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# Apollo Global Management, Inc. (APO)

Q3 2025 Earnings Call

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning and welcome to Apollo Global Management Third Quarter 2025 Earnings Conference Call. During today's discussion, all callers will be placed in a listen-only mode. And following management's prepared remarks, the conference call will be opened for questions. Please limit yourself to one question and then rejoin the queue. This conference call is being recorded.

This call may include 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 will now turn the call over to Noah Gunn, Global Head of Investor Relations.

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### Noah R. Gunn

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

Thanks, operator. And welcome again everyone, to our call. Joining me to discuss our results and the momentum we're seeing across the business are; 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.

As you can see, very strong third quarter results demonstrate the exceptional strength that we are seeing. We generated record combined fee and spread related earnings, which drove adjusted net income of \$1.4 billion or \$2.17 per share, up 17% year-over-year. In addition to the rich commentary, we prepared for you on this morning's call, we'd like to announce that we will be hosting an extended fixed income call session for Athene this quarter on November 24.

And with that, I'll hand it over to Marc.

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### Marc Jeffrey Rowan

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

Thanks, Noah, and good morning. It's a pleasure to be here today and delivering good news, especially fun for me. Results in the third quarter were exceptionally strong. FRE of \$652 million was up 23% year-over-year. Management fee growth of 22% year-over-year. ACS fees of \$212 million, our second straight quarter in excess of \$200 million.

SRE, ex-notables \$846 million. And for those of you who are focused on our SRE and like estimates, we estimate that SRE in Q4 will be approximately \$880 million, which will drive estimated full year SRE on a comparable basis to \$3,475 million approximately 8% year-over-year growth, which will be above the mid-single digit target we provided earlier.

Financial results are the product of underlying good fundamentals. The most interesting and most important fundamental for us is origination. We believe originations the lifeblood of our business. Origination for this quarter

was very strong. \$75 billion of origination led by platforms. It's our second strongest quarter following a record Q2. Average spread on our origination, 350 basis points over treasuries, which was stable quarter-over-quarter. Average rating of BBB. The reward for good origination is people want to invest with us. Robust inflows of \$82 billion for the quarter, led by asset management of \$59 billion retirement services of \$23 billion.

In the Asset Management number is \$34 billion from bridge. So, inflows ex-bridge \$26 billion. Record AUM at the end of the quarter, \$908 billion, up 24% year-over-year. In short, the growth flywheel is spinning. Jim and I have a lot of opportunities to discuss why the growth flywheel is spinning. We like and we often say it's a result of good management. And I think this quarter, not by Jim and I necessarily, but by the team. Team worked very hard and produced the results you've seen.

But we are fortunate to be in an industry that is experiencing very strong demand. Companies like ours and others in our industry do not get to be big unless we are attached to fundamentals in the economy and essentially are a source of secular growth for our country and for the world. We are fortunate to be driven by three incredibly strong fundamentals. Our business is financing the global industrial renaissance, whether it's infrastructure, energy transition, data centers, defense, new manufacturing or robotics. The demand for capital has never been stronger, and it is not a US phenomenon, it is a worldwide phenomenon.

These facilities, these investments are long duration in nature and are perfectly appropriate for what we do. And I expect that this will continue for a reasonably long period of time. The second, we are facing a retirement crisis. A gap in retirement income almost everywhere in the western world. We, through Athene, Athora, and the other investments we've made, as well as our third-party insurance business, are helping to close that gap. This is among the fastest growing sectors of our business, as I'm sure both Jim and Martin will touch on.

And third, we provide an alternative to increasingly concentrated, correlated and indexed public markets. If you want to escape the MAG 7 but still want to be invested, it is very difficult to do efficiently in public markets. These three fundamental goods are really the drivers of our business and we are fortunate to participate in an industry that benefits from this.

We are not the only ones to recognize this. If you think about the history of our industry, the entirety of our industry up until the last few years was essentially powered by the smallest bucket of our institutional clients called Alternatives. The first 35 years of this industry were funded out of this little bucket. More recently, we've been given a second market called individuals. That second market, we expect to be the size of the first market, and I don't think it will take 35 years to get there.

We've now been given a third market called insurance. The industry watching what we've done at Athene, now understands that insurance company balance sheets are the perfect place to take liquidity risk rather than credit or equity risk. And insurance companies are increasingly large buyers of private assets as they seek to earn safe returns consistent with matching their liabilities. We've also been given a fourth market, and that fourth market comes from our institutional clients who are now considering and actively investing in private assets out of their debt and equity buckets.

As we watch total portfolio approach take hold in the asset management industry, we expect this to grow pretty significantly over the years. That were not enough. I believe we've been given a fifth market and that fifth market is traditional asset managers. And I think this has the potential to be among the largest sleeves of investors in private assets. I expect that we will see significant private asset exposure inside of mutual funds, inside of ETFs, and inside of products of all types offered by traditional asset managers as there is a rethinking of what active

management is, perhaps active management is not the buying and selling of individual stocks and bonds, but it is the addition of private assets to public portfolios.

This will allow our industry to reach clients we would never on our own reach and who want exposure to private assets but will not get exposure to private assets directly. And as all of you on this call know, more recently, a potential sixth market has opened for us in the form of 401(k) and related retirement plans. In short, for an industry that has grown pretty large over the years, we are now anchored by three really powerful secular trends that serve a fundamental good not just in our economy but in the world.

And we don't recognize this by ourselves. Private assets are becoming more and more acceptable and more and more in demand. What do we worry about? Well, we worry about the things that we've always worried about. I believe our industry will find that it is limited in its growth by its capacity to find good investments rather than by its capacity to raise capital. It is incumbent on us to focus on origination to make sure that we grow origination quarter-over-quarter, and that we really do respect the fundamental principle of our industry, which is excess return per unit of risk. This is ultimately why private assets are in demand and why we as a firm market.

I also worry about culture. We, our industry and our firm, we have been preferred employers for the last 35 years. We work very hard day and night to make sure we do not lose the preferred employer status. What do I have the luxury of not worrying about? Well, I have the luxury of not worrying about credit. I thought yesterday's call by one of our competitors did. I thought an adequate job describing the current credit regime. From my point of view, credit is credit, whether it's originated by a bank or an asset manager, it makes almost no difference to me. There are fundamentally good underwriters of credit and there are less good underwriters of credit.

The observed outcome of the number of articles and the focus on a couple of isolated incidents in the marketplace is nil. 10 basis points of spread widening is essentially nothing. Jim, I'm sure will spend some time on this, but I've encouraged Jim not to give this what I thought was a very successful discussion yesterday by one of our peers. Let me delve in a little bit to asset management. The quarter in asset management and the momentum we're seeing starts with performance.

All buckets across our firm performed very well. In credit, up 8% to 12% over LTM, 3% to 5% in the quarter. Performance was achieved without reaching. We are at a really interesting juncture of time in asset management and one that we frame really simply for our clients. We have them ask three questions. Are things cheap? Resoundingly, no. Do we think rates that matter long rates are going to plummet? We do not.

We think most of what we're doing in the world is actually inflationary rather than contributing to lower rates. And finally, do we see an enhanced sources of geopolitical risk? We do. The answer to those three questions is yes. The logical thing to do is to take risk down. That is what we are doing as a firm. That is what we are doing for our clients, and we have been able to do this without reducing our need for return.

ADS is a shining example of this. 9% annual return since inception, 2.1% for the quarter, 100% first lien, lower leverage, less PIC, less concentrated, 40% less exposed to software. In our asset-backed retail vehicle, we're now at \$1.2 billion, up for \$25 million in the quarter. 70% of the portfolio is IG, 95% we originate on a proprietary basis. In debt, it's always been clear how one takes risk down. You move higher up in the capital structure.

In equity, it is also possible to take risk down. Our hybrid franchise, which is now some \$90 billion, with nearly \$12 billion raised year-to-date, 19% LTM return. The flagship vehicle within hybrid value is AAA, Apollo Aligned Alternatives, which is now approaching \$25 billion and no doubt will be our largest fund, although there's a healthy competition amongst the various fund managers.

Ultimately, that competition is not fundraising. It's based on performance. AAA now has 42 of 43 positive quarters, with a fraction of the volatility of the S&P. Roughly an 11% LTM rate of return and 12% inception to-date return on the strategy. This is the kind of performance that attracts assets and that is consistent with our ethos in this sort of environment of getting returns with outreaching.

In our private equity business, the focus on cash flow and rational underwriting and avoiding fads and trends has served us very well over the long term. Our most recent fund, Fund X, 22% net IRR already 0.2 times DPI, Fund IX, the one before that, 15% net IRR, 50% higher DPI than the industry average. The franchise over our history 39% gross and 24% net. We're excited for Fund XI, which will come beginning of next year and we will continue to do what we have always done, which is try and produce excess return per unit of risk and be responsive to the environment and be good stewards of capital.

One of the things that we are increasingly hearing in our business is a divide in our industry between agents and principals. The notion of being a principal is that you underwrite a risk that you are prepared to hold. Notion of being an agent is that you underwrite a risk that you think you can distribute. Sometimes it doesn't matter, but when things are priced for perfection, we believe it matters more than ever. The thing that we have done as a firm is to align ourselves with our clients.

The amount of comfort that they take with us as the largest owner side by side and almost everything we do is unparalleled and has really set us apart amongst our peer group. So, what does the future hold? The future in asset management is all about innovation. You're seeing plenty of innovation. And on our next call, I would expect that we will focus probably in an outsized way on innovation, whether it is what we're doing in market making, whether it is the new addition of leverage share classes to many of our evergreen funds, and leverage against private assets on a much more permanent and much more attractive basis, or it is our reinvention of the CLO market. And I expect innovation to take place broadly across the asset management franchise.

The outlook for asset management is indeed very bright. And as you will hear from Martin, we expect FRE growth of 20% plus in 2026. On the retirement services side of our business, we're seeing the same sort of robust demand. It's very clear that we have a retirement crisis not just in our country, but across the world. The annuity market is a multiple of size versus a few years ago, and while rates are always important, secular demographics or demographics themselves are a driver of growth. And everywhere we look, there is a need for guaranteed income.

The inflows are literally off the charts. Through Q3 – first, Q3, \$23 billion, year-to-date \$69 billion were pacing toward a record year with the PGA market essentially closed for the entirety of the industry. New business remains in line with our mid-teens ROE target, and we deployed \$22 billion in the quarter at 220 basis points over treasuries, almost all IG. Very little non-IG exposure on the totality of Athene. There's no secret that the market that spreads for the kinds of assets that are appropriate for insurance companies are tight and without the access to proprietary origination, this would not be the business that it is.

Thankfully, the team at Athene has done an unbelievable job, not just on the origination, but also on the sourcing of liabilities and the discipline to turn off various spigots when pricing does not make sense. And at the end of the day, running an efficient business from an overhead point of view and employing the latest technology allows you to keep ROE is up in periods of time when others are suffering. As I'm sure Martin will touch on and we will discuss on the 24th, the result of running this business over a really long period of time and not being a current period profit maximizer has given us tremendous amounts of flexibility.

When rates are down, massive gains appear in our portfolio which allow us to recycle securities, which does not produce SRE, but frees up capital for investment. And if we are successful in creating origination, allows us to take up spread. We have lots of tools at our disposal to achieve our SRE and ROE targets that others in our industry do not have. While the slope of the forward curve can change and as you will hear from Martin, we have significantly reduced our sensitivity to rates to the lowest in a decade. We are just a very tough competitor.

And for those who – again, who are interested in SRE, we expect our SRE growth year-over-year for next year at 10%. And we expect average growth over the five-year plan to also be 10%. We become over time at Athene since the rate of change in our volume, it's just not as significant going forward as it has been historically. We become a massive capital generator. One of two things will happen with that pile of capital that we've been, either we have been conservative on how much new business we will add at Athene, which is the challenge to the management team on the new product side, or we will be able to redeploy that capital elsewhere in our business or to our shareholders.

In short, Q3 was an exceptional quarter. We are seeing signs not just for the current year, a very positive things happening, but the seeds being planted for not just Q4 but also for next year. It's just a fascinating time in asset management and retirement.

And with that, I want to turn it over to Jim Zelter.

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## James Charles Zelter

*President & Director, Apollo Global Management, Inc.*

Thanks, Marc. Having navigated credit cycles for more than four decades, I can tell you we've seen this when we before. Isolated incidents are nothing new and they're rarely a signal of broader stress. As we remain vigilant in our underwriting and risk management efforts, what we're seeing is idiosyncratic, not systematic.

Over the years, there has been a propensity to overemphasize short-term technical headlines and overlook the broader direction of travel within our industry. Broad secular forces, such as the increasing economic activity generated by private companies, the global industrial renaissance, as well as massive capital fueling the global industrial renaissance are driving increased demand for global private credit, in particular, investment grade.

At the same time, demographics and the expanding needs of retirees globally are driving the secular demand. This is the foundation of our business. We've leaned into senior secured top of the capital structure investments to serve a market that we believe exceeds \$40 trillion. As you can see from our growth, that has served us well and we are just beginning to scratch the surface. Recent events give us a moment to step back and reflect on the marketplace. And I believe there's an important point to be made here, whether a particular transaction is public or private is simply the manner in which the risk is originated.

Ultimately, it is not the litmus test for credit quality. Our disciplined underwriting as an origination principle, not an agent or a tourist across both public and private markets, has allowed us to be trusted stewards of our investors capital through various market cycles and position us for continued success. We look forward to leaning and performing in a marketplace with the dispersion of returns.

On origination – let me put the quarter and the origination engine in perspective. As Marc mentioned, we generated \$75 billion in the quarter, a remarkable number, and second only to last quarter's record. This brings origination volume to over \$270 billion for the last 12 months, up more than 40% versus the prior period, and effectively achieves our multiyear target about three to four years early. We're encouraged by the early momentum and the capacity we have to scale.

Results like this can only be driven by the full breadth and diversity across our business, platforms, core credit, high-grade capital solutions, equity and hybrid. Within core credit, volumes were led by large cap direct lending, commercial mortgage lending and residential mortgage lending. Across our 16 platforms, origination volume increased more than 20% year-over-year and midcap was a standout which continued to perform very well and generated more than 30% growth year-to-date. These are companies who we are providing real solutions at scale.

This highlights and connects to our broader sponsor solutions ecosystem, which has more than tripled in recent years, growing from \$20 billion in volume in 2022 to nearly \$70 billion over the last 12 months. We believe our offering is unmatched in its scale, speed, and ability to deliver, full firm solutions with a tool kit that includes not only direct lending, both large and mid-cap, which is where many of our peers end, but also fund finance, asset-based finance, as well as other capabilities, taken together, our sponsor ecosystem is unmatched in scale and speed and the breadth of the solutions we deliver.

Let me bring this to life with two recent examples of our origination leadership. First, in support of Keurig Dr Pepper strategic objectives, we that a financing solution totaling \$7 billion, that was announced last week. This was yet another example of our leading position in the high-grade capital solutions and hybrid marketplace by providing flexible capital solutions.

The second transaction I'd like to highlight is yesterday's announcement with Ørsted, where our funds will acquire a 50% stake in Hornsea 3, a 3 gigawatt scale offshore wind project for \$6.5 billion. Alongside transactions, we announced this year for EDF, RWE and BP, this is the latest large scale transaction in Europe, where we are investing behind energy, critical infrastructure, and transition assets in the region. Our activity in providing IG capital solutions to large scale companies in Europe is unmatched.

Looking across all of our origination in the quarter, \$69 billion was debt comprised of approximately 70% investment grade, with an average rating of A minus and approximately 30% sub-investment grade with an average rating of single B.

On the investment grade origination, we generated excess spread of over 285 basis points over treasuries, or approximately 200 basis points over comparable rated corporate indexes. And in our sub-IG origination, we generated excess of 400 basis points over treasuries or approximately 220 basis points over comparably rated high-yield corporates.

Importantly, we observed stable spreads on our origination quarter-over-quarter and that's particularly notable in a period where public market spreads are near generational tight. Producing excess spreads at scale is a clear testament to the solutions we deliver. While our existing origination engine continues to scale and has driven incredible results, we're not standing still.

In the past few months, we have added several new resources that will augment, grow and diversify these origination capabilities. Number one, with Olympus Housing Capital is a new homebuilder finance strategy sitting at the nexus of multiple secular tailwinds. Between structural, undersupply of single family homes and demographics. Stream Data Centers strengthens our presence in digital infrastructure. TenFifty is our new European CRE lending platform focused on structurally underserved, small and medium sized CRE markets.

And finally, we announced the launch of Apollo Sports Capital, focused on the sports and live events ecosystem in a market that continues to exhibit strong, uncorrelated growth and faces significant capital demands. This will

be a permanent capital vehicle, primarily focused on credit and hybrid opportunity. And ASC is designed to be a long-term value added marketplace player, leveraging our infrastructure and credit and media and physical assets.

In capital formation, momentum remains exceptionally strong this quarter. We brought in \$82 billion, including \$49 billion of organic inflows, nearly matching last quarter's record, as well, \$34 billion from our closing of the Bridge acquisition. By channel, the institutional channel remained strong and Global Wealth had another excellent quarter, with Athene continuing its remarkable trajectory. Across institutional and global wealth within the \$26 billion of organic inflows during the quarter, 80% were focused on credit oriented strategies and 20% to equity oriented strategies coming from a broad array of investor classes.

The \$5 billion we raised in the wealth channel was the second best quarter on record, bringing year-to-date total over \$14 billion, up 60% over the prior year period. And strength in this quarter was broad-based with six strategies raising more than \$200 million, and 10 strategies raising greater than \$100 million. With that success, one strategy stood out, as Marc mentioned, ABC, which had its strongest quarters since launch raising nearly \$400 million.

The asset-based focused corporation has all the makings of our next flagship, deep expertise, strong performance and accelerating demand. Again, this trajectory reminds us of ADS since ABC, the similar point, but with a major focus on investment grade counterparty risk. Across wealth, our distribution continue to expand. We launched three new LTIPs during the quarter, expanding our lineup and broadening access to Apollo private market strategies, across EMEA, Asia and LatAm.

It's clear our offering continues to resonate with investors around the globe and our partners are not simply looking for a good product. They are increasingly looking for a comprehensive, holistic solutions provider in constructing portfolios.

Turning to Athene, they had an excellent quarter with \$23 billion of organic inflows. Inflows were driven by \$10 billion from retail, \$10 billion from funding agreements, and \$3 billion in flow reinsurance. Retail flows saw a particularly strength in fixed indexed annuities and MYGAs, funding agreement issuance was the third strongest quarter on record as we continue to capitalize on the favorable issuance backdrop.

While Athene's core products have been the foundation of its impressive growth trajectory. We expect emerging products to widen the funnel. Products like RILA with over \$1 billion of inflows year-to-date, and the successful launch of stable value and structured settlements, as well as tax advantaged and guaranteed income, will augment the growth and expand the opportunity set.

Globally, the growing retiree population continues to drive significant demand for long-term income solution. And this is a durable secular trend that we're fortunate to have a significant leadership position with meaningful advantage will allow us to continue to grow. The opportunity ahead is massive and our platform has never been stronger in execution.

With that, I'll turn it over to Martin.

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## Martin Kelly

*Chief Financial Officer, Apollo Global Management, Inc.*

Thanks, Jim. Good morning, everyone. Our third quarter results highlight clearly the accelerating momentum across our platform, reaffirming our ability to execute consistently on our long-term plan. I'll take a few minutes to

walk through the quarter's financial performance and discuss the key factors supporting our progress as we close out the year. I will then share more details on the outlook for 2026 to supplement Marc's comments. In Asset Management, we generated an increase in both assets under management and fee generating assets under management of 24% year-over-year to \$908 billion and \$685 billion respectively.

We generated fee related earnings of \$652 million in the quarter and \$1.8 billion year-to-date, up 20% year-over-year in each quarter this year versus the comparable period.

Evidence of the momentum across the platform and keeping us firmly on pace for a full year growth rate of 20%. In the quarter, we delivered 22% year-over-year growth in management fees driven by third-party asset management inflows and record gross capital deployment, particularly across our credit platform as well as strong growth from retirement services. Capital solutions fees of \$212 million as highlighted represent our second strongest quarter on record.

The breadth of origination capabilities was very clear this quarter, with 50% of ACS fees generated by our hybrid value, opportunistic equity, climate transition and real estate businesses. Complementing the other 50% from our high-grade and global credit businesses, including ATLAS. We generated 28% year-over-year growth in fee related performance fees, reflecting sustained growth in spread-based income across a variety of our perpetual capital vehicles led by ADS and complemented by Redding Ridge and MidCap, among other platforms.

Growth in fee related expenses reflects continued investment in hiring and infrastructure to support the firm's global strategic growth initiatives. Compensation growth reflecting our performance this year and the inclusion of Bridge into our financial results. We closed the acquisition of Bridge on September 2, which significantly enhances our existing real estate business, bringing to scale some of the most attractive areas in the market including multifamily and industrial.

Bridge also adds origination capabilities that are highly synergistic with existing asset demand from Apollo's ecosystem, in particular, Athene. Bridge will initially contribute approximately \$300 million of annual fee related revenues across management fees and ACS fees, and approximately \$100 million of pre-tax FRE with expenses, principally compensation-based. Bridge will also contribute to SRE growth as an originator of investment grade spread products as well as principal investing income over time.

Excluding Bridge, our FRE margin was stable quarter-over-quarter and expanded approximately 120 basis points year-to-date. Demonstrating continued scaling of our business. Including bridge, we expect our full year 2025 margin to be consistent with 2024. Moving to retirement services, Q3 delivered another strong organic growth quarter, supported by \$23 billion of gross inflows. Athene's net invested assets grew by 18% year-over-year to \$286 billion.

We generated \$846 million of SRE ex-notables for the quarter, with an additional \$37 million or 5 basis points at our long-term 11% return expectation on the alternatives portfolio. The blended net spread ex-notables in Q3 was 121 basis points versus 122 basis points in the prior quarter, reflecting the effective roll off of existing assets and liabilities offset by new business growth.

Athene's core earnings power is very strong and clearly evident in the third quarter. In a tighter spread environment, we continue to originate new business that meets our long-term ROE targets and that is in with historical averages. Athene's competitive positioning is unmatched. Over the last 12 months, Athene has sourced new business volumes on par with the entire size of some of its competitors. With a capital profile that is self-sustaining includes the largest sidecar in the industry and is managed to achieving a AA ratings level.

During the third quarter, we took hedging actions to further reduce the size of Athene's floating rate portfolio. Net floating rate assets totaled \$6 billion or 2% of total net invested assets at quarter end. Adjusting for these actions, Athene's SRE sensitivity on net flows from a 25 basis point move in short-term interest rates is now approximately \$10 million to \$15 million versus \$30 million to \$40 million previously. In the context of the year, Q3 was a very strong quarter, with earnings trending higher than our first half average, reflecting the impact of higher new business volumes and our ability to originate attractive investment grade, investment opportunities.

Importantly, we believe our spread related earnings troughed in the first half of 2025. Looking across the asset and liability profile of the portfolio, we see asset prepayment headwinds peaking through Q1 of 2026 and the spread drag from profitable COVID era business dissipating in 2026 relative to 2025. For the fourth quarter, as Marc suggested, we anticipate SRE ex-notables to be approximately stable to Q3 at an 11% alts return or approximately \$880 million with an equivalent SRE spread of 125 basis points.

Combined with year -to-date performance behind us, this result would drive full year growth of approximately 8% ahead of our mid-single-digit target. Importantly, with the business executing at a high level, expectations that headwinds experienced in 2024 and 2025 are starting to dissipate and exposure to floating rate rates largely immunized, the exit velocity into 2026 is strong.

Turning to our 2026 outlook. We expect 20% plus growth in FRE in addition to the earnings for Bridge. Momentum across our core business is building, with management fees showing increasing growth each quarter on an LTM basis. Recent growth initiatives, including across wealth, credit and origination, are translating into tangible results, evident in our strong quarterly and year-to-date performance.

We expect that roughly 75% of our top line growth in fee related revenue in 2026 will be attributable to fundraising and deployment from existing, well-established businesses as well as the annualization of growth already in the ground coming out of 2025. The remaining 25% of top line growth is expected to come from new initiatives already underway, from Apollo Sports Capital to Athora's pending acquisition of PIC, as well as a variety of other new strategies in the pipeline.

And to clarify, we expect this 20% plus FRE growth next year is without any contribution from our next flagship private equity fund, Fund XI which we currently estimate will turn on some time in the first half of 2027, subject to our pace of PE deployment. For SRE, we anticipate 10% growth in 2026, assuming 11% alts returns and including [the impact of] notables year-over-year. This outlook is underpinned by strong organic growth and our origination capabilities, which generate high quality assets with spread.

We expect prepayment headwinds to diminish as a result both of our reduced purchases of CLO assets and the already high prepayment levels we are experiencing at today's very tight AAA CLO spreads. We further expect the headwind from the roll-off of profitable post-COVID business to have already peaked in 2020. As Marc alluded to, we have various choices and management actions to help us navigate the path forward, such as managing our floating rate position, optimizing our back book of assets, utilizing sidecar capital, and prudently managing crediting rates.

Our 2026 outlook embeds the current forward rate curve, which contemplates 3 total cuts by year end 2026 and 9.5 total cuts over the cycle and assumes the current tight market spread environment persists. Acknowledging these growth expectations, we expect and caution that there will be normal quarterly deviation around the growth trend line reflecting the scale of an approximately \$400 billion balance sheet.

Looking beyond 2026, we remain confident in our long-term FRE and SRE average annual growth targets of 20% and 10% respectively through 2029. We expect the earnings mix shift towards FRE will result in FRE equaling SRE sometime in 2028, a year ahead of our expectation and exceeding SRE thereafter.

Lastly, on capital, we executed over \$350 million in share repurchases during the quarter. The majority being opportunistic. The sequential growth in our share count reflects this activity as well as the shares issued in connection with closing the Bridge transaction.

With that, I'll hand the call back to the operator. We appreciate your time and welcome your questions.

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## QUESTION AND ANSWER SECTION

**Operator:** Thank you. The floor is now open for questions. [Operator Instructions] Today's first question is coming from Steve Chubak of Wolfe Research. Please go ahead.

**Steven Chubak**

*Analyst, Wolfe Research LLC*

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Hi. Good morning, and thanks for taking my question. So, I wanted to start with discussion just around the origination targets that you unveiled at Investor Day. Annual origination volume of \$275 billion. You just reported origination activity and annualized clip of more than \$300 billion, last quarter's volumes were even better.

So, taking a step back, as we think about the year-to-date origination strength, which is running ahead of plan, ongoing expansion and origination capabilities with both, you Marc and Jim had discussed in your prepared remarks. Has your thinking changed as to whether this is still an appropriate target and this what informs your outlook over the next few years?

**James Charles Zelter**

*President & Director, Apollo Global Management, Inc.*

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Listen. It's an appropriate question to answer or to ask because we've gotten off to such a strong start. I think taking the view that Marc and management have put forth about origination being the key. I think it really ties into our conversation about how the end universe of buyers has expanded from the alternatives bucket to the other five that Marc mentioned.

And I think it allows us in terms of broader product creation and broader solutions to investors and retirees. But it would be premature. While we're very happy with the accelerated success, and while we see tremendous wins to our back in terms of the solutions we're providing, it'd be a mistake to change our five-year estimates 9 to 12 months into the plan.

So, great momentum. We feel this is by no means are we having early wins that are going to take away from future gains. So, it is a trajectory. But on this call, we're not prepared to put a new estimate for a five-year number. But I do think and Martin tied into it, I think it's all about the flywheel. 75% of our growth next year is from existing vehicles, existing funds, existing strategies, which is the flywheel of origination. So, it gives us greater confidence in our ability about the excess of 20% FRE growth in the coming years.

**Operator:** Thank you. The next question is coming from Alex Blostein of Goldman Sachs. Please go ahead.

**Alexander Blostein***Analyst, Goldman Sachs & Co. LLC*

Q

Good morning. Wanted to start with the question around the wealth market for Apollo broadly. A couple of really strong quarters, \$5 billion of flows in the third quarter. You talked about the new product pipeline. And Marc, I was intrigued by your comments around the asset management partnerships broadly. So, maybe you could expand a little bit on how you view this \$5 billion trajectory from here, how much is likely to come from new products or the existing lineup? And when comes to the sort of asset management partnerships, maybe expand on that – what that could look like for Apollo over the next couple of years. Thanks.

**James Charles Zelter***President & Director, Apollo Global Management, Inc.*

A

Alex, let me just start out by saying, as you point out, so, when we did our Investor Day last fall, we talked about \$150 billion within the five years in aggregate. So, we're still on that pace. And I'll pass along to Marc. But certainly what we see is the product suite that we've created over the last 24 months to 36 months, in terms of breadth of products, evergreen, non-traded BDCs, ABC not only is expanding product set and geographically, but you will see more solutions oriented. But also, as we talked about the six channels. And with that, I'll really toss it over to Marc to talk about those six channels.

**Marc Jeffrey Rowan***Chairman, Co-Founder & Chief Executive Officer, Apollo Global Management, Inc.*

A

So Alex, think about the following. In the global wealth business, at the top end of the global wealth businesses are family offices. We Apollo and we as an industry have elected to cover these accounts directly and interact with them directly. The next tier down if you will, in global wealth, our high net worth and the definition of high net worth varies from firm to firm. For us, think of a client that is worth a financial intermediary, and RIA, a wealth manager advising, well. We cover these accounts indirectly by covering the RIA and by covering the wealth manager, but do not cover, for the most part, the individual account. We've just talked about a fraction of a fraction of the marketplace because the vast majority of clients are neither high net worth nor are they family offices.

Our industry and ourselves, we do not cover these accounts. And it is my belief and the strategy we're pursuing is not to try and cover these accounts. They are already well covered by their traditional asset managers. They already have a relationship. In many instances, they are not likely to buy 100% private products either from lack of knowledge, lack of suitability or lack of available liquidity. I believe that they are going to get exposure to private assets through their traditional asset manager.

You watched what we've done with State Street, what we're doing with Lord Abbett, what others in our industry have done. I believe that you will see a significant uptick in the partnerships which will not just be new products. You will start to see private assets added to in place exposures that will be the fastest uptick in the wealth market as far as we're concerned. And I think it's going to come billions at a time rather than by fundraising quarter-over-quarter.

And so, what do we as an industry have to learn? And this gets to innovation. We have to learn that we are living in a public ecosystem. You will find that we are on our fixed income suite of replacement products daily NAV by year end. The ability to provide a daily NAV is table stakes to be able to work with traditional asset managers.

The work we're doing around transparency and liquidity, which some in our industry oppose because we're shining a light on the assets, the quality, the ratings and the pricing.

This is what gives you entry to traditional asset managers. The more we do that makes private accessible, the more I believe those with origination and those with the capacity to produce it win. I think that's where we are. I'm excited for what's happening. I come back to – I think we have over time lots of demand for private assets. I believe increasingly our dialogue will be focused on the quality and ability to originate and then have we as an industry and as a firm, made the choices and operating techniques required to interact in these other environments?

**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

Good morning. I'm sure you've seen, but Colm Kelleher is on the tape this morning, warning on private letter ratings arbitrage and US insurance being "looming systemic risk". Firstly, what are your thoughts on that view? And then perhaps more specifically to Athene, can you remind us to what extent Athene's using similar private letter ratings in its own portfolio? Thank you.

**Marc Jeffrey Rowan**

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

A

First, as Colm is one of the most respected people in the banking industry, I'm sorry, I'm not in Hong Kong this year because normally I up here right after him and we like to mix it up in front of the crowd. This is the background, and I'll speak for Athene and not for the industry. Colm is just wrong. If you would look at – like I'll give you Athene's stats. First, Athene does not use Egan-Jones, let's start with that.

Less than 8% of our assets have a rating from Kroll or DBRS. 70% of our assets have two plus ratings. S&P, Moody's and Fitch, each rate 50% of our fixed income assets. Kroll 18%, DBRS 15%. By the way, DBRS and Kroll have most of the expertise right now in structured products, and they are doing a good job competitively with Moody's, S&P and Fitch, close on their heels.

So, I don't mean to contrast them from the big three that they are any less qualified. But Colm, I compare the insurance industry to the banking industry. 100% of what is on a bank balance sheet is private credit. Almost nothing has a rating. And so, when we talk about private letter ratings, at least it has a rating. Now, in our industry, not everyone has done what we've done. And Colm is not wrong to think about and to talk about systemic risk because like the banking industry, you have really strong players and you have really weak players.

In the insurance industry, you have really strong players and really weak players. I do not believe that private letter ratings are where the focus should be. I continue to believe, as I've said previously, that we have offshore jurisdictions of significant size that have not produced the kind of regime that is consistent with US ratings and US state based regulatory reform.

And we continue to highlight Cayman's because it is the largest, but there are others. So, Colm is not wrong at this point in the credit cycle to say that there are systemic risks piling up. I think the deflection from banking to insurance is an easy deflection and something one says at a conference. But if you look at the recent blow ups, and we all know the various names. Almost all those blobs have taken place in credits underwritten by the banking system.

So, it is not, as I said, that we have public credit and private credit. We have credit. The difference between public credit and private credit and bank credit is literally whether it is syndicated or not, there are good banks, there are bad banks, there are good asset managers, there bad asset managers, there are good insurance companies, there are bad insurance companies. I don't think we're talking about systemic risk. I think we're talking about late cycle behavior and bad actors I believe, are going to get called out. One of the things that we do and just like the banking system that has contagion risk. From the SVB's and the first republics of the world. We, in our industry, asset managers have contagion risk. We need to make sure that we provide the information to our investors and to all of you, of how we think about the philosophy of credit underwriting, how we run our vehicles, how we run our insurance company, and remind people of what it is we do.

So, on our largest balance sheet, Athene less than 0.75% of direct lending, 90-plus-percent investment grade. It's a different environment than the banking system, which is 60% investment grade.

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

**Bill Katz**

*Analyst, TD Cowen*

**Q**

Okay. Thank you very much for all the commentary this morning and taking the question today. I just want to circle back on the wealth management opportunity. One of the pushbacks we get for Apollo and the industry at large is just as rates come down, the demand for yield or income will come down and the industry will suffer from rotation risk.

I was wondering if you could address what you're sort of seeing and how you think about that. And then as you look out to 2026, wonder if you could just lay out a little bit more detail the roadmap in terms of what drives the incremental growth from here? Thank you.

**Marc Jeffrey Rowan**

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

**A**

So, it's Marc. I'm going to start with a bit of a philosophical view and then I'm going to hand it to Jim, who really will delve into a little bit more specific. Private lending was a better business four years ago and three years ago and two years ago and last year. By the way, I wish I own the video four years ago and three years ago and two years ago, and last year.

This is fundamentally what people fail to understand. The rotation into private credit is a rotation out of equity. That is what investors are doing. That is what we observe. They are making a decision to take risk off because they perceive the ability to earn long run equity returns in first lien debt, top of the capital structure as an attractive opportunity. But I think we cannot as an industry deny that there was more value, just like there was more value in the equity market.

We're now talking about where we sit in the valuation cycle and the alternatives that we provide. As I suggested, we believe that prices are high, that rates – long rates are not likely to plummet, and that we have enhanced geopolitical risk. And so, as a firm, we are in risk reduction mode. We preach risk reduction. Our balance sheet is in risk reduction mode.

And what we see in terms of flows into private credit, in a traditional sense, private credit in the form of levered lending reflects investors who are reducing risk and moving money out of equity and into private credit vehicles.

**James Charles Zelter**

*President & Director, Apollo Global Management, Inc.*

A

Yeah. And I'll add Bill. Obviously I agree with Marc's comments, but again, I think a lot of those are to the narrow definition of direct lending with sponsors, which while compressed still versus the safe public markets, is still a very wide spread. You're doing – getting SOFR 450 basis points, 500 basis points versus the classic high yield index inside of 250 basis points over. You're still getting a fair return. And again, I think the mistake that people are making is the tactical or technicals in the recent market versus the secular change.

I just got back from a 2.5 week, nine country tour. Everywhere I went, there was massive need for evergreen compounding retirement income, and that is such a large number, it overwhelms the \$1.6 trillion direct lending market. And again, we just find country after country, region after region, the ability to generate high quality compounding, robust yield is a secular trend. And especially as the rates have gone up over the last 5 to 7 years, as more pensions are fully funded, they're going through a variety of immunization strategies.

So, yes, on the margin, not as attractive as it might have been 24, 36 months ago. That's why we've been preaching top of the capital structure, no PIC, less software, etcetera, etcetera. But do not confuse that with the secular tailwinds.

.....  
**Operator:** Thank you. The next question is coming from Craig Siegenthaler of Bank of America. Please go ahead.

**Craig Siegenthaler**

*Analyst, BofA Securities, Inc.*

Q

Thanks. Good morning, everyone. We wanted to come back to Marc's comments on the six markets, including several newish markets like the traditional asset management and the \$12 trillion US 401(k) channel. What type of share do you think the alts will eventually take of both the traditional and the 401(k) markets? And also what investments does not just Apollo but the entire industry need to make in order to prepare the origination platforms to address this much larger TAM.

**Marc Jeffrey Rowan**

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

A

So, I start with traditional asset managers because I think there is a natural limit. Right now inside of a number of vehicles, you have a 15% limit, and most of the investors do not bump up against this 15% limit. And so, back of the envelope, we think that there is potential, which is different than a forecast of roughly 10% of traditional asset managers.

If you look at some of the traditional asset managers who have been large investors in privates before, they own SpaceX, they own OpenAI, they own a number of the other Stripe. They own a number of the other large cap growth companies. We have – for a long time just thought that this applied to this unique network. It doesn't, it will not surprise me to see 20 large industrial companies that stay private for a longer period of time. In addition to all of the credit and other vehicles. And so, I think you will get a good sense of this in the first quarter next year, as some of the partnerships that are under discussion begin to get announced and begin to get rolled out.

And again, the prize for the industry is not just the creation of new products, and we will create new products as we have and as others have. I think it is getting a share of in-place assets as traditional asset managers compete for rate of return, and through performance for clients. Almost no one else in the traditional asset management industry has the \$35 billion that BlackRock has.

If you're watching what BlackRock is doing and you're in a traditional asset management mode, you're looking to figure out how you get private market exposure. I believe they will get private market exposure through partnerships, through relationships. And what we need to do is not just invest in origination, we need to invest in infrastructure, we need to invest in business processes. We need to embrace transparency and disclosure because traditional asset managers will not move in size into the private marketplace unless we can do things like daily NAV, unless we can provide price, unless we can provide liquidity.

A whole new set of skills is going to be – need to be learned by our industry. And I believe that we have a leadership position in this and have embraced this as a methodology of how do we do business going forward.

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**James Charles Zelter**

*President & Director, Apollo Global Management, Inc.*

A

Yeah, Craig and I would just add that I think many of us in the industry two, three years ago thought that the promised land was just getting our products on their platform, which they would deliver and distribute. And that's worked for some. It's not worked for many. And as Marc mentioned, when BlackRock made their variety of purchases, there's many income funds, there's many total income funds, total return funds that have a basket.

And I think servicing them in partnership, it's very similar to the bank alternative credit provider. There's a view that it's a black and white war. It's actually much more open architecture, it's much more problem solving together. And this is just one of the many distribution channels that we believe you will be able to service going forward, just like at a place like a variety of firms are using models and OCIOs, the ability to cover those folks with actual product solutions as well, not just funds. So, it's really a much more open architecture view of how you partner with your origination, which is the scarce attribute.

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

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**Glenn Schorr**

*Analyst, Evercore Group LLC*

Q

Hi. Thanks. Sorry. One more on this topic, because I think it's so interesting. So, I'm a believer, I think you infusing some of your private market origination can produce better returns, better diversification even maybe turn their outflows into inflows for some of these products.

My question is, how do you get a traditional manager to give up some of the assets and therefore some of the fees in order to make this investment and turning around their products or making them appealing to their investor base?

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**Marc Jeffrey Rowan**

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

A

So, Glenn, it's Marc. I'll speak to it. But first, just to – we were apparently exceptionally long winded, all three of us. So, we are going to cut the call at 9:45. Noah tells me anyone we miss, we will make it up to you as we go.

But I start this way, Glenn, when we cover a client, we cover wealth. We have a massive infrastructure, hundreds of people, lots of expense in doing it. When we cover a traditional, we're essentially leveraging their distribution, the ability of us to provide a portion of our fee. And you heard me say this on this call is actually margin accretive for us and it's margin accretive for them. If we can give them good performance, and we can turn outflows into

inflows, or if we can give them a unique client solution, we can give the client another reason to stay with the asset manager, that's a win.

And for us, I think we're going to be in a situation where over time we have excess demand for private assets versus the supply of private assets. And we should be looking at balancing and protecting and diversifying our distribution, but also for distributors who can remove cost on a net basis from our system, we should embrace them and pay them accordingly.

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

### Benjamin Budish

*Analyst, Barclays Capital, Inc.*

Q

Hi. Good morning, and thank you for taking my question. Just wondering if you could unpack a few more of the details around the 2026 SRE guide. How should we be thinking about gross flows, outflows, the level of spread, it sounds like, versus those prior expectations, the decline in spread over the next couple of quarters, much lower than expected.

So, any further details you can share ADIP utilization, just as we're kind of fine tuning models after the results? Thank you.

### Marc Jeffrey Rowan

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

A

So, I'll hit top of the way and then I'll turn it to Martin. Recall that this – end of last year, beginning of this year, we had three unique issues. We were facing rates headwind, a prepay headwind, and the roll-off of massively profitable business that as a result of business that we put on at COVID. And as Martin suggested, having now dug in, really understood on a much more granular basis where we stand on prepays and where we stand on the roll-off of business and having immunized rates, we just have a much more predictable and much better understanding of where we're going to be on an SRE basis.

Subject again, as Martin said, to the vagaries of having a \$400 billion balance sheet. What we intend to do is on the 24th is to spend more time on this, so that you can help build a model, but just to give you top of the waves, again, I don't think much is going to change in terms of ADIP utilization and gross flows, inflows or outflows.

### Martin Kelly

*Chief Financial Officer, Apollo Global Management, Inc.*

A

Yeah, I won't say much more given the 24th, but based assumptions remain unchanged. The one other point I think which is relevant is, is we're clearly are performing in 2025 relative to the prior guide that we indicated, and that also has a run rate benefit jumping off into 2026.

And so, we've written this year-to-date almost in nine months, almost the entire volume that we wrote last year, we will be likely close to, but not quite at the five-year average on top line growth in year one. And when you pair that with a very strong sort of robust origination environment, with the spreads that we've been able to achieve and the rate actions we've taken, that all sort of gets to a more healthy jump off point into 2026 with sort of similar baseline set of assumptions and we'll unpack that more.

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

**John Barnidge**

*Analyst, Piper Sandler & Co.*

Q

Good morning. Thank you for the opportunity. With the capital markets world opening up more, OpenAI moving towards an IPO in 2026. Do you think this open capital markets environment in those companies moving from the private bucket to the public market will cause a natural inflow of public dollars back into those private assets, from those asset managers you mentioned. Thank you.

**James Charles Zelter**

*President & Director, Apollo Global Management, Inc.*

A

It's interesting. The last six, eight weeks, Amazon, Google, Meta, Oracle and several others have issued jumbo IG issuance. At the same time, we had a record quarter. These needs are so vast and so great and global that, you know, temporary flows in the public IG market, which is a necessary portion of the overall multitrillion funding, it's going to be funded by all markets. When you look at a capital structure in the future, you'll have a company that will have a broadly syndicated facility. They'll have public IG. They'll have private IG.

That is the way of the world. And so, when a company can and scale issue in the public IG market, they should. But as we've talked about a company, when we announced whether the two that I mentioned on the call, Keurig Dr Pepper or Ørsted, very unique financing needs that the public markets solution is not going to check the box. So, it's not a black and white winner take all. It's open architecture like you've seen in other financing markets.

**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 squeezing me in here. Wanted to ask about the partnerships with the traditional asset managers that you were alluding to earlier. I was hoping you could elaborate a bit on how you anticipate these partnerships evolving, what the different flavors might look like, and what scenario might it make sense to maybe even acquire in some of those types of firms as opposed to partnering?

And then if you could just speak to market making around your aspirations and steps you're taking there as you look to support the development in the marketplace.

**James Charles Zelter**

*President & Director, Apollo Global Management, Inc.*

A

Mike, I'm just going to mention a few things we've talked about in the past. I mean, you know about how we partner with State Street on the ETFs, you know how we've announced our dialogue with Lord Abbett in terms of the short duration vehicle. I think what Marc and I are describing, what our partners are describing is the evolution.

It was really like the idea of private direct lending 10 years ago was an augment to how the high-yield and loan markets work. It was a third tool. And I think that a lot of questions today about sizing the TAM, sizing – it's too early to be doing that. But what we're really trying to do is to really have folks recognize that the only path to Rome is not only just distributing our ADS and ABC, but there's a variety of open architecture solutions that are going to take place and that are going to be evolving as those PMs and those – so, there's a lot of trusted investors in some of those traditional strategies.

And so, again, I think we're still early days. It's our view that we want to be the leading voice of this. We want to be part of the broader dialogue. And I do think it's going to be about brand and scale. And the commentary about market making in our experience, our collective 80 years between the two of us, every time there's been more transparency, information, price discovery, and really putting information at the investors' footsteps. Asset classes have grown.

I was there the early days of the high-yield market. The old junk bond market now is the high-yield market and every asset class that we have seen in the development of that information and dialogue. So, I believe that as we think about stablecoins, we think about tokenization. There's an ecosystem that will evolve and we intend to be the leading voice and the leading player in that evolution.

**Operator:** Thank you. The next question is coming from Brennan Hawken of Bank of Montreal. Please go ahead.

### Brennan Hawken

*Analyst, BMO Capital Markets Corp.*



Good morning. Thanks for extending the call to squeeze more of a theme here. Just wanted to ask, I know we're going to get into all the components of SRE on the 24th, but on the alts return. You guys restructured the portfolio about a year ago, explained – laid it out at the Investor Day. The returns have gotten better, but they still have run below that 11% level. I know you guys are assuming a return to the 11% for next year, and it's part of the outlook.

So, what has constrained it even despite the restructuring from getting to that 11% and maybe even seeing a few quarters above it, which you would think within average would happen? And what's the confidence of the progression continuing to eliminate that gap? Thanks.

### Marc Jeffrey Rowan

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



So, big picture and we will spend more time on this on the 24th. We have two components of the alts portfolio at Athene, by far the largest component is AAA. AAA is my recollection, 10.9% LTM and we're – in AAA, the returns have been just fine. We do suffer a little bit from cash drag and we have a relatively healthy pipeline and we expect the cash drag to come down.

And we are optimistic and confident, subject to market conditions that we will exceed the bogey there. The other portion of Athene's portfolio of alts, which is outside of AAA, relates to its holdings of other insurance assets, one of which is venerable, which has, quite frankly, more than exceeded by a wide margin the 11%.

And the second is Athora, where Athora has dragged a little bit, because, again, we've been holding a decent amount of excess capital.

The deployment of the excess capital into PIC, should we be granted regulatory approval, which we expect is highly accretive to the Athora investment and we would expect to see both categories, insurance and AAA be more in line or exceed target levels of return.

**Operator:** Thank you. We're showing time for one final question today. The final question will be coming from Brian Bedell of Deutsche Bank. Please go ahead.

**Brian Bedell**

*Analyst, Deutsche Bank Securities, Inc.*



Oh, great. Thanks. Thanks so much for squeezing me in. Maybe just back on the 401(k) theme. I guess, Marc, are you seeing any near-term traction from plan sponsors in thinking about adding privates to their portfolios, I know it's a long-term theme, but just trying to get a sense of if we might see some progress actually this year in the industry.

And then also on the de-accumulation side, you've talked about the importance of – or the opportunity for Athene to make its way into the de-accumulation strategies for retirement plans. Is that something that, you know, you might see traction in the next couple of years and begin to generate even some upside to that \$85 billion run rate that you're running at now for retirement services and flips.

**Marc Jeffrey Rowan**

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



That's the hope. Look, on the – we are – maybe taking them in reverse order. We are very focused on the notion of guaranteed lifetime income. Guaranteed lifetime income is the simple decumulation strategy. It's a journey that, quite frankly, retirees have been on. If you go back in history, they loved their defined benefit plan. They knew exactly what they were going to get. The corporations, not so much.

And so we kind of put them in a 401(k), self-directed marketplace and it turns out, very few of them actually make a decision. Almost all of them end up in the default option selected by their employer. The ability to offer to them guaranteed lifetime income, but this time not provided by the plan but provided on a commercial basis by third parties is the Holy Grail for us. It is what we're focused on. I think we will do this a little bit on the 24th, but probably more likely guaranteed income strategy.

Again, not in our five-year plan, but certainly something we're working on and we believe upside to where we are. The second in 401(k), we continue to see progress in 401(k). As I've mentioned previously on these calls, we've crossed over, a couple of billion in the various managed account platforms and others by people looking to do this.

Is it in any way like a groundswell? No. Everyone is in the information gathering phase right now. The guidance that the administration has put out in terms of their desire is actually quite helpful. But I don't think we're going to see massive take up until we end up with either guidance, which would be something that would be able to happen in the relatively short-term or a ruling of some sort which might take a longer period of time.

But this is a time for us to be out, and Jim and I get all of these call reports. It is among the most important things that we watch and follow. Operator, do you want to assist me?

**Operator:** Thank you. We actually are showing time for one additional question. Our next question is coming from Wilma Burdis of Raymond James. Please go ahead.

**Wilma Burdis**

*Analyst, Raymond James & Associates, Inc.*



Hey, good morning. How do you think about the trade-off between higher volumes versus higher spreads in this ultra-tight credit spread environment? And how does that change Athene's capital efficiency or ROE? Thanks.

**Marc Jeffrey Rowan**

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

A

So, I don't know that it's just an Athene issue, I think it's across the board. We are in the excess return per unit of risk. And so it's not just spread absolute, it's spread in various marketplaces. And so to the extent we can earn excess spread at the A level or at the AA level, we have different requirements than we do having it at the BBB or BB level. So, we see this across the board. For Athene, where we are the capital at the end of the day that supports this, we do not think it is fundamentally intelligent to grow the business without adequate spread.

If you do this, you will be the only one who supports it. The reason we have been trusted with the industry's largest sidecar is because investors know that we will not take volume unless we are earning adequate spread. And you bring back one of the theme, that I think Jim and I live with. At the end of the day, we, and our entire industry are origination constraint. Now, the good news is we're doing any number of things to massively scale origination. And there are a number of very positive trends in the world in that regard. But we should not ignore that we are essentially hostage to origination and our capacity to create excess return per unit of risk. That is the promise of private markets.

**James Charles Zelter**

*President & Director, Apollo Global Management, Inc.*

A

And I would just add. I think if you look at the last 5 to 7 years, how we've navigated our securitized products, CLO holdings, we've constantly upgraded. And it's with a view of where we are in a credit cycle, even though we probably would have on a pencil, we have a higher ROE owning more triple and BBs. But we've owned a lot more AAs than single As because of the overriding view on credit. So, let our actions speak louder than our statements.

**James Charles Zelter**

*President & Director, Apollo Global Management, Inc.*

Thank you all. Look forward to next quarter and thanks for all your support on the call.

**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.

\*\*\*Editor's note: Texts in brackets were added as a request by the company to add further clarification to their statements.

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