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Apollo Global Management, Inc. (APO)

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MANAGEMENT DISCUSSION SECTION

Michael J. Cyprys

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All right. Before we get started, for important disclosures, please see the Morgan Stanley Research Disclosure website at www.morganstanley.com/researchdisclosures. If you have any questions, please reach out to your Morgan Stanley sales representative.

All right. With that, out of the way, good morning, everyone and welcome back, Day 2 of Morgan Stanley's Financials Conference. I'm Mike Cyprys, equity analyst covering brokers, asset managers and exchanges for Morgan Stanley Research and I'm excited to have with us this morning Martin Kelly, the Chief Financial Officer of Apollo. With nearly \$800 billion of assets under management, Apollo is one of the world's largest alternative investment managers. Martin, thanks for joining us today.

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

Good morning, Mike. Thanks for having me.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Great. Thanks for being here.

QUESTION AND ANSWER SECTION

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Q

Lot to talk about. Why don't we start with macro picture? Love to kind of get your thoughts on the macro backdrop here. It's been a little bit of a whiplash of investor sentiment, uncertainty, lot of volatility, some of which has normalized a bit since some of the peak volatility in April. So just curious, what's Apollo's house of view on the state of the economy through the lens of your portfolios, what you're seeing out there and how are you positioning and navigating in this backdrop?

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

Yeah, it's certainly been an interesting couple of months and I would say I think what we are all seeing is that the uncertainty of the trade wars seems to be fading and you can see that reflected in the markets. And so I think the focus of the administration will most likely now turn to the other components of the plan that are stimulative in nature. So deregulation, tax reform and then likely energy and so – and you look at the rate futures market. And even a month ago, those three cuts baked in for this year sticks by middle of next year that's now about half that. And so the market – the market is sort of reflecting a likelihood that there'll be more inflation from the stimulative effects, a likelihood that there'll be less need for rate cuts and I think when you combine that with the Treasury supply that's required, there'll be pressure on the long end of the curve as well.

So, the rate market is likely to be higher – higher for longer. I think, our view is that the number of cuts implied by the market is probably overdone. So we think there may be a cut this year, but probably not more subject to Treasury options functioning properly and the long rates probably stay high. And so with that backdrop, it's a pretty good environment for us. Higher rates, generally speaking, are a good environment for credit and so we're actually pretty constructive on the environment that's ahead of us.

In terms of what we own, the portfolio, it's – the data is positive. We're not seeing adverse trends in the data. It's tended to surprise with positive. And so even in the most tariff-exposed companies that we own a month or two back, I think the potential consequence looking ahead is much less than we thought, but across the portfolio with a – with an orientation to investment-grade and therefore more high quality credit with low LTVs. The portfolio is performing well and there's nothing of any real concern across we own – and we think that the backdrop is therefore constructive for growing the business similar to the way we've laid out.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Q

Okay. Turning to capital markets, you've built out a meaningful capital solutions revenue stream in recent years. Can you talk about some of the steps you took to get to where you are today and looking out over the next several years how meaningful could this capital solutions business be for Apollo? What are some of the incremental steps that you would look to take in the coming years?

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

Yeah, I think this is one of the great successes that we've had and it has a lot of potential ahead of it. It's – capital solutions really sits at the center of a lot of what we do. It sits – it's managed by people who are sort of expert

capital market bankers who have decades of experience and find working with us an attractive place to be. It sits between origination teams who originate credit, investment teams who deploy capital, banks as key partners to us, LPs and it really sits at the center of a lot of what we do and I think what we've been successful in doing is evolving the business to be – it's roughly three-thirds today of business the way we think about it.

It's sort of – it's captive business coming from businesses that we own, including all the platforms. We've seen much more stability in the revenue stream with repeat business from customers, clients who have financed through us and are now coming back to refinance, either refinance existing debt or restructure or have other financing priorities and then about a third of it is episodic and it's sort of transaction-dependent and that's quite different from what it was even a year or two ago and so – and I think we now have the benefit of a pipeline which gives us pretty good confidence and visibility into quarters ahead of business.

The business remains debt-focused, although it is – the equity contribution is growing, but it'll remain a debt-focused business, both investment-grade and non-investment-grade. But it really is – it's a business that you've seen the stability in the revenues. You've seen, I think, we've had 10 quarters of more than \$100 million of revenue in a row. And so our focus is on continuing to grow it. We've laid out a target of \$1 billion of annual revenue by year five of the plan. We're certainly well on track to achieve that. But we're six months into the plan, but we continue to build out the business, attract great people, grow out relationships with corporates and with banks as key providers to us. And so the origination comes through our teams, it comes through bank partnerships and it's just an important and growing ecosystem sitting at the center of a lot of what we do.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Q

What do you have to do to hit that \$1 billion? Do you have to add more people? Do you have to take your origination? I mean, I think you've put out a target on origination, do you have to take it to that level in order to hit that \$1 billion?

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

It's just – it's organically growing. I think – we are continuing to add people to the team. We – if we look at where we're investing in growing out our teams, that's one of the key areas and so – along with global wealth and other parts of credit, but we attract really good people who are really good at what they do with great relationships, knowledge of the markets, structuring capability and so it's just – it's an organic build and I think as – what we're saying is, is quarter-by-quarter, year-by-year, it's just becoming more entrenched and more embedded at the center of a lot of our business.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Q

Okay. Turning to private credit, which has seen tremendous growth and success with Apollo more focused on the private IG side maybe versus others, where are we in terms of expanding the scope of private credit as you look out over the next couple years? You've announced a number of financing solutions, a JV with Intel. There were some discussions in the press with Meta. So, I guess how do you view the role of Apollo going forward in these markets?

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

So it connects to the previous question. So, this is the debate, what is private credit? And we've been pretty clear that we think the opportunity in private credit is not only the way it's classically defined, which is a below investment-grade sort of direct lending business, lending to sponsors predominantly, which is a great business, but in size about equal to the leveraged loan market and the high-yield bond market. But we think that the opportunity for private credit is a \$40 trillion marketplace, predominantly investment-grade, significantly asset-backed financing, warehouse lending. And so it really is the – the opportunity is grounded in the thesis that investment-grade – the investment-grade opportunity is a vastly larger opportunity for us. And so as we look at the adoption of private credit, we're in the early stage. I think the most advanced adopters of private credit as part of portfolio construction are insurance companies. And so – but that's still a significant work-in-progress. But apart from that, the convergence of public, private in investment-grade private credit is at the very early stage and so that speaks to partnerships that we are creating, as are others in our industry with traditional firms to provide private investment-grade solutions to them to combine with public as a part of the portfolio, whether that's done through traditional firms or directly with institutional clients that we have relationships with. But it's in, I would say, infancy stage in terms of adoption. But for insurance companies who are more advanced, but still have significant growth in front of them.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Q

So insurance, early days; retail, perhaps a significant opportunity and maybe the next leg of the...

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

Yeah. And I'd say every other institutional investor as well. So, third-party insurers as the more advanced but other institutional investors, generally speaking, very early stage and then it's obviously a wealth opportunity as well.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Q

Okay. We'll come back on the wealth side, maybe just sticking with the credit theme you have on the origination side. 16 origination platforms today, I believe it is. These are lot of finance companies. These 16, they're sitting on the Athene balance sheet. Talk about the magnitude of origination volume that you're seeing from these 16 platforms and the steps that you're taking to drive growth of that origination volume from these platforms and how you're thinking about maybe adding new platforms over time, what could make sense to extend into?

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

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It's another area where we can look at what we've done in the last two or three years and we've doubled the size of origination. But then we look ahead and we also see a significant growth potential ahead of us. So the platforms – the 16 platforms are owned by AAA, the vehicle that's probably owned by Athene and then probably owned by individuals. And so – and the platforms are a key part of, but only a part of the overall origination strategy. So when we set out our five-year plan three years ago, we had origination of \$100 billion for a year. We expected that to double over five years. We're now running at more than \$200 billion per year, \$230 billion, \$240 billion on an LTM basis and expecting that to get to \$275 billion over the next four or five years. So, very, I think, realistic and feasible growth ambitions that are needed to sort of create equilibrium in our earnings outlook.

The platforms – the 16 platforms that you mentioned are not quite half of that origination volume. The other half is provided by the large, high-grade financings and all our other credit businesses, CLOs, resi mortgages, warehouse lending and so on.

In terms of the 16, there's actually quite a wide dispersion around the maturity of the platforms and the size and the contribution to that close to half of the \$200 billion and even the largest platform, which is the Atlas business that we bought from Credit Suisse, is also, we think, subscale relative to the opportunity that it can be. So, it's a predominantly US business. So part of the opportunity for growth is outside the US, in Asia and Europe. And so that's part – so it's growing each platform. It's growing it domestically. It's certainly growing some of them internationally. And it'll likely be done by organic growth roll-ups of other platforms into what we own. I wouldn't expect the number of platforms to increase a lot over time, but because I think we're represented in most of the asset classes we want to be from an origination perspective. But I think you'll see us grow both by attracting great management teams and growing the teams we have and then doing roll-up acquisitions into the platforms.

So it's a key part. We keep talking about origination as the most important thing we do because without probably sort of risk-appropriate, risk-adjusted returns, nothing else matters. It's the ability to attract capital to the system. And so this is certainly a very important part of that. It's also connected to the question that you had on capital solutions. The platforms are a source of financing requirements for the capital solutions business. And so it's a – it adds to the predictability of the earnings stream that we see from that business.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Q

Great. Maybe just turning over to fundraising, which has remained strong for you guys, hearing – but hearing some challenges at the industry level around endowments, foundations, also China LPs reducing exposure in addition to the still limited distributions that we've seen in recent years, just given the exit environment has been a bit soft. So putting all that together, I guess, how would you characterize the fundraising environment today and can you tie into that the funds that you have in the market and your expectations for Fund XI coming to the marketplace?

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

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Yeah. So, I think the whole way the capital is raised in our industry is evolving and it's moving past the traditional way of just institutional capital raising. It's obviously an important part of what we do. But if you look at how we accumulate capital, sort of capital formation broadly defined, it's obviously institutional and I'll come back and answer the question, more directly, it's the global wealth opportunity. It's Athene, growing its top line and then increasingly it's becoming partnerships with traditional firms as a way to access distribution. And it's what we're calling New Markets, which is defined contribution, 401(k), tax advantaged and getting sort of innovative new products into the marketplace. So, that's the spectrum of how we think about capital raising, much more broadly defined.

When you look at institutional capital raising, which has been sort of the backbone of the industry for the last three or four decades, there's no question it's more challenging now to raise capital in the environment that we're seeing with exits being more difficult. I think it creates a real delineation in managers between the larger managers who have strong track records and this is specific to equity and the – and those that don't. And I do think you'll see a dispersion of outcomes on capital raising that relate to the companies – the firms that have been through cycles and they can demonstrate strong track records over time and have a track record of investing money at different points in the cycle with consistent and sort of top quartile returns. They will do well and we've put ourselves in that category. So that's I think with the narrowest definition that you can think of, which is sort of

classic private equity. I think we will – we are seeing growth and I think we'll continue to see growth in what we think of as equity adjacent strategies, so infrastructure secondaries, climate financing, renewables and so on.

And then you look at where the larger opportunities for growth come from, from here, which are hybrid. The area that sits between equity and credit, structured equity solutions, which is underpenetrated and under, I think, appreciated as an asset class, but becoming much more interesting to people to get sort of equity-like returns but with low return dispersion. And there's credit, everything around credit, investment-grade and non-investment-grade, which by dollar value is the far greater opportunity. So, we're very focused on relationships with institutional clients, making sure that we can provide solutions to them that are appropriate for them as the world moves more to a private orientation, but – and – but even with the equity strategy, I think you'll see – as I mentioned, you'll see a dispersion of outcomes.

Specific to Fund XI, it depends on when we responsibly invest the balance of Fund X. So, I would think we have this year and next year to invest Fund X. And so we'll be in the market to raise Fund XI starting later this year. When we sort of activate that fund depends on when we're fully invested in Fund X, which is about two-thirds invested today. So, think late next year, early 2027 as the timeframe for Fund XI.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Q

Great.

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

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Yeah.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

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You mentioned a number of different sort of subcategories related to fundraising. Then I want to dig into as many as we can.

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

Okay.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

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All right. So maybe starting on the private wealth side, you have a number of strategies and vehicles from AAA to Altitude, ADS, among others, seeing notable success today with them. I guess how broadly distributed are these strategies today and what strategies might be more meaningful contributors as you look out over the next 12 to 24 months?

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

Yeah. So this is our largest investment area as a firm. I mentioned where we're putting our sort of the investment dollars to work. It's – global wealth sits at the top. And so it's a complicated ecosystem of having the right products, the right relationships with distributors, the right technology to service end customers and obviously

people on the ground who are out selling the product. So, we're very pleased with the progress we've had. We – we're now – we had \$12 billion raised last year. We had a strong first quarter. Second quarter has been strong as well. The products that we have out in the market is actually – actually numbers 18. We have 18 separate products in the marketplace. There are a handful that I think you mentioned are the ones that are, by dollar value, performing better. But this is a marketplace where it often takes 6, 12 or even 18 months for a product to start to resonate and to be adopted.

So we still – I still view this as really early stage. We have a couple of mature products headlined by ADS, the non-traded BDC, but we have others, infrastructure secondaries, other forms of private credit that sit behind that, which are all I think attractive and starting to get traction. And then there's AAA, which we mentioned earlier.

So in terms of geography, Asia has been an attractive place to raise capital for us, as has the US and also Europe. But we are experimenting with different fund structures in different markets to see what resonates. And so we're willing to take some bets around products that may – we expect that work, but may not work and so we're bringing product to market through different structures in Europe, different structures in the US and Asia that are appropriate for different investors in different jurisdictions with different regulations, but it all comes down to being what we think as a partner to distributors, providing quality product, providing product that's sort of appropriate for investors and then having the technology to support that.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Q

So, great. And then retail, sticking with that, you've launched a number of products in partnership with others, State Street, Lord Abbett, it's still early days. What are you hearing in terms of reception, demand and then more broadly, can you talk about your partnership approach and what else could make sense?

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

Sure. So we have partnerships with Lord Abbett and with State Street and between those – among those relationships we have two ETFs. We have an interval fund. We have a target date – we're connected to a target date fund. And so we're accessing those that have the heft to distribute to individual investors in a way that we can and we are providing solutions and product to them that is either in the form of support to defined contribution or in the form of providing private assets [indiscernible] (00:33:18) public assets that they provide. So others are doing similar things with partnerships. I think you'll see this as an area that continues to evolve, because the opportunity the investors that sit behind these large distributors, asset – or traditional asset manager funds are vast. And so early days, early days. I think you'll see us work with others. I think you'll see us bring more product to market in a similar form. But this is the whole notion of what we're calling New Markets and being a solutions provider to the companies that they can access private assets they can't otherwise.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Q

You did mention target date. Retirement space comes to mind with that. Retirement space today, 401(k), remains largely out of reach for alternative investments. How might that be unlocked? Talk a little bit about the approach and what products could make the most sense, how do you see this sort of playing out and could this even be a 2025, 2026 event?

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

Yeah, very topical, certainly in the news a lot even this week. It – so there's a conversation around what's the appropriate set of products and there's a conversation about how is there an acceptance of those products by plan fiduciaries to avoid litigation risk around adopting products and plans.

Our opinion is we should start with credit products, which have a more predictable range of outcomes and a generally sort of a higher quality product in terms of the risk-reward trade-off. And so our focus is on bringing credit products to the marketplace. There are ways that you – you sort of teed it up with the question. There are ways that you can do that absent a change in guidance or regulation or legislation. But I think there's probably a short term, medium term and a long term answer to the question. And so the short term answer is, I think the Department of Labor is focused on this and focused on the absence of individuals being able to access private assets. And so guidance by the Department of Labor or an order from the White House could provide short term comfort, if you like, to people that this is an appropriate asset class and the plan sponsors and plan fiduciaries can offer it as part of their plan offerings. So that's a short term, which is certainly possible.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

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We had that back in the first Trump administration.

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

We did. We did.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Q

But that wasn't enough back then.

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

Yeah.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Q

What might be different...

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

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So then what's the next step? The next step would be regulation by the Department of Labor. So, there's guidance and then there's regulation and then legislation in that order. So, that's the short term, medium term and long term. And so legislation is obviously a longer term lift. It would require a bill to go through the Congress and so that's more difficult to handicap. But I think guidance followed by regulation is certainly what's – what I think is possible.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

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Could we get there without legislation, though?

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

I think we could. Obviously, legislation would provide the most definitive comfort and is much more difficult to overturn.

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Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Yeah.

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Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

Regulation can be overturned with the next administration. So, I think it depends, but I think there's an increasing viewpoint that the asset class is needed and it's an appropriate asset class. How do you define the asset class? There's a range of views on that, but I think acceptability of the asset class, I think, is becoming more apparent and so it then becomes a question for sponsors and fiduciaries as to whether they're willing to take that on with either guidance or DOL regulation. So certainly, I think possible that both happen, but legislation would be obviously the most definitive.

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Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Okay. And we saw a recent announcement from Apollo to create a New Markets division to reach everyday investors. Can you elaborate on the thinking here, your approach, what metrics to define success?

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Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

Yeah. So Neil Mehta, who has run strategy for us a long time, PE part of the firm, is now running this and this is a coordinated effort across the firm to bring more structure around what we think are really significant opportunities to grow. And so – and this is an extension of what he'd been doing in his strategy role.

A

What Neil is doing is focusing on bringing an effort to product innovation and creating sort of a structure around innovation that is resonating with third-parties. And so he and his team were responsible for the ETF development. And so it's tradition – it's partnerships. It sort of legs four and five of the one through five fundraising or capital formation landscape that I laid out a little while ago. And so it's working on developing partnerships with traditional asset managers and bringing solutions to them, including model portfolios, including ways that we can commingle our private assets with their public assets. And it's also bringing an effort to coordinate access to DC, access to 401(k) to the prior question, actually more development of tax-advantaged products, which includes Athene and then helping to develop the next generation of products for Athene beyond the current lineup of fixed annuities funding agreements and PRT. And so it's really thinking ahead to where can a relatively immature offering of products for retirees move to in a tax-advantaged form through the retirement services marketplace. So it's a pretty broad waterfront, but it's intended to really sort of commercialize innovation around the firm and bring sort of scale and structure to those efforts.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Speaking of Athene and insurance, why don't we dig in there a little bit, flows were very strong in the first quarter. Let's just start with the outlook for annuity sales and demand this year, how that might evolve as the interest rate

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backdrop might shift. At the beginning, you outlined expectations were a little bit higher for longer, so maybe that's supportive but what if actually rates come down a bit more in line with the forward curve that maybe are a bit different than your base case expectations? Just curious how you think about sort of annuity sales in different environments? And then more broadly, which channels are the most attractive at this point? Seemed like in the first quarter you're leaned into the funding agreement-backed notes, FABN and marketplace.

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

Yeah. So it's interesting. Annuity sales (sic) [Fixed annuity] across the market have almost tripled in the last five years. And so that's moving from a zero-rate environment to where we are right now. We don't see much likelihood that there's a meaningful drop in rates. And I think that's what the market is implying. It's also quite well-known that once you buy an annuity, you tend to roll that annuity into another annuity. So you want to preserve the sort of embedded gains from a tax perspective and defer them and so you tend to roll into another product, which might be the same or might be slightly different, but it's still an annuity in form.

So Athene has been the number one writer of annuities. It's without question, I think, that higher rates benefit the industry, but there's also a secular change as well a tailwind, I should say, to the marketplace with the number of people retiring every day. And as far forward as we looked at that, that will be the case. So, there's a large increase in the people nearing retirement or at retirement who need access to different product. They're sort of the replacement of existing products and is just the growing marketplace. So we see the current pace of annuities is pretty much what we plan for as we look forward. And as you recall from the Investor Day, the \$70 billion of top line growth across the four channels that we have today, we forecast to be about \$85 billion on average over a five-year period. So there's growth embedded within that, but it's not spectacular growth, so quite feasible, I think.

Specific to what we did in the first quarter, the first quarter was an interesting environment. Asset spreads got really tight and then competition in the annuity space also was higher. But spreads on funding agreements also got really tight. And so we saw that as an opportunity to access what we think is really cheap financing, a lot of which we just put into cash as a short term measure before we deploy it. But that was really the opportunity that we saw in the market to access inexpensive financing through the funding agreement channels [indiscernible] (00:42:49) defined in an opportunity that was there then. And we've done this before. There are periods of time when we are quite active. There's periods of time where we don't participate at all in the funding agreement market and it all depends on appetite and sort of supply of capital at that time.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Q

Great. And I imagine some of those dynamics you just mentioned also impacted your outlook for spread related earnings for the year where you mentioned a mid-single digit growth profile for the year relative to, call it, around a 10% medium term annual growth outlook. So maybe just walk through some of the moving pieces around that guidance of mid-singles for this year and what are some of the puts and takes around that and how can we sort of monitor to gauge prospects for whether there could be prospects for you guys still a little bit better than the 5%?

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

Sure. So what we laid out the drivers of the 5% growth and how that changed from the prior year guidance were really the components I just laid out. So asset spreads were tight and so that affected prepaids in the marketplace. I think you saw any and all players that have CLO assets in particular mention the same dynamic is – in their calls. It was a good environment to write cheap business on the liability side. It was a tougher environment to

invest the business for the same reason on the asset side. So, we wrote business and put it into cash. And so the pace of that being deployed into higher spread assets will determine the outlook of SRE from here, but there's definitely a negative to what would otherwise have been invested on SRE relative to what would otherwise been invested in spready assets.

And then the rate environment at the time that we provided the guidance had more cuts built in than previously and more cuts than today and so the 5% – you should think of the 5% guidance as agnostic to changes in the rate outlook. And so, if rates change, which they have and that should be adjusted for in the rate.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Q

So that could be some upside to that 5%, but just based on the move and what were you guys expecting at the time in terms of rates?

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

The curve at the time we did earnings, which was sort of close to three and close to five cuts, respectively by end of this year and end of next year.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Q

Okay. And then the pace of investments you mentioned that was a bit slower in the first quarter. How has that been trending so far here in the second quarter, any better...

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

So April was a good month to put money to work. Spreads – you can see spreads have come back in May. So we're being patient about how we deploy the money. But April was – April, for a period of time and it was weeks, not the whole month, spreads really gapped out. And so we were very active with putting money to work in that period of time, but we're patient. It's interesting the model – it's interesting when you think of the cost structure advantage we have and the origination advantage we have relative to the competition in the marketplace. I do think it's a period of time. There were periods of time and we've seen this before, when competition is greater, it's hard to see how people are making their 15% return on equity in an environment when asset spreads are tight and competition for annuities is strong. And so there's pricing pressure through those channels. At the same time, we have a cost advantage that no one else does. And at the same time, I think our origination capability is best-in-class. So, it'll be temporal most likely, but it needs to sort of – it needs to play itself out. And over time, the model produces 15% return. But there's periods on equity, but there's periods of time when it can be higher, which we saw 2022, 2023, and there's periods of time when it can be a bit lower, which is sort of evidenced by the competition in the marketplace right now.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

I'm afraid, we'll have to leave it there. Thank you very much, Martin. [indiscernible] (00:46:53).

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

Thanks – thanks for your attention.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Thank you.

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