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Apollo Global Management, Inc. (APO)

Q2 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to Apollo Global Management Second Quarter 2025 Earnings Conference Call. During today's discussion, all callers will be placed in listen-only mode, and following management's prepared remarks, the conference call will be opened for questions. [Operator Instructions] This conference call is being recorded.

This call may contain forward-looking statements and projections which do not guarantee future events or performance. Please refer to Apollo's most recent SEC filings for risk factors related to these statements.

Apollo will be discussing certain non-GAAP measures on this call, which management believes are relevant in assessing the financial performance of the business. These non-GAAP measures are reconciled to GAAP figures in Apollo's earnings presentation, which is available on the company's website. Also, note that nothing on this call constitutes an offer to sell or a solicitation of an offer to purchase an interest in any Apollo fund.

I would now like to turn the call over to Noah Gunn, Global Head of Investor Relations.

Noah R. Gunn

Managing Director & Global Head-Investor Relations, Apollo Global Management, Inc.

Great. Thanks, operator. And welcome again to our call this morning. As usual, I am joined by Marc Rowan, CEO; Jim Zelter, President; and Martin Kelly, CFO. Earlier this morning, we published our earnings release and financial supplement on the Investor Relations portion of our website. For those who tuned in early and enjoyed our pre-game hold music, we played a blues track called Take Out Some Insurance by Jimmy Reed. However, no insurance was necessary to protect against our performance this quarter as the results are simply outstanding. Strong execution like this is only made possible because of the tremendous efforts of our global team. We're all excited to discuss in further detail.

So, I'll now pass it over to Marc.

Marc Jeffrey Rowan

Chairman, Co-Founder & Chief Executive Officer, Apollo Global Management, Inc.

Thanks, Noah. Appreciate it and good morning to all. And again, thank you for your interest in spending time with us. As Noah suggested, second quarter was, in fact, very strong. Just to give the basic metrics, record FRE \$627 million, 22% year-over-year; management fee growth 21% year-over-year; record ACS fees of \$216 million. With respect to SRE, \$821 million, with most of the metrics we care about in the right place, and both Martin and I will discuss that.

What makes this possible? It's always about team. But if I dissect the business and really talk about what's going on here, the power of what we do from origination was really on full display. \$81 billion originated from our platforms and our business in the quarter. That excludes inorganic. With inorganic, it would be in the \$90 billion's.

Spread-over Treasury is 350 basis points. Jim will spend some time talking about the quality of origination. Buying something or originating something is not the secret here. Buying something that has excess return per unit of risk is actually what creates value in our business.

Robust inflows, some \$61 billion across the firm, record AUM \$840 billion. The flywheel of what we do of originating, raising capital, deploying was really in full force for the quarter. The business was strong and the business is getting stronger. And Martin will detail that and some expectations for the rest of the year.

In terms of first dealing with Asset Management, what matters in Asset Management is ultimately performance. All buckets of our credit business, the largest of our business, performed the way they should. Whether you were core credit or opportunistic credit, between 9% and 12% over latest 12 months, 2% and 3% quarter-over-quarter.

A couple of things that I would call out, ADS 9%-plus annual returns since inception, 2.3% in the quarter, now exceeds \$20 billion in size. What's interesting in that for me is that it shows that you can grow a business and scale a business while adhering to the principles that we espouse in our investment business. Top of the capital structure, large company, lower leverage, no [ph] PIC (00:04:19), we can do this safely by originating the right risk and not trying to grow the business faster than it needs to grow. At \$20 billion, the team there is doing a great job and more to come.

Performance with outreaching, performance without trying to just grow AUM is really how we think about success in this business. In the equity business, starting with private equity business, Fund X continues to perform well. Net IRR as of the end of the quarter 23%, DPI 0.2 times versus on average 0 for the rest of the industry. Fund IX net IRR of 16%, 0.6 times DPI versus 0.3 times for the rest of the industry. Since inception, 39% gross, 24% net over three decades.

Alpha on the buy, alpha on the build, and alpha on the exit, this is not a complex business, but it is a disciplined business that requires tremendous execution. Sometimes, trends work for you, sometimes the IPO window is open or it's closed. Sometimes, the debt market is open or it's closed. If you have a fundamental view of value and how to execute over a very long period of time, you can produce outsized returns. And that's what we've shown in our private equity business.

Hybrid, 17% across our franchise, latest 12 months, \$75 billion as of the end of the quarter, with \$7 billion raised year-to-date. On a percentage basis, as you know from our five-year plan, we expect this to be our fastest growing business segment.

To give you a sense of our flagship vehicle, AAA, Apollo Aligned Alternatives in the hybrid segment, we are closing in first 11.1% latest 12 months, 2.6% in the quarter, with a fraction of the volatility of public equity markets. This is what the team is supposed to do, deliver better than equity market long-term performance with a fraction of the volatility. The reward for doing that is investor confidence. This vehicle will likely surpass \$25 billion at year-end. Fundraising is strong, particularly in the institutional channel, which now for this quarter exceeds the retail channel, which is a surprise for us as institutions begin really exploring the notion of equity replacement, something happening much earlier than we thought it was going to happen.

The reward for good performance is strong inflows, better than \$40 billion, just in the Asset Management business in the quarter. Jim will take you through that. But the strength was across both institutional and the wealth business, and we continue to remain very well positioned with \$72 billion of dry powder.

Moving now to Retirement Services, we continue to observe very significant demand for Retirement Services product. The annuity market is a multiple of the size it was just a few years ago. High rates certainly – higher base rates certainly play a factor in that. But we expect demographics to contribute to a permanently higher level of Retirement Services product need on the part of consumers. And it is our job, as I have suggested, not just to provide them with the product set that exists but to anticipate where the products that might go. The challenge in

front of the management team is to take the success they've had in the base business and really shake up the industry, and have new products account for a very, very significant portion of their inflow over time. \$21 billion of inflows in the second quarter, second strongest organic quarter.

We have a choice, given our size, scale, credit rating and breadth of distribution as to how to originate. We can originate in any one of a number of markets. In this particular market, fixed annuity, or I should say funding agreement, was a very strong contributor in the quarter. In other quarters, other products will be a very strong contributor. Our job is to both serve the market demand as well as earn adequate spread for our equity investors and for ourselves.

When we run this business for long-term profitability, it is supported with not just our capital but with outside capital. It allows us to retain capital. It allows us to earn high returns. Ultimately, in this industry, to grow and to get to scale, you need to produce reasonable rates of return. In our case, we produced those reasonable rates of return while allowing the asset manager to garner a market standard asset management fee. That is not the case with lots of people who are trying to enter this business, where asset management fees are supplementing what they're doing.

We continue to see an interesting spread environment after a brief respite following the initial tariff announcement, where spreads widened out. We've seen spreads really contract. I would not want to be in this business without a very good source of origination. What you saw in the quarter and what we expect to continue in the third quarter is our origination machine responding to Athene and other institutional clients' desire for highly rated paper with spread. In the second quarter, we made a lot of progress. While things available to others in the public markets and in near adjacent markets like CLOs tightened extraordinarily, we were able to keep spreads where we needed them and to earn the returns we needed them by originating the kind of paper that very few, if any, have access to.

The pipeline for the third quarter looks equally as good. We had projected some \$70-plus-billion of new inflows for the year for Athene. We're in the 40s already. Whether we choose to exceed that or choose not to exceed it will depend on our ability to earn spread. Third quarter looks good, but we'll wait and see as we go, and Martin will have more commentary as to what he expects from that SRE development for the rest of the year.

One other thing that I think is worth noting is just, again, to go through the levers of profitability in the Retirement Services business. There is obviously the ability to earn spread on assets, mostly investment-grade assets. There is the ability to raise liabilities that have both good term structures, protection, but are also relatively low cost. But the thing we often overlook is the cost of doing business. In a spread-based business, the cost of doing business is a direct subtraction from your profitability. The numbers this quarter were nothing short of extraordinary. Athene's cost of doing business this quarter was some 16 basis points. That is half of the amount of some of our larger, publicly traded competitors, and probably a third the amount of some of the new entrants in this business. Imagine trying to run this business without a great source of liabilities, without a great source of assets, and without a low cost structure, you can imagine it would be very difficult.

One of the other trends that you will see us address over the quarter is the quality of origination and where that origination come from. In the near future, we will put out some materials, as we have historically, to address origination, affiliation, as well as other issues of interest to the marketplace. Stay tuned on that.

In Europe, we have more of a developing situation. The demand for Retirement Services products is strong as a result of demographics, not just in the US, but in Europe and Asia. In Europe, we are a strategic investor and capital partner to Athora. Athora's largest business to date is in the Netherlands. Athora, as many of you know,

has agreed to buy PIC in the UK. Athora views PIC as an incredibly attractive way to enter a very interesting UK marketplace.

The UK has many of the same demographic, corporate and pension trends and needs that the US does. It does not have the same amount of capital. And the UK regulatory regime and the UK regulatory mood is one of encouraging private capital into its marketplace, particularly investment-grade private capital that supports the long-term projects that the UK and other, quite frankly, European governments want to do. And so, while that transaction is subject to regulatory approval and we would not expect it to close until after the turn of the year, we are very excited of what that could lead to and excited to enter the UK market in real size and scale.

PIC is to the UK what Athene is to the US market. It will be a sizable capital funding. We will need sizable amounts of funding of assets, which will incent us to generate the same kind of originated assets that we have generated in the US to make available to the PIC management team to choose those assets that are best for their business. I think Europe is about to get more exciting.

In terms of the industry, most of our peer set has now announced, and I think what you're seeing across the industry to varying degrees is a rising tide lifting all boats. Recall that our industry is some 40 years old and we started a business that served the smallest bucket of our institutional clients called alternatives. We now have a significant number of other sources of demand. We have it – right after we have the institutional alternative bucket, we now have this thing called individuals, which most of you ask about every quarter. And I expect and Jim expects to be as large as the institutional business over time.

Second, we have another new market called insurance. Companies have seen what we have done for Athene by harnessing the illiquidity of our liabilities to be able to provide long-term capital and strategies like Athene's are being adopted not just in the US, but across the globe.

We now have a third new source of demand. Institutions are now looking at private assets, not just in their alternative bucket but in their fixed income bucket for fixed income replacement, and we expect, over time, in their equity bucket for equity replacement.

A fourth new source of demand are traditional asset managers. Traditional asset managers have struggled with the rise of passive and the decline of active; active being the higher fee, more value-added business. I believe we are watching traditional managers begin to redefine what active management is rather than the buying and selling of stocks, the addition of private assets to heretofore solely public portfolios. There are lots of examples out there of collaborations and we are in the beginning stages of this. But this has the potential to be a very, very large market, and most importantly, to serve a clientele that we historically as an industry have not had access to.

Finally, I believe we are on the cusp of being able to serve the 401(k) and the defined contribution marketplace. I expect there to be significant proposed changes to the regulatory landscape to make this easier. This, to me, is common sense. This is among the largest pools of savings in the world, some \$12 trillion to \$13 trillion. This money is mostly invested in daily liquid index products for 50 years. A small change in the rate of return available to these investors over their retirement period is not about slightly better outcomes, it's 50% and 100% better outcomes.

We face across the world a retirement income crisis. We believe we have a role to play in this. I don't expect this to take place all at once, but I do expect this to be a continuing source of demand. If you shape up our view of the world, our view of the world is we started as a business that was a perfectly nice business serving the alternative bucket of our institutional clients. We now have five additional sources of demand. I continue to believe that over

the long term, it is not going to be demand for high-quality private assets that determines how fast we grow, it will be our capacity to originate, and therefore, the supply of those assets. Our focus continues to be squarely on origination, and each of these markets is going to require innovation.

Innovation can be a partnering with State Street on their ETF. Innovation can be a partnering with Lord Abbett. Innovation can take place in target date funds. It can take place with Empower. It can take place with other providers of retirement products. Innovation can take place in stablecoin. Innovation can take place in the trading of private assets, which I think has the potential to turn our industry on its head. In every industry where transparency of pricing and daily price availability has taken place, the industry has grown massively.

For those who resist this, it generally means that your fee is above where it's supposed to be and you don't want to shine a light on it. For us, we believe that the growth of this market, the size and scale of this market, the creation of more demand for private assets will benefit those who are in a strong position from origination. We see this as a positive and a potential game changer. Innovation is the name of the game here.

I think I've said enough. I actually think Noah got it right at the beginning of quarter, this was a really strong quarter. Everything we want to do was working the way it was supposed to. We can always do better. The team is working as hard as I've ever seen the team. I think just one metric that caught my eye yesterday, on an average week we have on a daily basis a 1,000 people in the office. In July and early August, we now have 1,200. I can't actually figure what's happening, but it is among the busiest Julys we have ever seen in our business. And momentum is building rather than declining.

It's my pleasure now to turn it over to Jim Zelter.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

Thanks, Marc. Much has been written covering the second quarter in terms of macro events that led to periods of uncertainty, followed by a resurgence of confidence and risk-on mentality. For Apollo, the attributes of our model were on full display. As stated previously, our North Star is to be an all-weather, equal opportunity investor, private and public, primary and secondary, combined with speed and scale across the entirety of the investment-grade and non-investment-grade ecosystem as well as the equity ecosystem.

In the aftermath of Liberation Day, we deployed \$25 billion in a condensed timeframe, and we're well regarded as the market leader in that period. As the quarter progressed, confidence returned, markets reopened and risk assets recovered. In this environment, we continue to lead with scale, conviction and certainty of execution. In particular, I would highlight the performance of our high-grade Capital Solutions business, where we originated more than \$8 billion across four transactions, including transactions for AES, BP, Mumbai Airport, and EDF, which I will touch on shortly.

In aggregate, as Marc mentioned, we originated \$81 billion of assets during the quarter, representing nearly a 50% growth year-over-year. This result was driven by activity across our diversified origination channels, platforms, core credit, high-grade Capital Solutions, equity and hybrid.

Within platforms, volumes were led by Atlas and MidCap, which posted combined volume growth of approximately 30% quarter-over-quarter, while maintaining solid historical spread. Within core credit, volumes were led by CRE debt, large-cap, direct lending and fund finance, which combined more than – which in combined basis doubled quarter-over-quarter. It is very important to draw the distinction that all origination is not

equal and we believe there is a fundamental difference and significant value capture between directly originated versus purchasing others' originated assets.

Of our total origination in the quarter, \$75 billion was debt, comprised of \$60 billion of investment-grade credit, with an average rating of A- and \$15 billion of sub-investment-grade credit with an average rating of B. On our investment-grade origination, we generated excess spread of approximately 290 basis points over Treasuries, or approximately 190 basis points over comparable rated corporate debt. On our sub-investment-grade origination, we generated excess spread of over 470 basis points over Treasuries or approximately 200 basis points over comparably rated high-yield corporates. Overall, we observed stable spreads quarter-over-quarter and saw modest widening in July.

Achieving record origination volume while generating excess spread is particularly impressive. As Marc said, when considering we are in a market where many areas within credit, such as CLOs or BB crossovers have gravitated to decade-plus or even generational tight spreads. Our origination activity continues to be broad-based with several diverse flows across channels. We had some excellent wins in the quarter, and as I highlighted in particular was our £4.5 billion financing for electricity to France, EDF, which marked the largest sterling-denominated private credit transaction to date. Proceeds from that financing will be used to finance EDF's electro-nuclear projects in the UK, most notably the Hinkley Point C Nuclear Power Station. This bespoke large-scale HGCS financing supports EDF's vital role in advancing the European energy and power infrastructure. We see a broad pipeline of these transactions and it reinforces our reputation as a trusted adviser, making us a partner of choice for companies in need of secular CapEx investments.

More broadly, Europe is an area we are investing significant time and resources to expand our dominant presence. Over the coming years, we see substantial origination opportunity as the region commits infrastructure, investments, defense, re-industrialization, and power generation.

In Germany, which I visited three times during the quarter, we have made a significant commitment to support the country's growth initiatives and have committed to deploy over \$100 billion over the next decade. We see a large direct lending opportunity as well, given over 90% of the firms with revenue greater than \$100 million are still private. We shall also see a major opportunity in the asset-based finance strategy, particularly if meaningful securitization reform takes place, which we saw in the beginning of the quarter. For context, the US is a \$30 trillion economy with a \$15 trillion securitization market, compared to Europe's \$24 trillion economy, with just a \$500 billion total securitization market.

Within our sustainability and infrastructure business, it's worth noting that we have now deployed nearly \$60 billion in the energy transition and decarbonization opportunities since 2022, surpassing our previously five-year goal of \$50 billion nearly two years ahead of schedule. Given the unprecedented CapEx needs, it is clear there is outsized demand for long-term flexible capital where our Apollo franchise is at the forefront. I would specifically highlight the opportunity we see in financing AI infra projects.

To facilitate the pace of growth, research and estimates suggest nearly \$3 trillion of investment will be required by the end of the decade, with \$1.5 trillion of external funding needed to support that activity. Within this \$1.5 trillion financing gap, there is nearly an \$800 billion opportunity for private credit led by asset-based finance, and we believe we are particularly well suited to serve this market given our expansive, long-dated capital base in terms of creativity and flexibility.

An emerging aspect of our origination effort continues to be our bank partnerships. We've worked collaboratively with many of the banks to drive capital formation and unlock differentiated sourcing. Currently, our global network

of 12 bank partnerships spans to both US and international. And based on active conversations, we anticipate adding a handful of new partnerships by year-end 2025. These partnerships are active in ADS, private corporate credit, infrastructure, trade finance, SRTs, and junior capital solutions, all enhanced by the strategic alignment and trust and communication we have built.

In summary, our origination machine continues to produce quality credit spread at scale. As we continue to discuss larger trends in the broader private credit ecosystem, I will highlight two points on our platform. First, as we have brought together our toolbox to global sponsors in the private equity ecosystem, our direct lending share in the sponsor marketplace has dramatically increased. Combined volumes for the large-cap – our large-cap team and our mid-cap team totaled \$25 billion in the first half of the year, up dramatically year-over-year.

Secondly, as the conversations surrounding private credit continues to expand, it's clear that the new favorite flavor in the marketplace is investment-grade solutions. By our account, we have an unmatched market presence with over 29 financings totaling \$44 billion since 2020.

Turning to capital formation, our engine was firing on all cylinders as we generated \$61 billion of inflows in the quarter, including record organic inflows of \$49 billion. Inflows were driven by \$40 billion from Asset Management, which included \$12 billion of inorganic flows from the Redding Ridge Irradiant acquisition and \$21 billion from Athene. Our capital formation capabilities were differentiated with three distinct pillars driving our results; our Institutional business, our Global Wealth franchise, and our Retirement Services platform.

Within the \$40 billion of inflows from Asset Management, approximately 80% went to credit-oriented strategies, and 20% to equity-oriented strategies, with contributions coming from a broad array of investors. One area of standout performance was our third-party insurance business that generated \$7 billion of inflows, which included six new and two upsized mandates. Third-party insurance is on track for a record year, with over \$9 billion raised year-to-date across diverse products, types, strategies, geographies and liability profiles.

Insurers are increasingly recognizing our differentiated origination capabilities and unique level of alignment with our clients. We own what they own, which is driving a strong pipeline of interest. In Global Wealth, momentum continues to generate as we generated more than \$4 billion of inflows in the quarter, the second best on record despite the turbulent backdrop. Year-to-date inflows of \$9 billion were up 40% versus the year-ago period, with contributions from 18 separate strategies, encompassing our semi-liquid suite as well as a drawdown and QP offerings.

In particular, we've observed continued strength from ADS, which is set to take in another \$600 million in July, as well as building momentum in ABC and AIC. Our wealth franchise now has seven strategies exceeding \$1 billion in AUM, with two above \$20 billion, AAA and ADS, a signal of the increasing scale and receptivity we're seeing across strategies.

Our expanding distribution footprint is supporting continued growth, and we currently have more than 5,000 advisors across nearly 700 firms allocating to our products. With an excellent first half of the year, we believe that we are well on our way to achieve our full-year goal in 2025.

Athene had another excellent quarter with \$21 billion of organic inflows, the second highest result on record. By channel, inflows were driven by \$7 billion from retail, \$12 billion from funding agreements, and \$2 billion from flow insurance. Retail flows saw particularly strength in fixed indexed annuities where FA issuance was strong at \$12 billion and marked the second quarter of record volumes as we continue to lean in and take advantage of favorable issuance spreads. Taken together with the strength of the first quarter, Athene is on pace for a record

year in FA issuance. As we've been saying for some time, the expanding needs of the global retiree population present a significant growth opportunity for Athene and the franchise is exceptionally well positioned to capitalize on this broad secular trend.

With that, I'll turn over to Martin for the financial results.

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

Thank you, Jim, and good morning, everyone. Our second quarter results, as you've heard, underscore the increasing momentum across our platform and demonstrate consistent execution of our long-term strategy. I'll briefly walk through the quarter's financial results and highlight the drivers that position us well for the remainder of the year.

FRE, in Asset Management, AUM increased by 22% year-over-year to a record \$840 billion, while fee-generating AUM grew [ph] 22% (00:38:11) to \$638 billion. Nearly 60% of our total AUM and 75% of our total fee-generating AUM is comprised of perpetual capital, which is highly scalable and largely insulated from cyclical drawdown fundraising. Perpetual capital is benefiting from strong flows in our Global Wealth business as well as Athene.

We generated \$627 million in fee-related earnings in Q2, a new quarterly high. FRE grew by 22% year-over-year, driven by the following four items. One, 22% overall management fee growth with 25% growth in credit, reflecting a strong origination volumes and spreads that Jim described across our asset-backed and other high-grade businesses. Notably, the acquisition of Irradiant by Redding Ridge further builds out the capabilities of Redding Ridge. While this contributed to AUM, it did not contribute to growth in the fee-paying AUM or management fee growth in any meaningful way.

With respect to equity, S3 has contributed catch-up fees for the last three quarters, including approximately \$15 million in Q2 as we closed out a very successful \$5.5 billion fundraise.

Two, we generated record Capital Solutions fees, as you've heard, of \$216 million, which exceeded our prior peak in Q2 of 2024. The quarter's fee activity comprised approximately 100 discrete transactions, supported by the breadth of our origination and portfolio activity.

Three, fee revenue growth also included 21% year-over-year growth in fee-related performance fees, reflecting the ongoing scaling of our semi-liquid product suite led by ADS.

And four, fee-related expenses grew by 13% year-over-year, as we balance continued investment in our growth priorities with increasing efficiency throughout the business. The increase in compensation expense in the quarter reflects an accelerated pace of hiring activity in the first half that we expect to moderate in the back half.

With 17% fee-related revenue growth and 13% cost growth, we generated approximately 200 basis points of FRE margin expansion year-over-year for the quarter and for the first half. We remain confident in our ability to drive higher margins over time, as we execute our business plan and achieve greater scale.

For the balance of 2025, with the momentum that is evident across all the metrics that are relevant, we are tracking to the higher end of our 15% to 20% FRE guide in a non-flagship PE fundraising year.

SRE, moving to Retirement Services, Q2 delivered another strong organic growth quarter with \$21 billion of inflows, our second highest on record. Athene's net invested assets grew by 18% year-over-year to \$275 billion.

We generated \$821 million of SRE for the quarter, with an additional \$36 million adjusting to our long-term, 11% return expectation on the alternatives portfolio, all in line with our prior comments.

The Alternatives return for the quarter came in slightly higher than our pre-release estimate due to positive late quarter pricing and FX adjustments. The blended net spread in Q2 was 122 basis points versus 126 basis points in the prior quarter, reflecting the continuing runoff of profitable business written post-COVID. We generated new business spreads of approximately 130 basis points in the first half, right in line with historical long-term spreads of the business and fully consistent with our overall SRE growth outlook for the year. We remain highly confident that we'll achieve the mid-single-digit growth in 2025 on the basis we previously communicated.

Bridge. We're continuing to work towards the close of our pending acquisition of Bridge Investment Group and we expect to close the transaction in early September. In terms of financial impacts, given partial year timing, we anticipate relatively modest FRE contribution for the remainder of 2025. For 2026, we anticipate Bridge will contribute approximately \$100 million to our FRE, in line with previously published forecasts in the Bridge shareholder proxy filing. We expect meaningful scaling of Bridge's FRE and total financial accretion in 2027 and beyond, and we'll hold a call – an update call in the fall to provide additional information.

With that, I'll turn the call back to the operator and we welcome your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. The floor is now open for questions. [Operator Instructions] We kindly ask that you please limit yourself to one question. Our first question today is coming from Alex Blostein of Goldman Sachs. Please go ahead.

Alexander Blostein

Analyst, Goldman Sachs & Co. LLC

Q

Hey, guys. Good morning. Thanks for the question. So, really impressive results across the business. I was hoping to maybe double-click into credit spread dynamics, and importantly, how that could impact the insurance business perhaps beyond 2025, just taking into account your ability to sort of flex and move between products, but also rising competition in some of the more traditional channels like retail, and then again, to your point, fairly tight credit spreads across the ecosystem?

Marc Jeffrey Rowan

Chairman, Co-Founder & Chief Executive Officer, Apollo Global Management, Inc.

A

Thanks, Alex. It's Marc, and I'll start and then I'll let Martin finish up. I think the way to think about the quarter, we are – in credit spreads in products that we have historically bought, CLO, that are now more readily accepted and readily available, have tightened to levels that we think are unsustainable and uneconomic for the risk. We have been able to pivot the origination to maintain spread, coming back to what Martin said. We are originating new business in the context of this tight spread environment at 130 basis points, at numbers consistent with historical rates of return in amounts that we have never done before that we feel very comfortable doing.

Why isn't the business growing faster? The business is not growing faster because the profitability of what we had done in the COVID era was just extraordinary. And so, what you're watching is the business itself is incredibly healthy, and we're just amortizing, if you will, the flow-through of the business that took place in the COVID era. And as soon as that business runs off, we would expect a meaningful tick-up in SRE.

There is no doubt, and then, as I look forward in liabilities that we will see compression in first asset spreads that things people can buy. So, when we started in this business, insurance companies were not large investors in CLOs. Insurance companies are now large investors in CLOs. The business, while private and originated, is commoditized. It's pretty easy access to the CLO market. It is our job to pivot to products that are not easy access and that's what we're doing and that's what you saw in the quarter. And Jim cited it in some of the platforms, and some of the high-grade alpha deals.

The same thing is likely to happen on the liability side of the business. On the liability side of the business, things that people can do just by showing up, moving annuities or other sorts of MYGAs through the broker channel, which does not require all that much sophistication or high credit rating, are going to become commoditized. It is our job to take a significant portion of our origination into new markets.

You know from my previous comments that in our industry, we have not seen a tremendous amount of innovation take place. What we have done as the most innovative is we have simply optimized everything that existed when we started the company. The next phase of growth for this business is to create. You will begin to see, in the beginning of 2026, creation, new products, new ways of delivering the business, new uses for spread. And so, I look at the business as incredibly healthy. It's been a little more difficult to forecast the flow-through and the burn off, because business burned off faster given the spread compression than we wanted, which is on the one hand negative for the current quarters, but better for future quarters because more of it burned off. Having said that, I see no reason to, in any way, deviate from our long-term projection of where we think the business is going. And I'll turn it over to Martin.

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

Yeah. The only thing I'd add is, obviously, it's a very dynamic and fluid environment. Q1 market spreads were historically tight and we spoke about that on the call. I spoke about our investing spreads for the year – for the half at 130 basis points. It was wider than that in Q2. It was inside that in Q1, and then in the month of July, we've seen it wider than that. So, the setup for us, as far as we can tell right now, looks promising. And so, we're managing that in view of the existing portfolio that Marc mentioned.

So, we're clearly focused on 10% through-cycle growth. That remains our objective here and we're managing that through an environment which is dynamic. So, we'll provide a more specific update on 2026 as we get closer to the end of this year. But I think we are running the business very well. We're originating liabilities in the right channels well, and we are able to access origination that is – that's very favorable to us, and that's coming through in the new asset spreads that we're speaking to.

Operator: Thank you. The next question is coming from Patrick Davitt of Autonomous Research. Please go ahead.

Patrick Davitt

Analyst, Autonomous Research US LP

Q

Hey. Good morning. Thanks for all that. My question is actually on Athora PIC. I understand there's still a lot of regulatory hoops to jump through, so it might be tough to give specifics, but is there any color you can give on potential FRE impacts or even the Athora valuation impact on Athene's balance sheet when that closes next year? Thank you.

Marc Jeffrey Rowan

Chairman, Co-Founder & Chief Executive Officer, Apollo Global Management, Inc.

A

I think your preface kind of sums it up. It is early and there are still a number of regulatory hurdles. What I will say is we expect this transaction should be close to be accretive to Athora's valuation, and over time, to be accretive to FRE.

The scale of PIC relative to the UK market is the scale of Athene relative to the US market. And I'm going to speak about it in strategy terms rather the numbers, which I know you will find unsatisfying, but it's where we are. We have a massive need for assets in the US as a result of Athene. That has incited us to create massive amounts of origination. And since we are a diversified investor, that origination that we create, a portion of it goes to Athene, but a portion of it builds our third-party business, which is aligned with us. We have not heretofore had an incentive to massively create pound-denominated assets. PIC is as an anchor through Athora and depending on what the management team at PIC wants, PIC is the opportunity to create a massive pound-based origination ecosystem which will both benefit Athora PIC and will benefit all of our clients and open up a significant amount of client base in the UK market.

And similarly, as you know, we have a euro-based funding which is not as large as we had hoped it to be, but still quite large in the scheme of the continent and it is our job consistent with some of Jim's remarks about the attractiveness of Europe, and I think what you'll see from us over the coming quarters is to significantly build our requirements for euro-denominated liabilities. This is a – this is the virtuous circle. We create a funding box. The funding box needs assets. We build origination around that funding box. The origination serves the funding box itself. It also creates capital markets fees, and then it creates FRE, because we also have excess product, which we then are aligned with our investors on.

I think momentum is building in the business. I'm personally very excited about the PIC transaction. And the most interesting thing for me, it's coming at a moment of regulatory introspection and political introspection in the UK, which has made, from my point of view, the UK one of the most dynamic and exciting markets potentially for capital formation in private markets. The UK government has been incredibly welcoming and it has recognized the need for private capital to exist alongside public capital to finance all of the things that the UK government wants to do in the context of its other budgetary requirements. So, we feel quite welcome there and we intend to make a significant contribution and build to our resources in the UK.

.....
Operator: Thank you. The next question is coming from Glenn Schorr of Evercore. Please go ahead.

Glenn Schorr

Analyst, Evercore ISI

Q

Hi, thanks very much. A simple question. I'm curious you mentioned ADS like \$20 billion now and scaling well. So, my question is, can ABCs scale in right trail behind and tailwind of ADS, meaning can you talk about the platform approval pipeline, the scalability, uniqueness of the product? Like, where do you think this can go maybe using ADS, as an example? Thanks.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

A

Great. Thank you, Bill (sic) [Glenn]. I think you're on to something. I mean, certainly we saw with ADS taking the strategy that Marc talked about and not reaching mature commitment with the Apollo brand, we clearly have positioned ourselves as one of the two or three leading players in that space. And taking that page, we believe we have the first mover advantage in the ABF world with ABC. It's an area that it's all about origination led. Certainly,

the purchase several years ago of Atlas with its 300 relationships is feeding into that. Early approvals are extremely strong. The breadth of clients institutionally and on Global Wealth approving the product is very, very strong. So, we see a clear weight for that product to follow the success of ADS.

And again, I think because what investors out there see, not only is the – as people are concerned about a credit cycle, that someday will revisit us. The underlying risk in ABC is a greater degree of investment-grade counterparty risk. And so, as you get later in the cycle, there's a great excitement for higher quality yield, which that certainly covers. But we feel the early indications lead us to believe that this will be the market-leading player and now it's really up to us to execute the strategy and to follow through on our vision.

Operator: Thank you. The next question is coming from Bill Katz of TD Cowen. Please go ahead.

William Katz

Analyst, TD Cowen

Q

Great. Thank you very much. It certainly feels like there was a step function of earnings power and just throughput of the platform. And when I look at some of these numbers on the origination or deployment, they are significant. And I'm sort of curious what has changed in the last couple of quarters here. Is it just a breadth of clients that you're working for? Is it the capacity at the origination platform? Because it seems like not only are these sustainable, but they're sort of accelerating. I'm just trying to understand what the incremental driver has been. Thank you.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

A

Sure. I think it's – I think what you're seeing and it's a correct insight, it's just the power of the ecosystem. What Marc talked about in the CLO business, which was a blackout 20 years ago, and now it's become commoditized to some degree and we're still a very large player in it, but it fits a different role. We're seeing that right now, even though we've increased our leverage, our capabilities in direct lending, any one product can become commoditization. But if you deliver the entirety of the toolbox to either corporates, to finance companies, to financial sponsors, we're finding the power of that integrated toolbox is compelling.

Twenty four months ago, we brought all of our origination globally under leadership of Chris Edson. Certainly, there's many, many folks that contribute to that, but when we see delivering the consolidated toolbox and where you may get a product from a US or a European financial sponsor, it may be a direct lending product, but it also may be an inventory finance, it may be fund finance, it may be a CLO issuance. So, the crossover impact is dramatic. And from our perspective, that is the ability for us to really accelerate the platform and that flywheel that Marc talked about.

Also, we're finding is more and more financial sponsors are focused on the cost of capital. And as the PE overhang is dramatic and it doesn't appear to be waning anytime soon, your ability to provide a variety of financing tools for them in a variety of areas, several of which are investment-grade rated, that's the second compelling area.

And the third is, and I'll give you – I'll use Atlas is as a double-click for a moment. When we – when the platforms engaged to purchase Atlas, half the business at that point in time was in agency business, agency mortgages on the resi and commercial side. We really – those businesses we either sold or shut down, because they did not provide any excess spread for unit of risk. And now, if you look at the actual origination platform at Atlas from 200 facilities, over 300 under leaderships – under the leadership of Carey Lathrop, they're really hitting their stride. So,

when you connect these businesses together as a combined toolbox and it's more investment-grade solutions, those are what's the accelerating factor.

Operator: Thank you. The next question is coming from Wilma Burdis of Raymond James. Please go ahead.

Wilma Burdis

Analyst, Raymond James & Associates, Inc.

Q

Hey, good morning. Could you talk a little bit more about the other inflows in Retirement Services and what the outlook is there? I think the footnote mentions defined contribution plans and we just like to get a little bit more color there. Thanks.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

A

Yeah. It's some of the emerging areas that Marc's been speaking about. So, specific to that line item it's stable value products. And that's an area that we are spending a lot of time around developing capabilities and distribution points. And we think that's one of several new markets that will be the seeds of growth for Athene's business in the years ahead.

Marc Jeffrey Rowan

Chairman, Co-Founder & Chief Executive Officer, Apollo Global Management, Inc.

A

I think, Wilma, first off, thank you and apologies for the last quarter for what happened, we ended up not being able to Wilma's question last quarter. But just to expand on that a little bit for you, the industry has not really created that many new products. We have lots of variations on Athene. And when I think about what's happened and I've said this publicly before, the first insurance policy ever issued was one page, Scottish Widows. When you die, you get this. Now, to buy a retirement product, an annuity, is 100 pages. Very few people can understand what they're buying. When people are uncomfortable with what they're buying, you tend not to buy as much of it. Having said that, the compelling need is still causing the market to be very sizable.

Part of the change we see happening in this industry is getting back to something that is really simple. Really simple will initially take place in the existing products. Can we get to an immediate issuance of an annuity? Can we make the process less burdensome? Can we use new technology to streamline what it is we're doing? We don't have to do things the way we've done them historically. Can we make it more accessible and more understandable? This is the first step in the journey.

The second step in the journey is a kind of more ambitious goal. The world of retirement went over a long period of time from defined benefit, which employees loved and employers hated. We then threw people to the wolves in defined contribution. Very few people have advice. Very few people make choices. We had good market performance, so we've had okay outcomes, but it is not as a result of positive selections made by the retirees. Most people actually make no decision with respect to their retirement options. They are simply defaulted into a variety of things.

Part of the vision that we have for the world going forward is a return to defined benefit in the form of guaranteed income, not provided by the employers themselves, but providing people options within their 401(k), within their existing retirement structure, to go for guaranteed lifetime income. Guaranteed lifetime income, as you know, since you follow this industry, one could say that's a SPIA. But a SPIA is not in a form that any real retiree can understand. But I do think that this is the big challenge ahead for our industry. I think it's the big opportunity ahead

for our industry, which is not simply to think about our business of retirement in the context of the products that exist, but to think about it in the terms of simple guaranteed lifetime income. That is the Holy Grail for us.

Along the way, we will have things like stable value. We will have other applications for spread-based product. We are – Grant and Jim and LJ and the team are pushing really hard to have new products, make up a significant portion of the originations on an ongoing basis. I want more choices and we should want more choices than the four choices we have, because some of the markets will get commoditized. Our job is to simply keep moving and keep adapting much the way you've seen us do that on the origination side of our business, where we've seen commoditization of CLO spreads. Hopefully helpful.

Operator: Thank you. The next question is coming from Ken Worthington of JPMorgan Chase. Please go ahead.

Kenneth Brooks Worthington

Analyst, JPMorgan Securities LLC



Hi. Good morning. Thanks for taking the question. Can you talk about GeoWealth and what you aspire to do with this partnership?

James Charles Zelter

President & Director, Apollo Global Management, Inc.



Yeah, I think like Marc just described, our whole goal is to continue to innovate on a journey that we don't know the exact destination, but we understand the objectives. And there's no doubt that the technology application of these types of TAMP managers, that skill set and that technology that allows us to deliver a product set with information, with transparency, with clear information, and this, in the past, documentation and technology were barriers, we're looking at this to be part of the successful journey that arms us with the tools to be able to be more client-friendly, more client transparency, more information, education. So, we have a vision on where the journey is taking us. We don't have the exact destination in our crosshairs. But we want to arm ourselves with, we believe, an open architecture. We believe in the application of technology and education. And all of these things help us along that journey.

Operator: Thank you. The next question is coming from Ben Budish of Barclays. Please go ahead.

Benjamin Budish

Analyst, Barclays Capital, Inc.



Hi. Good morning. And thank you for taking the question. Just wanted to follow up on the answer to Alex's question at the beginning of the Q&A session. Just trying to – maybe you could help us understand a little bit better the shape of what we might see as the sort of during COVID business runs off, what's the expected timing there? What was the average duration of the liabilities you were writing? And when you get to the other side of that, should we sort of see the aggregate spreads kind of normalize back up to 130, or how should we see it sort of play out tactically in the P&L when we see it quarter over quarter? Thank you.

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.



Yeah. I think the best evidence of that is part of the question you asked, which is when do the net spreads stabilize. Right? And so, we will expect to see that business continue to run off through next year. And so, you should expect to see the reported net spreads decline slightly through that period of time. It'll decline for the

balance of the year and then stabilize. And so – and then, we are past the period of very low cost liabilities and very rich assets against those liabilities running off through the system.

So, that's what we see. That's what we – yeah, that's what we modeled. That's what we're seeing in the actual numbers. It's clearly quite predictable. And so, at the same time, we're managing top line growth of the business in view of the macro environment to achieve the growth ambitions.

Operator: Thank you. The next question is coming from Michael Cyprys of Morgan Stanley. Please go ahead.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Q

Hey, good morning. Thanks for taking the question. I just wanted to ask about 401(k). I think you mentioned that you're on the cusp of serving the 401(k) marketplace. Just curious if you could elaborate a bit on how you see that opening up, what sort of changes, regulatory or otherwise, you're anticipating, the timeframe there? And then, if you could talk about some of the steps that you're taking to ensure that you're going to be a winner as that marketplace opens up. I know you already have some partnerships on the intermediary wealth side. Just curious if you might need additional partnerships, how you're approaching that and what strategy you think might make the most sense in the 401(k) channel. Thank you.

Marc Jeffrey Rowan

Chairman, Co-Founder & Chief Executive Officer, Apollo Global Management, Inc.

A

Good. I'll do my best in the context of the call. I think, Jim and I were just smiling looking at each other. First, the order's not out yet. So, it's always dangerous to speculate on what does not yet exist, and then I do think the question will probably involve a whole day of answers. But my take on it. The need is there. Everywhere in the world, where private assets have been added to public portfolios, you've gotten better outcomes. The shining example is the Australian system, but it's the Israeli system, it's the Mexican system, it's the Chilean system, it's a number of other places. And as I said in my discussion, it's not little bit better outcomes, it's 1,500% better outcomes. This is not something that we need to sell.

Plan sponsors, members of the ecosystem along the way, they understand this, and for the most part, they would like to include a more diverse set of assets with higher returns for retirees to build for their nest egg. The impediments to that to date have been some on the embedded businesses, record-keeping technology, reporting. But the primary problem has been litigation. This has been a very litigious area where plan sponsors and others have basically been forced into taking the lowest cost option rather than the one that produces the best net return to the underlying beneficiary. That has limit, because there's no prohibition right now on private assets.

What we need is clarity and what we need is some clear rules of the road. Even in the absence of that, you are watching significant experimentation. I don't know the exact number, but it'll be a few billion dollars this year for us of origination into the 401(k) channel. It will be into managed platforms and it will be into target date funds. And I think that the target date fund environment and the GOLs of the world are starting to tell a story that I see as the maturation of the private marketplace. And I'll compare it to what happened in the public markets.

We used to think of people investing in public markets and buying stocks and bonds. People don't really buy stocks and bonds. They buy indices, they buy solutions, they buy outcomes. Right now, the private market is in the stock and bond purchasing. People pick this fund or that fund. As opposed to I want a 60/40 portfolio, and in my 60% portfolio, I want to have access to both public and private markets. In my 40% portfolio, I want access to public and private markets. Some people will want more alpha, subordination. Some people will want less alpha,

they're getting closer to retirement, more certainty, investment-grade. I believe that we will see the take-up of this not through the sale of funds directly. So, I think the primary access point for us will be indirect, either through participation in target date funds or traditional asset managers who dominate this market already, recognizing that retiree portfolios that are really long-dated, that are not supposed to be traded, are the perfect place for high-quality private.

At the end of the day, I come back to what I believe about the structure of our industry. We are watching emergent sources of demand come together, which far exceed the capacity of our industry as it exists today to produce excess return per unit of risk private assets. I think the thing that has value in a more transparent world with lots of demand is origination. You find a good asset that offers excess return per unit of risk, you will get paid for it. You will get paid for it in fee, you will get paid for it by owning a piece of it. You will sell it to a fund, to an investor, to a co-invest, to a managed account or to a 401(k). And so, the North Star for us is, yes, we need to serve all these markets. We need to have structures that adapt to the unique requirements of each market. We need to have more transparency. We need to have daily pricing. We need to have more liquid, which does not mean fully liquid because that's not what is going to happen. But at the end of the day, we have to originate.

I'm excited about what we're doing and the journey, as Jim said, is just starting. It's not like we're at the end of a mature cycle. It's all in front of us.

Operator: Thank you. The next question is coming from Brian Bedell of Deutsche Bank. Please go ahead.

Brian Bedell

Analyst, Deutsche Bank Securities, Inc.



Great. Thanks. Thanks. Good morning. Thanks for taking my question. Appreciate all the color today. This is fantastic information. Two-parter question, if I can do that. First on Capital Solutions, another solid quarter here. Maybe just some perspective on sort of the road map of new initiatives within this since Investor Day, and maybe focusing on the trading of private credit, I think, Marc, you mentioned earlier and the potential for this to – for Capital Solutions to pace at a level above the \$1 billion target in 2029 or to meet that target sooner, I guess. And then, just quickly on SRE, just the rate cut assumptions that you have in your guidance for this year and then sensitivity to more rate cuts, if that happens.

James Charles Zelter

President & Director, Apollo Global Management, Inc.



Yeah. So, this is Jim. I'll take the first one. There's definitely a connection in the ecosystem of ACS and the trading ecosystem. And certainly what ACS has done for us, if you go back five years, it took our traditional narrow unit of our LPs and clearly has expanded that dramatically. So, on a day-to-day basis right now and month-to-month, our touch points have dramatically increased. And so, as Martin mentioned, 100 transactions in the quarter. The breadth of our ability to distribute investment-grade, non-investment-grade equity and hybrid product has made us smarter. And it's that ecosystem, that flywheel on origination. So, I think you're going to see in the absence of any – before I get to trading, I think there's a maturity of the ACS product set across our universe and we were very active in the quarter.

I think combined with that now, when we see our dialogue with more and more investors that are some of the traditionals, other insurance companies, there's no doubt more transparency, more information, more confidence in what they're buying is going to expand the pie. And so, we've just – we have the fortune, good fortune. This is our 40th collective year in the business or 80th between Marc and I, and...

Marc Jeffrey Rowan

Chairman, Co-Founder & Chief Executive Officer, Apollo Global Management, Inc.

A

We're quite old.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

A

...whenever we see the ability to open up transparency, investor information, investor education and confidence, that expands the pie. There are others that have a different view of that. We think evolution and Darwinian history will be on our side of history on this one. And I can't tell you exactly how it's going to occur. But when I see the conversations regarding stablecoins and when you think about the tokenization that's occurred in our funds in a very meaningful way, in a narrow band, but not yet really impacted broadly, we just feel this whole area of trading and liquidity and provisions of liquidity to clients will expand that ecosystem. Some may be bitten off or spread. Some may be on volumes during dislocations. Some may be on indexing and better ability to create products. But this is all about that flywheel and expanding one more chapter to it. And it's very early days. We're having great success, but the broader impact will be felt in 20 – 12 to 24 months.

Marc Jeffrey Rowan

Chairman, Co-Founder & Chief Executive Officer, Apollo Global Management, Inc.

A

I think on the SRE, we'll follow up offline, because we have two more questions and the call has been among our longest calls. So next up.

Operator: Thank you. The next question is coming from John Barnidge of Piper Sandler. Please go ahead.

John Barnidge

Analyst, Piper Sandler & Co.

Q

Thank you very much for the opportunity and congrats on the results. My question is around realizations. They've remained muted and below historic levels with markets activity beginning to pick up broadly. Are you expecting an inflection point later this year or do you think it'll be more next? Thank you.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

A

Well, in our portfolio, as Marc mentioned, we have – in the key industry Fund IX has 0.7 times DPI versus the industry of 0.2 times. And we're early days on Fund X 0.2 times versus 0. So, we're ahead of the pack, although it's not in our – at our level of expectations. I do believe you will see greater monetizations, as you know, the risk appetite for the marketplace continues to expand. We stay at these levels. But I do think the broader solutions as an industry to how to solve the PE overhang of monetizations is not just going to occur because of what happens in the IPO market. I think other tools and products will be created. It's a longer conversation, but I don't think it's just an IPO story. I think there's a broader market structure issue and opportunity.

Marc Jeffrey Rowan

Chairman, Co-Founder & Chief Executive Officer, Apollo Global Management, Inc.

A

Let me just tell on this. Our peer groups have gone – before in prior calls have been relatively optimistic on the realization cycle. I hope they're right. I don't think the realization cycle is unique to any one firm. I think in this case it applies across the board. I think what we have going for us is a differentiated strategy, which does not always mean the right strategy, just means a different strategy. We are a purchase price matters firm. You can like that,

you cannot like it. But our investors ultimately allocate to us because we provide a differentiated sort of risk across their portfolio.

When you buy something at a reasonable price, you have more options on exit than when you have to get top tick because you paid a high multiple and you need to grow into it. We have been successful in cash flowing our investments. We have been successful in taking them public, even if below evaluations we want, because we simply had a purchase price matters mentality. It's why the net gross in Fund IX and Fund X and the DPIs ahead of it. But I heard the optimism. I hope they're right. If it happens, we're going to be the beneficiary of that. If that doesn't happen, we're going to continue to do what we do.

Operator: Thank you. Our next question is coming from Kyle Voigt of KBW. Please go ahead.

Kyle Voigt

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thanks for taking the question. So, in your prepared remarks, you noted you expected continued strong growth for AAA, but also highlighted institutional fundraising there, and that institutions are now reevaluating the idea of equity replacement and doing so sooner than you previously thought. I was wondering if you could just expand upon some of those conversations you're having with LPs on that front. How has that changed more recently and whether you think you're potentially at an inflection point there?

Marc Jeffrey Rowan

Chairman, Co-Founder & Chief Executive Officer, Apollo Global Management, Inc.

A

Right. So, we closed the quarter on – Marc, correct me if I'm wrong, north of \$23 billion. We'll close the year north of \$25 billion. When we conceived of this product, we conceived of the product in partnership with our global wealth counterparts. And we can see that the product as a retail product, this was a way for the high net worth investor to access a diversified portfolio in a fully aligned fashion with relatively low fees and get broad participation in private markets, excess return per unit of risk, good returns, 12 unchanged a lifetime to date with a fraction of the ball of the S&P.

We went to market, and yes, we did penetrate and have continued to penetrate the retail market. The surprise to us, which has always funded our business, is the institutional need and institutional demand for the product. An institution that wants a fully diversified portfolio by vintage, by type, by structure, by industry, can actually sit side by side with us in a fully aligned fashion. And what I like and what Jim likes about this is institutions continue to evolve this, because some institutions look at this, and they said, well, this is slightly below PE returns. And we say, of course it's below PE returns, it's not levered.

And so, we have institutional clients who have now and as a result of inbounds, we've created a levered share class for AAA. Long-dated, low-cost leverage on a reasonable basis where an institution can get a buy-in to this fund and can buy the levered share class and actually produce PE returns with a fraction of the return of PE. That is the place we have seen a couple of really large tickets come in. We also have seen a significant amount of demand coming from ICOLI for all the reasons you would expect that of ICOLI, given the stability of returns and the aligned investment.

I continue to believe that leveraging of more broadly diversified risk at AAA rather than trying to shoot the lights out for highly levered PE in these retail vehicles to be the right strategy. It's not everyone's strategy. It's what our strategy is. But I'm very optimistic about the institutional side of AAA, which is a market we quite frankly did not envision when we formed the vehicle, but pleased that we've developed it.

Operator: Thank you. At this time, I would like to turn the floor back over to Mr. Gunn for closing comments.

Noah R. Gunn

Managing Director & Global Head-Investor Relations, Apollo Global Management, Inc.

Great. Thanks, operator. And thank you again, everyone, for all the time and attention this morning. If you have any follow-up questions regarding anything we discussed on today's call, please, of course, feel free to reach out to us and we look forward to speaking with you again next quarter. Thank you.

Operator: Ladies and gentlemen, this concludes today's event. You may disconnect your lines or log off the webcast at this time and enjoy the rest of your day.

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