billion of net regulatory capital, including $3.6 billion of excess equity capital as of March 31st. In closing this quarter, we continued our track record of long-term, consistent excellence. We see vast opportunity in the marketplace as the growing and increasingly unprepared retirement population seeks savings products that provide solutions and certainty.

With that, I will turn it over to Grant.

Grant Kvalheim

Partner-Apollo Global Management, Inc., Chief Executive Officer & President-Athene USA and President, Athene Holding Ltd.

Thanks, Jim, and good morning, everyone. The team's organic growth engine delivered a record quarter as our diversified sourcing capabilities provided the opportunity to capture strong growth at attractive returns. There are several highlights across the business. In retail, inflows were approximately $10 billion in the quarter, with a diversified mix of products. Impressively, we had 1,300 producers who sold an Athene annuity for the first time in the first quarter. We had quarterly records for both RILA and FIA sales with sequential quarter increases of 45% and 32%, respectively. MYGA sales were down 50%. As we've mentioned previously, MYGA sales are purely rate driven and we chose to moderate MYGA sales in the quarter.

I'd like to emphasize the importance of this mix shift. The weighted average life of our MYGAs is about five years. For our FIA suite, it ranges from 9 to 19 years with our two largest selling FIAs having weighted average lives of 10 plus and 14 plus years. Spreads are strong across all our products. But the point is we get to earn spread 2 to 3 times longer on a FIA sale versus a MYGA sale, an extra 5 to 10 years or more. Our strategy in the FIA space includes focusing on custom indices that optimize product performance and deliver superior long-term value to our clients seeking protected accumulation and guaranteed income.

On the retail distribution front, we continue to see positive momentum in adding and expanding our relationships in financial institutions. Banks and broker dealers are 70% of all retail sales. And at the end of the quarter, we launched on the Morgan Stanley platform with plans for several additional institutional launches in the second half of 2024. Sales in the IMO channel, we're also strong and represented 30% of the total. Regarding the DOL Rule, we are assessing the final rule, but do not expect a material sales impact. The demand for retirement income solutions is there. The DOL Rule may require changes in how that need is met, but it does not change the need.

Athene and other insurers prepared to comply with the original fiduciary rule seven years ago and will do so again if we are required. The first lawsuit has been filed by an industry group, and we expect there will be additional challenges. Regardless of changes in the regulatory landscape, annuities will continue to be valued by those preparing for retirement, and the features and protections provided by these products will continue to be an important tool in retirement planning. Nobody is better placed to serve that need than Athene.

Turning to flow reinsurance. Inflows in the quarter remain strong at $2.4 billion with balanced sales across our domestic and Japanese clients. We continue to leverage Athene's product expertise to expand relationships in the APAC region and we established two new flow life reinsurance partnerships in April, including our first flow partnership in Singapore.

In our pension group annuity business, while the first quarter was quiet, we continued to compete in the market and remain disciplined in pricing new business opportunities to our return requirements. We've observed heightened competitive dynamics with newer entrants and legacy players in the mix, resulting in reduced spreads and business that is not all that attractive. We also believe recent class action litigation targeting plan sponsors could cause a decline in overall pension risk transfer activity this year and for Athene, specifically.

On the other hand, funding agreements were very active with a record $8 billion of volume, including $5 billion from our FABN program, additional FABRs, FHLB issuance, and our first direct FA issuance into a municipal prepay transaction. In January, for the first time in nearly two years, we returned to the dollar FABN market with a $750 million, five-year transaction. This was followed by three non-syndicated trades, including our first euro-denominated floating rate note. We also issued in several other currencies in the first quarter, pounds, Canadian dollars, Singapore dollars. We've remained active in the second quarter, issuing $1.6 billion across three tranches just this past Monday, as well as two yen-denominated FABNs and we will continue to look for new distribution for our FABN program.

Our focus has been to execute larger deal sizes and ensure to the greatest extent possible, strong aftermarket performance. I know someone will ask what our plans are for the rest of the year for FABNs, and the answer is I don't have a forecast. But we are committed to executing in the manner I just described and I believe volumes will slow meaningfully from here. I will also point out that even with the record FABN volumes, our spreads have substantially outperformed the peer group. Our five-year has tightened 50 basis points since January, far outpacing market spread tightening. We believe the efforts we have made to engage with our investors and other market participants have made a difference. There is always more work to be done and we will continue to execute our engagement strategy to ensure our superior financial strength is understood by the market.

I'll now turn the call over to Marty for a detailed discussion of our financial results.

Martin P. Klein

Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.

Thanks, Grant, and good morning, everybody. I'm going to start this morning with a discussion on earnings and profitability before turning to the balance sheet. In the quarter, spread-related earnings increased to $816 million at a 147-basis point net spread, reflecting robust and profitable organic growth in addition to higher alternative net investment income. SRE included a 9.1% annualized return on our alternative investment portfolio. This quarter's return was driven by solid performance in Apollo funds and strategic origination platform investments, partially offset by retirement services investments.

Net spread would have been 10 basis points higher when adjusting for our long-term expectation for alternative returns of 11%. On a comparable basis, net spread declined by 9 basis points sequentially, which is driven by two factors. First, higher on the margin cost of new business, together with delayed deployment into higher yielding assets, which is primarily attributable to the timing of two large asset transactions that closed towards the end of March. Had they closed midway through the quarter, the benefit would have been 3 basis points of higher net spreads.

Second, an approximate 5-basis point spread impact associated with hedging a portion of our net floating rate position that Jim mentioned, as well as higher costs on certain in-force business. Hedging activities included swapping $8 billion of fixed rate liabilities to floating and issuing $4 billion of additional floating rate funding agreements. These actions resulted in a $9 billion decrease in our net floating rate position quarter-over-quarter. As a result, our floating rate income sensitivity declines to approximately $30 million to $40 million of annual spread-related earnings for every 25-basis point move-in rate, down from the $45 million to $55 million previously. All in, these strong results are consistent with our expectations and we're on track to deliver net spread of approximately 160 to 165 basis points and low double-digit SRE growth for the full year of 2024, excluding notable items and assuming an 11% annualized alts return, which we believe reflects the long-term run rate for our business.

Turning to capital. Our growth expectations would not be possible without the support and disciplined management of our Fortress balance sheet that contains a substantial amount of excess equity capital and liquidity. We were active in the capital markets in the quarter to prefund the growth and successfully raised a total of $1.6 billion comprised of senior and hybrid debt. Historically, we've been a regular issuer of senior debt and preferred equity. Recently, given that rating agencies have begun to treat subordinated debt more favorably and Athene's status as a US-domiciled company permits us to deduct the associated interest expense. We added subordinated debt to our capital debt stack following our first issuance in February.

Related to this evolution, we updated our definition of untapped debt capacity, a component of total deployable capital to untapped leverage capacity, a measure that includes not only senior debt but also hybrids. We target adjusted senior debt to capital of no more than mid-teens. In addition to capital markets issuances, we have multiple sources of capital to support our industry-leading growth, including spread-related earnings generation of $3.1 billion in the last 12 months excluding notable items, capital release from runoff with total of $1.7 billion in 2023, and on-demand equity capital from our sidecar program.

Our ACRA sidecars are highly strategic to our business model, and we plan to continue to use this on-demand, long-term equity capital provided by ADIP as an efficient way to fund growth while maintaining balance sheet strength. Since inception in 2019, we have deployed approximately $7 billion of total ADIP capital at mid-teens or higher returns. In the first quarter, $525 million of equity capital was deployed into our operating companies from third-party investors in ACRA, as well as from our new flow reinsurance seeding relationship with Catalina. Athene has an equity stake in Catalina, and this new reinsurance arrangement that began in the first quarter provides it with a source of profitable and diversified business, while also providing another source of capital for Athene.

Athene finished the quarter with $9.3 billion of total deployable capital, comprised of $3.6 billion of excess equity capital, untapped leverage capacity of approximately $3.2 billion, and $2.5 billion of available, undrawn third-party capital within ACRA. Athene's balance sheet metrics continue to compare favorably. Athene maintains higher statutory capital reserves, lower adjusted senior debt to capital, and lower credit losses within the industry. In closing, with our significant level of deployable capital and liquidity, we're well-positioned to deliver another record year for Athene.

Thanks for your time today and we look forward to taking your questions.

QUESTION AND ANSWER SECTION

Operator: The floor is now open for questions. [Operator Instructions] And the first question comes from the line of Bill Katz with TD Cowen. Please proceed with your question.

William Katz
Analyst, TD Cowen

Q

Okay. Thank you very much and good morning, everybody. Appreciate the update. Maybe just drawing on credit quality or actually outflows, it's still relatively good, but your first quarter actuals were slightly different than your sort of forecast coming into the quarter. I was wondering if you could talk about some of the puts and takes around that. And since it was a couple basis – 20 basis points higher than what you forecast, why do you feel comfortable sort of keeping the full year where it's at, particularly unplanned surrenders? Thank you.

Grant Kvalheim
Partner-Apollo Global Management, Inc., Chief Executive Officer & President-Athene USA and President, Athene Holding Ltd.

A

Sure, Marty?

James R. Belardi
Partner-Apollo Global Management, Inc. and Co-Founder, Chairman, Chief Executive Officer & Chief Investment Officer, Athene Holding Ltd.

A

Marty?

Martin P. Klein
Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.

A

Yeah. Sure, it's Marty. Thanks for your question. Yeah. 20 basis points is pretty close. We would say. We're trying to put out forecasts that we think are pretty realistic. And so I think the number for overall surrenders in annualized basis came in at 12.1% versus our 11.9%. Both are pretty close to 12%. Really, the difference was in MYGA maturities. Basically, MYGA is very predictable. And when they mature, three-year, five-year MYGAS and generally the surrender rate is kind of in the 90-plus-percent. Let me repeat that number so you hear it. 90% or more type of categories. Sometimes in some quarters it's 92%, sometimes it's 95%, sometimes it's 96%. It does vary, but it kind of hovers around somewhere in the low 90s. And that was the difference. They came in just a touch higher in the quarter, perhaps a little bit higher rates contributed to that. Again, actually, with respect to MYGAs maturing, we prefer that number to be higher, frankly. We don't have any real interest in having MYGAs really come out of surrender and stay on our books. We prefer that they lapse out and then we can release that capital behind them and replace it with new business that has longer-term surrender charges.

William Katz
Analyst, TD Cowen

Q

That's very helpful color. And then just maybe a follow up, if I may. You mentioned that you still feel good about the $70 billion for flow this year, which is terrific to hear. But to be fair, you had some sort of sobering comments on some of the pension risk transfer side of the equation. So what's the equation to hit the $70 billion from here? Is it just more expansive retail or there are other opportunities along the way? Maybe you can just enhance your commentary there. Thank you.

James R. Belardi
Partner-Apollo Global Management, Inc. and Co-Founder, Chairman, Chief Executive Officer & Chief Investment Officer, Athene Holding Ltd.

A

Grant?

Grant Kvalheim
Partner-Apollo Global Management, Inc., Chief Executive Officer & President-Athene USA and President, Athene Holding Ltd.

A

I think the confidence starts with we just had a record quarter for inflows of $20 billion. I think we've got pretty good line of sight on how we can get there. We start every year with a forecast of a total number with some assumptions of the various channels. Every year, the actual composition ends up being a fair bit different. This year, we will be more the same. So we don't give detailed forecast by channel. But as you heard Jim say and you heard Marc say on Apollo's call, we're pretty confident, very confident we're going to get to the $70 billion number.

William Katz
Analyst, TD Cowen

Q

Thank you.

Operator: And the next question comes from the line of Patrick Davitt with Autonomous Research. Please proceed with your question.

Patrick Davitt
Analyst, Autonomous Research US LP

Q

Yeah. Just as a quick follow-up to that, could you give us kind of the quarter-to-date flow update like you have in previous quarters?

Grant Kvalheim
Partner-Apollo Global Management, Inc., Chief Executive Officer & President-Athene USA and President, Athene Holding Ltd.

A

No, we did it in the first quarter on retail just because there was a higher-than-usual carryover given how strong submits were in the first quarter. But we're not going to be in the habit of giving quarter-to-date update. So...

Patrick Davitt
Analyst, Autonomous Research US LP

Q

Okay.

Grant Kvalheim
Partner-Apollo Global Management, Inc., Chief Executive Officer & President-Athene USA and President, Athene Holding Ltd.
A

...business is great, but we're not going to give actual numbers.

Patrick Davitt
Analyst, Autonomous Research US LP
Q

Okay. Cool. And as a follow-up, could you update us on the Japan reinsurance opportunity and how meaningful that geography could become in the origination pipes? Thank you.

Grant Kvalheim
Partner-Apollo Global Management, Inc., Chief Executive Officer & President-Athene USA and President, Athene Holding Ltd.
A

Yeah. I mean, last year was quite significant. If you capture both the flow reinsurance business and the fact that we did a block trade in the fourth quarter, I think it was low teens of our total origination for 2023, which I think is pretty significant. You go a few years prior to that, the number was nearer to zero. We now have four flow annuity reinsurance transactions that are active in Japan and our first flow life insurance transaction that's active in Japan. We think there'll be more this year. And then we've also done our first flow life reinsurance deal in Singapore. And again, we expect there'll be more this year. So we continue to be very optimistic about the ability of Asia to be a continuing growth source for Athene.

Martin P. Klein
Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.
A

I would just add to that as a sidebar, similar to the Black Life transaction we did in Japan in the fourth quarter of last year, these two flow deals were not taking the mortality risk that exists in that business. We're reinsuring that part out. We're not adverse to doing that. It's keeping that mortality risk at some point because we think that risk is fairly manageable. But just for what it's worth, we don't – we're not taking a mortality risk in any of those deals so far.

Operator: And the next question comes from the line of Ravi Prakriya with Junto Capital Management. Please proceed with your question.

Ravi Prakriya
Analyst, Junto Capital Management LP
Q

Hi there. Thank you. Could you elaborate a little bit on your alternative investment income returns? I think the comment that was mentioned was maybe some of the softness relative to your 11% expectation came more from the origination platform side, if I heard that right. And I think the only data point we have in your supplement to kind of look at this is the valuation of these assets quarter-over-quarter. And it looks like, okay, the retirement services looks like that was actually marked up quarter-over-quarter. Maybe you could just talk about what has driven the major divergences versus 11% this quarter and over the past year? Thank you.

James R. Belardi
Partner-Apollo Global Management, Inc. and Co-Founder, Chairman, Chief Executive Officer & Chief Investment Officer, Athene Holding Ltd.
A

Marty?

Martin P. Klein
Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.
A

Sure. It's Marty. Yeah. As we've seen in the last really couple of quarters, the investments that are in the AAA fund, if you will, are performing pretty close to expectations and performing pretty decently. In the origination platforms, Apollo 16 origination platforms, in aggregate, are performing quite well. Some are very strong, one or two weak spots, but in aggregate performing kind of hitting above their weight. So the softness is really in a few of what we call the retirement services platforms. These are a few different insurance companies where we have a stake for varying strategic reasons.

In particular, some of the softness we're seeing this quarter and frankly, the last couple of quarters is related to a couple of different holdings. One is Catalina. Catalina is a company that has historically done reinsurance or acquisitions of runoff property and casualty businesses, and we own a stake in that, as do some other institutional investors. That business is not just underperforming, but frankly, it's been losing a little bit of money in the last number of quarters and it continues to. It's a company that does have a lot of capital in it, very well-capitalized.

So we just, this quarter, as I mentioned in my remarks, started a reinsurance relationship with Catalina, which will have two pretty big benefits, one for them and one for Athene. The benefit for Catalina and indirectly to us because we're an investor is that will – flow reinsurance arrangement that we have, we are ceding some of our retail business to Catalina, will serve to give them a profitable and diversified new business stream that will help over time to improve their return profile. The benefit for Athene is it give us yet another source of capital to fund our growth so we can maintain a Fortress balance sheet. So Catalina is one of the soft spots.

The other one that's actually growing, but very – but slowly these days is Athora, our European counterpart, where we own a stake. And Athora, we think, over time will grow pretty significantly. But its growth over the next few years, as in the past, comes from inorganic transactions. So it's sort of lumpy. As you may have seen, they recently announced that a transaction they were thinking about doing has kind of fallen through, but there is a pretty attractive pipeline. So we think Athora will return to growth but over time and it will be lumpy. And Catalina, as the quarters go by, as we do more reinsurance with them, their business profile and return profile will improve, but otherwise I think things are performing as we'd expect.

Ravi Prakriya
Analyst, Junto Capital Management LP

Q

Thank you. If I could squeeze one more in while I have the microphone. A peer of yours completed the acquisition of a large retail annuity origination platform and has some pretty lofty aspirations for where they want to get originations. I don't know if you can comment on any change in competitive intensity in that channel. You guys seem to still be originating pretty successfully. Thank you.

Grant Kvalheim
Partner-Apollo Global Management, Inc., Chief Executive Officer & President-Athene USA and President, Athene Holding Ltd.

A

Look, I would say in all of our business channels, we have reasonable competitors. And we're a market leader and yet our share of market is low teens in the markets we compete in. So I don't know that one or more other additional competitors changes that equation very much. We always have strong competition. I would say overall the market – the retail annuity market, a bit more competitive this year than last, but nothing irrational in pricing. And I mentioned that because there have been periods of time when we think people do things that don't make sense from a pricing perspective and it's not sustainable. I feel like we're facing rational competition. You can say the same thing in the flow space. I'd say the one marketplace and I commented on it already where we see intense price competition is in the pension risk transfer business.

Operator: And the next question comes from the line of Ben Budish with Barclays. Please proceed with your question.

Nick Benoit
Analyst, Barclays Capital, Inc.

Q

Hey, good morning. This is Nick Benoit on the call for Ben. You mentioned earlier that you lost to Morgan Stanley as a distributor at quarter end. So could you maybe speak to the early signs of performance you're seeing on that platform, and maybe touch on how long that platform would take the scale, similar to how we're seeing it with JPMorgan being one of your top distribution partners. Thanks.

Grant Kvalheim
Partner-Apollo Global Management, Inc., Chief Executive Officer & President-Athene USA and President, Athene Holding Ltd.

A

Yeah. Nothing really compares to JPMorgan. They are the largest seller of annuities in the United States. We are optimistic about Morgan Stanley, but again, it just launched late in the first quarter. So we're really just kind of getting up and running there but we have reasonably high hopes. But it's not the same distribution opportunity that JPMorgan was.

Operator: [Operator Instructions] Our next question comes from the line of Nick Annitto with Wells Fargo. Please proceed with your question.

Nicholas M. Annitto
Analyst, Wells Fargo Securities LLC

Q

Hey. Good morning. Thanks. I just wanted to come back to PRT a little bit. Could you guys just kind of touch on some more competitive dynamics there and maybe what you guys are seeing in pricing and a little bit more color there? Is there anyone driving that in particular or is that just more of a function of rates and maybe just touch on your outlook for overall volumes this year. Thanks.

Martin P. Klein
Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.

A

Yeah. So I think there are a number of dynamics there. There are a number of sidecars that have been raised. There are a number of new entrants in that space. Some of the sidecars have been raised in jurisdictions that are allowing them to hold less capital on transactions than maybe some other jurisdictions. So I think there's a variety of factors that are playing into the competitive environment there. As I made comments in my prepared remarks, there is the impact now of the lawsuits on the plan sponsors. We think that could have a chilling effect on the overall marketplace. It certainly will impact the volumes that Athene can do this year.

Operator: There are no further questions at this time. I would like to turn the floor back over to Jeanne Hess for any closing comments.

Jeanne Hess
Vice President-External Relations, Athene Holding Ltd.

Thanks, John, and thanks, everyone, for joining us for today's call. If you have any follow-up questions, please don't hesitate to reach out.

Operator: Ladies and gentlemen, that does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation.