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Apollo Global Management, Inc. (APO)

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to Apollo Global Management's Fourth 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 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-sale 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

Partner & 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. And our apologies for the later earnings date this quarter. This was principally due to our Partner Summit, which was a fantastic event that we held in Tokyo last week.

As you can see, our results reflect a broad-based strength across the business and our team's exceptional execution throughout the year. For the full year, we generated record combined fee related earnings and spread related earnings of \$5.9 billion, which drove adjusted net income of \$5.2 billion, up 14% year-over-year, or \$8.38 per share. And so, given the strength of these results, I've asked the guys to keep our remarks on the tighter side this quarter. But, of course, we make no promises.

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

Marc Jeffrey Rowan

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

Thanks, Noah. I will do my best. I have doubts about Jim and Martin, though.

Again, an exceptional quarter capping off an exceptional year. FRE for the year \$2.5 billion, up 23% year-over-year. SRE, \$3.4 billion, normalized, plus 9% year-over-year. Business is firing on all cylinders. Origination, record volume crossed the \$300 billion mark. More importantly, robust, consistent spread, 350 basis points over treasuries with an average rating of BBB. Capital formation, record inflows, \$228 billion, both Athene and Asset Management, ACS third straight record year.

Most important to us, this is all done with strong investment performance without reaching. To give you a sense of just how strong, all buckets of credit up 8% to 12%, hybrid value up 16% for the year, Fund X, our most recent vintage fund 2023, 22% net IRR, strong DPI versus an industry DPI that rounds closer to zero.

Looking forward, all of the drivers that powered us in 2025 are going to power us in 2026. In fact, I would say that they're more mature. And if you think about what's happening in our business, we are going from serving one market, institutional alts portfolios to serving six markets. We now serve individuals, we serve insurance, we serve the debt and equity buckets of our institutional clients, we serve traditional asset managers, and we hope to serve more robustly the 401(k) market. Each of these markets has the ability to be roughly the same size as our original market, which powered the entire industry.

Understanding that these markets require different products, different product structures, different expense points, different investments and technology to serve. And you will see these markets mature more and more over time. And so as we look forward, we think the trends that are showing up in 2025 will show up even more in 2026 and again in 2027.

To give you a brief sense of progress, in the individual market, more than \$18 billion of inflows, now nine strategies in excess of \$500 million of annual fundraising, insurance, more than \$15 billion of third party insurance with a very active pipeline. Increasing growth in our fixed income replacement business, and what we see is a number of the leading investors in the world moving to this notion of total portfolio approach. Total portfolio approach essentially opens up the debt and equity buckets of these institutions to private assets in competition for what has historically been 100% market share for public assets.

Traditional asset managers, you saw the announcement with Schrodgers this morning, which I expect to grow into a multibillion dollar partnership; and PRIV, our ETF with State Street, now approaches \$700 million in size. And more importantly, it's among the top performers of investment grade ETFs everywhere, again proving that private can be both liquid and illiquid. In this case, private investment grade being fully liquid. We're also seeing progress in our DC and 401(k), products in motion with State Street with Empower, with OneDigital and with one very large RIA.

Everything we're talking about ultimately comes down to the promise of private markets, which is excess return per unit of risk, and our ability to generate assets or originate assets with excess spread at scale is becoming more and more important. And our historical investment in origination has given us a bit of a competitive moat that others are trying to catch up to. Outlook in 2026 for Asset Management, which will not be a flagship fund year, continues to be 20%-plus FRE growth.

In Retirement Services, the demand for retirement income has never been higher. The global retirement crisis is coming much more into view. We as a world and we as societies are starting to deal with the consequences of this. You saw more than \$80 billion of inflows in 2025. You should expect approximately \$85 billion of inflows in 2026. And more than \$5 billion of this will be from markets that we were not in 18 months ago and that I believe will turn out to be a very large share of our business.

Our November teach-in set a very clear path. The SRE growth remains durable. We expect 10% SRE growth in 2026, and we reaffirm the 10% growth on average through 2029, assuming we do what we're supposed to do in the alternatives.

We step back and we think about macro. All of this comes down to a focus on risk and reward. Each of us has our own way of expressing what it is we're doing. The way I like to express it is to talk about markets that essentially

exists on a playing field. For most of my career, 95% of the outcomes have been on that field and very little has been outside that. In fact, it was such a small percentage chance that we never really thought about it that much and didn't really hedge. And sometimes we liked what was in front of us in terms of valuation, in terms of liquidity, in terms of economic outlook, and sometimes not, but we knew how to navigate those cycles. What we're watching now is just an increased percentage or increased probability of outcomes outside of established lanes or an established playing field.

And one needs to take those factors into account as you invest, as you think, as you think about risk and reward. And what's becoming clearer in our industry is the notion of having a principal's mindset versus an agent's mindset. A principal's mindset approaches every asset and every asset class as if they're going to own it for the long term because they do. An agent's mindset responds to the hot dot in the marketplace and asks more fundamentally, can the asset be sold, is the asset popular? I believe a principal mindset will serve us very well.

Jim will give you some notion of software, and I will steal only a little bit of his thunder. But in our PE business, our software exposure rounds to zero. In our Athene balance sheet, our software exposure rounds closer to zero than to one. In ADS, half the exposure of our large peers. Software is an amazing business. The market's overreaction to software is extreme, but clearly factors have changed. And we have good software companies and bad software companies and good valuations and bad valuations.

If you were aggressive at a point in time when valuations were very high and not a lot of diligence was being done and people were expecting growth forever, you're playing defense now. I assure you we are on offense, and software will be a very attractive sector albeit not at the valuation levels and with the kind of underwriting that has been done previously.

To give you a sense of how this principal mindset plays out, take our largest private markets direct lending vehicle ADS, now more than \$25 billion. For the quarter and for the year, approximately 8% return, lowest leverage, top of the capital structure, large company, no PIK, I assure you ADS is on offense.

In hybrid, our largest vehicle there is AAA, which now exceeds some \$25 billion. AAA, 12% inception to date return, very low volatility, 43 of 44 positive quarters, including 23 consecutive positive quarters. This is the perfect strategy for institutions who are thinking about total portfolio approach, in that on a risk/reward basis this has outperformed almost everything else in their book. In our equity business, the 39% gross and 24% net return for our PE flagship funds over the last three-and-a-half decades just can't be matched.

At Athene, while others have reached for spread, we have been positioned defensively. We've built \$24 billion position of cash, treasuries and agencies. While this is a short-term drag, we are always willing to sacrifice short-term profitability for doing the right thing and gives us significant firepower to redeploy.

Athene maintains plenty of flexibility and some of the levers that we've seen even industry leaders undertake, whether it's the move to Cayman or asset risk taking, we have simply not had to do, nor will we do. When you come to work each day with a principal's mindset, you just approach your business very differently. Athene is a very tough competitor with numerous advantages.

Let me just wrap up by saying, last week we had a chance to spend time in Tokyo with our 200 partners, an unbelievable cultural moment, theme of playing to win. Tremendous excitement not just about what's happening, but what is in the kitchen that we're working on, which we expect to roll out over the next six months. We'll focus on what makes Apollo, Apollo, and responding to the cultural moment and not simply growing our business for the sake of growing our business, but growing our business at scale, with quality and with intentionality.

Jim, over to you.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

Thanks, Marc.

Over the past several years, we've talked about Apollo's individual capabilities, our credit platform, our equity franchise and balance sheet, each strong on its own. But I want to take focus for a moment today in how those pieces work together in an integrated system, the connection between origination and capital formation and why that matters more than ever today.

At scale, investing does not get simpler. It gets more complex. What differentiates Apollo is that we built a system designed to absorb that complexity and convert it into consistent, high-quality outcomes for our clients. That is our long-term moat. Origination today is no longer a standalone function. It's bespoke investing. The flywheel that powers our business is now origination, product and investment teams working in sync across the firm. And capital formation is not something that happens at the end of the process. In many ways, it shapes what we originate upstream.

Understanding this connection between origination and capital formation allows us to deliver the right cost of capital to the right opportunity, quickly and at scale while maintaining discipline and alignment. At the end of the day, our job is to make money for our clients, and that's precisely what we did in 2025 with our scaled connected platform generating over \$60 billion of value to our investors.

We've been running our business with the same patient purchase price manner discipline that has driven our investing success through various cycles over the last 35-plus years. That discipline is particularly evident in areas like software, where we estimate it represented approximately 40% of all sponsor-backed private credit and 30% of all PE deployment for more than a decade.

As Marc mentioned, our positioning is amongst the lowest in the industry, and it's really a situation of selectivity versus exposure. Today, it represents less than 2% of our total AUM. In private equity, zero exposure to gross software. On Athene's balance sheet, we have de minimis exposure of 0.5%, which is virtually all IG-rated with hyperscalers such as Microsoft and Oracle.

And I'd further add that software investments within our credit business, excluding Athene, represent less than 4% of AUM. And within ADS' relative proportion is amongst the lowest, as Marc mentioned, amongst our peers. We have managed ADS, our flagship credit vehicle, in a prudent manner with lower than market leverage, low PIK and all first lien exposure.

In summary, we see parallels between software in prior cycles, where an influx of capital fuels over-allocation, dispersion follows and patience is rewarded. We believe we're well positioned for this moment.

Turning to origination. In 2025, the strength and breadth of our capabilities were on full display. As Marc noted, we originated over \$305 billion of assets, up nearly 40% for the prior year. And, incredibly, that was really the first year of our five-year plan that we presented in Investor Day just 18 months ago. Across that activity, \$282 billion was debt comprised of approximately 80% IG, with an average rating of A and 20% sub-investment grade rating with a rating of B.

Within core credit, volumes were led by large-cap direct lending, commercial mortgage lending, residential mortgage lending, and fund finance, a large growth area. Across our platforms where volumes increased over 30%, the activity was led by our three, Atlas, MidCap and Redding Ridge.

The scaling that we've seen has been facilitated by a broadening of our offering, expanding our capabilities and redefining our opportunity set. Our success within the sponsor ecosystem is a clear example. We identified sponsors as an opportunity several years ago; and in 2022, we generated \$20 billion in volume across mid cap and large cap direct lending. Through the broadening and deepening of our sponsor toolbox, which now allows us to offer comprehensive, full-service solutions, origination volumes in this area totaled nearly \$80 billion in 2025, quadrupling in four years.

Numerous noted transactions could be put forth, but I'll mention three quickly. In December, we led a \$3.5 billion capital solution to support Valor's \$5.4 billion acquisition and lease of data center infrastructure to a subsidiary of xAI. This franchise transaction for the firm in the AI space underscores our role as a leading provider of flexible, asset-based capital for the next generation assets.

In January, we led a \$3 billion convertible preferred financing for QXO, a building products distributor led by Brad Jacobs, a proven allocator with a phenomenal track record. And we were tapped to bring together a blue-chip investor group to provide flexible capital to support the company's long-term strategy of growth.

And lastly, our hybrid and credit franchise delivered a \$1.2 billion in strategic financing for Russell Investments, providing long-term capital and enhanced balance sheet flexibility to support their continued expansion.

Double clicking and providing context on the origination spreads for the year, our investment grade origination, we generated excess spread of 290 basis points over treasuries or approximately 220 basis over rated corporates in the index.

On our sub-IG origination, we generated excess spread of 490 basis points over treasuries, or approximately 200 basis points over a comparably rated – high-yield rated corporates. Again, and importantly, we observed stable spreads quarter over quarter over the course of the year, noteworthy in a market environment where public spreads remain near multi-decade tights.

Generating excess spread at broad scale while maintaining quality is a clear testament to the breadth and depth of our solutions offered by our origination systems. Simply put, 2025 was an outstanding year where we focused on scale but also maintaining quality.

Turning to capital formation. Our fourth quarter results punctuated a record year across the firm. We generated \$42 billion of inflows in the quarter and \$228 billion for the full year. Asset Management delivered \$100 billion of organic inflows and \$45 billion of inorganic inflows while Athene added \$83 billion. Across the firm, we generated record organic inflows during the year, totaling \$182 billion, approximately two-thirds were attributable to third parties, a focused growth over the last several years.

Similar to origination, the definition of success within capital formation has expanded with the addition of new capabilities and new sources of demand. The scaling that we have seen in capital formation has been driven by moving from a sole source of demand, as Marc mentioned, the alts buckets with institutions, the six pockets of demand with new sources including fixed income replacement, wealth, third party insurance, traditional asset managers and 401(k).

Of the \$100 billion of organic inflows into Asset Management during the year, approximately 75% went to the credit-oriented strategies and 25% to equity-oriented strategies, supported by strong demand across multiple client types and geographies.

Our institutional business had a phenomenal year, posting the strongest year of fundraising on record outside of a flagship year. Within institutional, third party insurance was a particular highlight with \$15 billion of new mandates. And when combined with \$16 billion of growth in our third party sidecars during the year, this brings our third party insurance platform to more than \$135 billion across 30 strategic and SMA mandates. We continue to see growing engagement from insurance, who value our origination capabilities and the complete alignment that come with our balance sheet. This is translating into robust and expanding pipeline around the globe but with particular focus in Europe and Asia.

Our global wealth business had an excellent year with fundraising totaling \$18 billion, up nearly 50% year-over-year. As Marc mentioned, to illustrate the increased diversification of the activities, nine strategies raised more than \$500 million and three raised more than \$1 billion.

ABC followed last year's quarter – record quarter with another \$400 million in raise and we believe sustained investor interest reflects the confidence in our origination advantage in the asset-based finance as investors look to diversify away from corporate credit. Our global wealth offering is resonating and partners are increasingly engaging Apollo as a full-service solution provider, rather than just for individual strategies.

At Athene, full year inflows were a record \$83 billion, driven by robust retail inflows of \$34 billion, record funding agreement issuance of \$35 billion and strong reinsurance of \$12 billion, and a modest contribution from the pension group annuities, as well as a variety of new channels.

The global retiree wave continues to build, and Athene remains uniquely positioned to meet the growing demand for long term security. We did not get here by accident. Years of hard work have established us as the industry leader with multiple competitive advantages, allowing us to serve retirees at an increasing scale.

Overall, the road ahead for capital formation is full of opportunity, is global, and the momentum we're seeing gives us confidence we'll see meaningful more organic inflows across Asset Management and Athene in every channel in 2026.

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

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

Thanks, Jim, and good morning everyone.

So, our fourth quarter results capped a very strong year of performance and demonstrates sustained execution against our long-term strategy. Particularly evident this year is the earnings flywheel benefit of origination, driving inflows to create management and performance fees, syndication volume to create capital solutions fees and spread assets to create spread related earnings. In Asset Management, we generated increases in AUM and fee gen AUM of 25% year-over-year to \$938 billion and \$709 billion, respectively. This helps drive record fee related earnings of \$2.5 billion in 2025, up 23% year-over-year.

I would note that this level of FRE growth was among the best in sector for 2025. In the year, we delivered 22% growth in management fees, with underlying strength driven by increasing contribution from third party asset

management inflows into both credit and equity strategies, as well as strong capital deployment and robust growth at Athene.

Capital solutions fees of \$226 million reached a new high in the fourth quarter and drove the full-year result to exceed \$800 million. The underlying activity driving capital solutions fees is increasingly diversified, with more than 125 transactions in the fourth quarter and approximately 430 transactions during the full year, with full-year transaction activity approximately 60% credit driven.

This is a strong validation of how our proprietary origination capabilities are continuing to broaden and deepen, resulting in greater fee generation opportunities for ACS. Fee related performance fees grew by 28% year-over-year, reflecting continued scaling of diversified wealth products and perpetual capital vehicles led by ADS and with additional contributions from Redding Ridge, MidCap and other platforms.

In the fourth quarter, growth in fee related expenses was driven by several factors, including the full quarter impact of Bridge, continued investment in our team with key senior hires including our new heads of strategy and Asia as well as infrastructure investment particularly on next-generation technology platforms, data and AI initiatives, and further normal course fourth quarter seasonality and some non-recurring, non-comp costs.

For the full year, our FRE margin was approximately 57%, stable year-over-year and consistent with our previously communicated target. In the first four months post acquisition, Bridge contributed approximately \$105 million of fee related revenue and \$60 million of fee related expenses to our 2025 results. And quarterizing that contribution is a reasonable way to estimate the run rate contribution over the near term. Excluding the impact of Bridge, our full year FRE margin grew by about 50 basis points, inclusive of the cost of significant investments in our platform.

Moving to Retirement Services. Athene's net invested assets grew by 18% year-over-year to \$292 billion. We generated \$865 million of SRE for the quarter with an additional \$28 million at our long-term 11% return expectation on the alternatives portfolio. The alts return for the quarter came in slightly higher than our pre estimate due to favorable late-quarter pricing adjustments. The blended net spread ex notables was 120 basis points in the fourth quarter versus 121 basis points in the prior quarter, primarily reflecting asset prepayments and mostly offset by new business growth and higher return on the alts portfolio.

When considering our 11% return expectation on the alternatives portfolio, the net spread in the fourth quarter would have been 4 basis points higher. Both the fourth quarter and the full-year SRE landed slightly above our previously communicated expectations. We continue to originate new business that meets our long term ROE targets, and that is in line with historical averages supported by our origination capabilities and highly efficient cost structure.

The recently announced transaction with Apollo Commercial Real Estate Finance, ARI, is one such example where Athene will acquire, subject to ARI stockholder approval, \$9 billion of commercial mortgage assets with attractive yields and conservative LTVs. These assets offer approximately 50 to 75 basis points of additional spread versus new issue CMLs today. And importantly, Athene already knows the portfolio well, given nearly 50% ownership overlap with the underlying loans.

Turning to Principal Investing, realized performance fees of \$588 million in the fourth quarter were driven by carry from several strategies. Fund X appreciated above its escrow ratio for the first time, allowing us to receive a catchup of carry previously accrued. Accord+ completed a full portfolio monetization following the one-year anniversary after its investment period. And our credit hedge fund credit strategies recognized its annual

crystallization upon generating very strong performance. Our operating tax rate in the fourth quarter benefited from large deductions related to employee stock compensation, due to a higher stock price on delivery. We continue to expect our multiyear tax rate to be approximately 20%, subject to quarterly variability.

On capital allocation, we've returned approximately \$1.5 billion to shareholders via dividends and repurchases during the year while also allocating capital to strategically invest in future growth. With respect to dividends, we intend to increase the annual per share amount by 10% from \$2.04 to \$2.25, commencing with the first quarter of 2026. This continues our commitment to returning capital through dividends, which we intend to grow approximately 10% annually or roughly half the growth rate of FRE, as well as share repurchases to immunize equity-based compensation.

As we enter 2026, we do so with significant embedded momentum across the platform and a clear line of sight to continued earnings growth. As we previously communicated, we expect FRE to grow by 20%-plus with 75% of the revenue contribution coming from well-established core businesses such as asset-backed finance, direct lending, multi-credit and hybrid, as well as the annualization of growth already in the ground. The remaining 25% of top line growth we expect to come from newer initiatives such as Apollo Sports Capital and Athora's pending acquisition of PIC.

Specific to FRE expenses, we expect low-double digit growth in non-comp costs, inclusive of a full-year of Bridge. Compensation cost growth will reflect investments in the build out to support the six markets and further senior hires in specific areas, as well as a full-year of comp costs associated with Bridge, in sum, growing at a high-teens growth rate.

For SRE, we anticipate 10% growth and assuming an 11% alts return or approximately \$3.85 billion in 2026. This outlook is consistent with our detailed Retirement Services business update from last November.

Since the merger with Athene, which closed at the beginning of 2022, we have generated compound annual growth in adjusted net income of 17%, more than double that of S&P 500 companies over the same period. As we enter 2026, we are extremely well positioned to continue delivering durable performance and compounding value for our shareholders.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. The floor is now open for questions. [Operator Instructions] Our first question is coming from Mike Brown of UBS. Please go ahead.

Michael C. Brown

Analyst, UBS Securities LLC

Great. Good morning, everyone.

Q

James Charles Zelter

President & Director, Apollo Global Management, Inc.

Morning.

A

Marc Jeffrey Rowan

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

Morning, Mike.

A

Michael C. Brown

Analyst, UBS Securities LLC

So I wanted to start on – Martin, you commented on the ARI transaction. I actually wanted to start there. Can you just unpack a little bit of the implications to SRE here? Just looking at the loans, they have a nice high yield of about 7.7%. So just thinking through that, how can that help with the spread? Can that drive spread higher, or is it something that kind of just helps drive growth for Athene? And then what are some of the offsets that we need to consider when we think about how that could play through for SRE?

Q

Marc Jeffrey Rowan

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

So, it's Marc to start and then we'll get to the specifics of your question. If you think about what's going on, institutions are looking really hard for durable spread, safe yield, if you will. Individuals or at least retail investors in stocks trade these vehicles at a discount. The notion of us continuing to invest into vehicles that don't create value to shareholders didn't make a lot of sense to us. And so for us, the best outcome was to transfer the portfolio at fair market value from the public company, which is trading at a discount to NAV to primarily Athene, but will ultimately be other third party buyers for loans that they already know that offer them spreads in excess of what's available on the current market.

A

This is just – for us just common sense. Again, just to focus, and we see this across our business, the structure of some of these vehicles, particularly the closed-end vehicles, just historically have traded at discounts, at a point in time when the assets themselves are very scarce. As we transfer those assets to Athene, it will not be a full net benefit of, for instance, \$9 billion with excess spread because we maintain a diversified portfolio, it will displace other forms of SRE lending. And Martin's comments and our confidence in the 10% SRE for the year embeds the notion of this portfolio as opposed to it being additive.

I don't know if either Jim or Martin you want to add.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

A

Yeah. I think – listen, Marc has captured the philosophy of getting the right cost of capital and the right investor capital on certain assets. And, again, this is just a basic philosophy about how we approach all of these vehicles. And so the idea of having a pool of assets that are institutionally in high demand in a vehicle trading at a historic discount does not make philosophical sense for it. So, it goes into a principal mindset and alignment at the core of what we do.

And, I'll let Martin talk about the philosophy – or the specifics, excuse me.

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

Sure. So, it's – I think it's clear, Mike, that our objective here is to deliver 10% SRE growth. And so this transaction, while not contemplated in the prior guidance we gave, certainly sort of helps de-risk the year. And so that's – I would view it as a part of a – steps delivering 10% SRE growth, but don't assume it's – it's more than that. We're focused on 10% annual growth over time.

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

Hey. Good morning, everybody. Thank you for taking the question. Well, I was hoping we could spend a minute on dynamics in the non-traded BDC space and ADS and your comments there specifically. So, obviously, it's been a little bit more turbulent with redemptions picking up and gross sales have generally slowed down. And that's really even before all the software headlines from in the last week or so. To your point, ADS, I think, is in mid-teens exposure to software. And you talked obviously about other features that make the product perhaps less risky than what's out there. Is that resonating with advisors in the channels? How do you think the competitive position of ADS will look over the next sort of 6 to 12 months from a net flow perspective when it comes to this part of the market?

James Charles Zelter

President & Director, Apollo Global Management, Inc.

A

Yeah. Alex, it's Jim. Yeah. So there's no doubt that what's happening today, we have been consistent for the last 24 months, if not longer, about the philosophy in terms of portfolio construction with regards to ADS, 100% senior secured, first lien, no PIK, no ARR. And all of those themes have resonated historically, but certainly resonating currently as well. We had a net – even though with a small below-the-line redemption in the fourth quarter, net new assets were up every quarter last year, over \$5 billion of net inflows. And yes, it's resounding to many of the distribution channels that it's the alignment and philosophy but it's return without reaching.

So, yes, we expect the numbers. As you mentioned, we're a little bit over double-digit in terms of aggregate software exposure. But when you really take – again, it's really more about selectivity than it is real exposure. And when you look at our software PIK exposure, negligible. When you look at our software ARR exposure, negligible. When you look at our pre-2021/2022 software exposure, negligible. And so those folks who really are students of the product are able to really differentiate, and we expect to be picking up share in that product.

But also, we've been clear in the last 24 months that investors should diversify away from their corporate exposure in terms of a broader portfolio approach and that's why we're so excited about ABC, really the flagship vehicle in the marketplace in terms of asset-backed portfolio construction. So, we couldn't be happier about our current position and feel like we'll accelerate, capture greater market share, and investors are really seeing that rather than chasing the hot dot.

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

Glenn Schorr*Analyst, Evercore ISI*

Q

Maybe just continuing your ongoing theme of the total portfolio approach, the excess return per unit of risk. I would imagine at times like this, we're going to see some really differentiated performance. That goes across all your asset classes. So, I guess I'm curious maybe more on the institutional side, what was the interaction with LPs over the last week or two like – and where I'm coming from is, are there any bigger implications from what happened, meaning are LPs rethinking size of allocation to privates in general or just maybe a switch in terms of structure and having more liquid vehicles as part of their mindset. I'm just curious if you'd opine on that. Thanks.

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

A

So – it's Marc, Glenn, and then I'll turn it over to Jim after it. A lot of what's playing out is playing out in the public markets. Recall, and I know the concern on BDCs and private credit and direct origination as it relates to software. But I always remind people that that is first lien. Most of the investments that are made into these private BDCs are de-risking for the individual making the investment. They are not selling their treasury exposure. What they're doing is they're selling their equity exposure and they're making an intelligent decision that they can earn roughly long-term equity returns in first lien debt versus an equity. The equity exposure and the pricing of what's happened in software related and other related has been extreme. We're talking, in some instances, quality companies down 50% to 70%.

This is why people are in first lien to begin with. When you translate it over to the institutional side, you have a little bit of the same phenomenon. And so I do think that there is going to be increased dispersion amongst managers. It's been easy for a really long period of time. And as Jim suggested, in private markets, particularly private equity, it had been almost 30% of the – software had been almost 30% of the market for a decade. Software is still an amazing business, but you may not like the purchase price at which you entered because you get to now look at the same companies down 50% to 70%. And that's the public companies. And I have to believe the private marks with leverage will go down equally as much. And so I expect that we will be, along with a handful of other managers, prettier than we have been historically.

The other thing to think about is so much of the conversation has taken place around the alternative bucket, and what we see, the vast majority of growth going forward is going to take place outside of the alternative bucket. Some of the wins in fixed income replacement, some of the wins into PRIV, some of the wins into AAA are institutional. And we see, and I think you will see, an acceleration of the institutional business going forward. I'm going to belabor this a little bit because this will be a theme across our business.

Going back to the six markets, the first, of course, is the institutional alternatives portfolio business. The second has garnered most of the attention, which is the wealth business. But if you think about the other buckets, insurance, that's an institutional business. If you think about the debt and equity portfolios of institutions, that's an institutional business. The serving of traditional asset managers is an institutional business.

401(k), while we think retail is making a choice, it's actually not. It's an institutional business because it's being made primarily by trustees and by consultants and by other forms of gatekeepers. I think you're going to see a change in the dialog amongst the managers of private assets as they fully embrace this, which is not that wealth is not important, not that it's not going to grow, it's just the most visible. These other markets have every bit as much opportunity.

And I continue to come back to the theme I've been on for quite a while. Our business at the end of the day will vary from quarter to quarter, but it is not ultimately constrained by capital. There's plenty of demand for private assets. What it is constrained by is the ability to originate things that are worth buying. We are so focused on getting this origination side right not just in terms of volume, but with a principal mindset where we're originating risk we are prepared to own. Turns out, clients like when you are side by side with them as opposed to selling to them.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

A

I'd also add, I think there's a – I'm taking a step back here, but so much of the conversation in the last several weeks has been about a quick reset of prices in the public equity market and then the impact to non-investment grade software lending, which has been particularly focused well by the non-traded BDCs. We put out a deck in December, and all the conversation recently has been about the narrow sector, the \$2 trillion to \$3 trillion of private credit and it's really not touching the \$35 trillion to \$40 trillion opportunity in investment grade private credit.

In the last 18 months, short-duration IG vehicle, a strategy we really started 18 months ago, is up to over \$7 billion in assets. And, again, that's private investment grade across the board, a variety of industries. And so it just seems like the headlines are focusing on the small pond. And there's no doubt there's going to be dispersion amongst various debt and equity managers who have pursued growth in technology in the last several years.

Our Fund X, XI are going to be big beneficiaries of the value versus growth mentality. But again, I really think taking a step back and really understanding how the big boulders are moving, this is the discussion when we talk about non-traded BDCs. That's about pebbles, where Marc is talking about, about boulders. It's much more thematic and it's really what's driving our business over the next 5 and 10 years.

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, everyone. I have another question on the total portfolio changes. And I agree that that could be a big opportunity for alternatives and specifically Apollo. Big step last year with CalPERS announcing their shift. So curious to what extent you're hearing other large pensions planning to follow suit, and how quickly do you think we'll start to see meaningful reallocations of that capital around the new approach. Thank you.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

A

I would just say, it's really important, and when Marc laid out the five additional channels, the speed of which they all individually and collectively adopt is going to be start/stop. The public institutional marketplace is not known to

be a business where those who are in charge take historic institutional risk. And so it's going to be measured. It's going to be – that's why we're focusing on all six, not just one. But I'll give you one example, like, the conversations that have been going on in the industry and in particular with us with our Apollo Sports Capital, those are areas where institutions are trying to figure out where the opportunities are, not in the narrow definitions of asset classes.

What we've done on the insurance, Athene, sidecar, ADIP. Those are all areas where institutions have said, how can I make sure that the normal definitions of equity and fixed income traditionally are not going to limit my ability to perform? And I think whether it's family offices, whether it's institutional buyers, whether it's traditional asset managers, they're all trying to find areas outside the norms of the boundaries, and that's what's going to drive this over time. It's really about how to create better risk-adjusted returns and not being a prisoner to the barriers of adoption in terms of your mandate.

Marc Jeffrey Rowan

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

A

If anything is going to speed it up, Patrick, it'll be volatility. Public market volatility is ultimately a significant imperative versus an accelerant to people's changing of mindset. Trustees and heads of plans who have watched assets grow pretty consistently over a long period of time get a little bit of shock when they see the kinds of volatility in their portfolio and in public markets, and they look for the same return or more return but with less risk.

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 and good morning, everybody. Want to maybe tie some big picture, some of the boulders together, to use Jim's analogy, I like that one. Could you talk a little bit about where you might be on the origination opportunity, clearly running, what, four years ahead of schedule already, how that may influence the opportunities set in ACS, and then maybe how we should think about the margin profile as we look into 2027, FRE margin profile? Thank you.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

A

Great. So I think, Bill, the easiest way to answer that is if you look at the \$305 billion last year, \$245 billion was really North America, \$40 billion Europe, \$15 billion, \$20 billion in Asia. We're taking this strategy global. And when you think about why we were just in Japan, when you think about the industrial renaissance and that part of the globe, Asia-Pac, along with how we're focused on Europe.

So, the answer to your question, big picture, is we're going to take a very successful strategy of integrating origination to every aspect of our business. We're taking it global. And we're going to make sure that in Europe and Asia-Pac that the same tools, the same partnership, the same platforms are executing in that part of the globe, but we're really focused on quality as well as scale. We certainly have shown an ability to originate scale, but it's really growth with intention. And so I want to make sure that we're not overemphasizing the growth in this point. We have a ton of robust yield, robust spread, and that's what we're trying to do.

So in my mind, it really is the globalization of the strategy. And it's also into these ecosystem activities like you see in Apollo Sports Capital, I would suspect to see a handful more of those ecosystem strategies where we can

be completely relevant in terms of the cost of capital and the toolbox to the companies that are embedded in that ecosystem.

And why it works so well for Sports is very simple. It's one where the quality of cash flows are not irregular manner. They are regular cash flows. There's been a tremendous amount of growth in valuation. There's a limitation to the actual funding and lending in the area and so many focused – so many have focused on the equity returns. And so we're just finding with a holistic toolbox like we did for sponsors, there's a great deal of reception. So the answer is global. The answer is focusing on quality as well as scale and these focused ecosystem strategies.

Marc Jeffrey Rowan

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

A

I'm going to just take the liberty of maybe going off-piece a little bit. We've seen over the past month or so a number of acquisitions in our industry. And I want to just say that from our point of view, if you think about where our business is going, it's all about origination and having the product and then building the capabilities to serve five markets that we've never served before as an industry. So, all of the firms were built to serve the institutional alternative bucket, drawdown funds, product-specific sales forces, relatively slow moving, fine with quarterly marks.

These five markets are totally different. You're seeing some of the firms build out significant wealth strategies, but you have yet to see the rest of the industry build out to serve the other markets that are now available to us. And so when you think about what we're trying to do, we're trying to make sure that we don't grow too fast, that we can only grow as fast as we originate. Therefore, if we want to grow, we have to originate at scale in quality.

At the same time, we understand that every time you buy something, it comes with people. And integration on a cultural basis is very difficult. And so unless something is exceptional, we just prefer to build it ourselves. Sports Capital is a really good example, not to say that there are not – there's not value in acquisition if you need to, but the ability to put a team on the ground in an industry that is very valuable, growing very fast, that produces uneven cash flows, therefore, is not a great industry to bank or for public markets. In addition to deploying the 6-or-so billion in the Sports Capital fund, I believe this ecosystem will generate \$30 billion to \$50 billion of origination opportunities.

I think you are more likely to see us grow, as Jim said, globalizing what we have and then building organically the platforms that we need to penetrate industries that require specialized knowledge and deserve a specialized pool of capital. And so we often say the strategy here, let's look through the windshield, not through the rearview mirror. We have so much white space in front of us, it's up to us to now prepare the business, not just to hit the five-year plan, but for what comes next.

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

And, Bill, let me address your tuck-in questions on margins because it's important, obviously. So, you should expect margin expansion over time. And we're always balancing, as you know, investing in new capabilities to build a platform with extracting efficiencies from the current business. I would think something like 100 basis points annually as we go forward, that's sort of the guidepost that we set for ourselves with the with the puts and takes netting into that.

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. I wanted to ask about fundraising. You've had a very strong year in 2025, over \$180 billion organic inflows. I think you mentioned you're targeting \$150 billion on an annual basis. So just curious how you think about the outperformance this past year relative to that \$150 billion guide, to what extent does that make sense, what might be areas where flows could be slower, I guess, if that does make sense. But then at the same time, it sounds like you're pretty confident in 2026, maybe even being better particularly in Athene. So, maybe you could speak to the confidence there, what you see contributing, and maybe you could elaborate on what's in the kitchen in terms of things that might be rolling out. Thank you.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

A

Yeah. So, Mike, I would say we feel like we have the tremendous wind to our back across the – let's separate Athene and Apollo Asset Management for a moment. On the Apollo Asset Management side, global wealth prime for continued growth; and on the institutional business, we do have Fund XI in the marketplace. But also when you think about the product set of the asset-backed ecosystem, the hybrid ecosystem, Sports Capital and such, we believe that this year will be the strongest year on record for us in that area. So, we're unambiguous about our ability to outshine on the Apollo Asset Management side.

Again, on the Athene side, strong numbers across their four channels. We expect that to replicate it. When you add those two together, we're solidly north of \$150 billion again for the Apollo and Athene side in collective shape.

I would say we feel like we're actually grabbing our fair share in a variety of asset classes that we had not done before. And we think about our whole fixed income replacement product suite, things like the short-duration IG vehicle, core IG, the asset-backed area amongst many, we're just seeing a variety of ability for us to pick up. And, again, that's the conversation we want to be having with this group.

As you talk about private capital and private credit, the natural tendency is to focus on the small non-investment grade \$2 trillion pond. I urge all of you on this phone call, focus on the \$40 trillion. That's the opportunity set. That's what's driving volume. That's what's driving profitability. That's what's driving scale. And so I know it's great – it's great headlines about the software bump in the road. But there will be dispersion. But there's a bigger, bigger picture and don't miss that.

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

Kenneth B. Worthington

Analyst, JPMorgan Securities LLC

Q

Hi. Good morning and thank you for taking the question. As we think about performance fees for 2026, you highlighted in the deck that 2025 was like sizable PE and hybrid activity that was prudently delayed. With market conditions better, can you help us think about your pipeline of deal activity should market conditions remain accommodative, and how you see this flowing through into carry and performance fees? Thanks.

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

The most unpredictable, that's the multiple, Ken. I think we see the optimism in the marketplace, particularly with the bank community. Activity levels are high. There's different ways to exit assets. Going through a public process

is one. And private processes are more complicated. So, I would say we are more cautiously optimistic as we sit here now about the year ahead. But it's difficult to predict. That's why we have anchored ourselves to a long-term guidepost around PII of \$900 million. And that remains our target. But it's not going to be a straight line, clearly, to get there.

Marc Jeffrey Rowan

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

A

I'd say this in the portfolio. Fund X, which is the most recent fund, is already 0.3 plus DPI versus an industry that rounds to zero. At the end of the day, when you buy things at reasonable multiples, you can sell them at reasonable multiples. That's what we've seen. That's what we've experienced. That's what I continue to experience.

We are not stuck with a portfolio of things that were purchased at very high prices. That now have been reset in the market where they're going to go into perma-hold. We're in the business of creating value and moving it out. If the market is accommodative, we're going to make it happen. If the market's not accommodative, we will, I believe, do better than everyone else.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

A

I would just add this. Our performance in 2026 is not going to be market-dependent on the equity market or the equity capital markets.

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 the question. I wanted to ask maybe a two-parter on just some of the dynamics going on at Athene. I guess first, in the pension risk transfer segment, looks like there's been some positive momentum with a number of the cases out there. Any thoughts on your expected contribution from that channel in particular in 2026 or does that require a little bit more time?

And then just curious, your latest thoughts on competition in the retail side? It feels like three or four quarters ago that was a bigger issue. It doesn't seem to have rearing its head as much more recently. But, similarly, high level thoughts on the current state of competition in that channel. Thank you.

Marc Jeffrey Rowan

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

A

So – the volume targets for 2026 are not dependent on PRT picking back up. You're right, the legal situation around PRT is improving. However, this is all about spread. We do not underwrite to volume, we underwrite to profitability. And if you underwrite to profitability, you get to keep doing business. So I think we have more than enough at-bats, lots of new initiatives, broad distribution. I believe the target we've set out, which is roughly \$85 billion, will be the target that we deliver. Demand for retirement products is off the charts, but it has to be done at a margin that makes sense.

In terms of competition, we continue to see interesting competition in some of what I would call the lower quality broker channels, which are not as credit dependent. As I've warned on prior calls, the business is ultimately about

earnings spread. Spread is created by having an asset origination machine, by having a liability origination machine at a low cost, and by having a low OpEx.

Most of the companies competing in this industry, including the established players with very few exceptions, do not have origination of appropriate assets, they do not have a low cost liability factory, and they do not produce in an efficient level. The only way return can be achieved is by giving away asset management fees, and by moving the business offshore to Cayman, to places like that that do not require capital. This is not a recipe for success.

Ultimately, I believe that will end badly, hopefully not badly for the industry, and I do not believe that many of these firms will hit escape velocity because they will ultimately need to come back for more capital. Athene is a really tough competitor. And as Jim said, this is something we've worked on for the better part of 15 years with the team to put it in the position it's in. I like our chances. Martin gave the guidance for 2026 and we're working hard to achieve what we've said we're going to do.

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

Wilma Burdis

Analyst, Raymond James & Associates, Inc.



Hey. Good morning. Just following up a little bit on the last question. We did see a – it looked like an improvement in PRT volume for the first time in two years. Maybe you could go into a little bit more detail there. And then as sort of a second part of this question, if you could talk a bit about the FABN environment and the lower flows there and any drivers, whether it's credit spreads or anything else you're seeing in the market. Thanks.

Marc Jeffrey Rowan

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



So, again, this is a story of assets and of liabilities. On the assets side, it's all about the capacity to originate. As Jim suggested, this year was a very strong asset origination year which led to the outperformance of the target. I expect, based on what we've seen thus far, 2026 to be an equally strong asset origination year, augmented or I should say protected by the ARI transaction, which will give us some initial excess flow early in the year.

On the liability side, having multiple channels is a godsend. There are places sometimes you don't want to do business. I personally don't think we've missed much in PRT over the past year. Not only have there been fewer transactions, but the spreads on those transactions when one ultimately shines a light on them are poor. Winning business is not about volume. Winning business is about capturing profitability. And every point we're offered the opportunity to do something that's expedient versus something that will build the book of business over the long term, having a principal's mindset is a very, very healthy way to run the business.

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

John Barnidge

Analyst, Piper Sandler & Co.



Good morning. Thank you for the opportunity. My question is focused on being on the offense. If we can go back to software, digging in that a little bit more could be interesting. Maybe is it private equity, credit, both, and kind of what areas of software do you find appealing? Thank you.

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

A

Yeah I'm just going to answer that generically. We've historically – if you go back in our 35 years, whenever there's a over-allocation of capital, we tend to be defensive. And whenever there is a withdrawal of capital, we tend to be on our front foot. If you look at the repricing that's happened very, very quickly in the equity market, the valuations are certainly lower, but they're not cheap. They're still very, very high from an earnings multiple and such.

But many companies had plans to either grow because of organic cash generation or equity origination. And those companies may not be able to do so. So there's no doubt that our screen of opportunities from the world of equity, particularly from the world of hybrid and, in some degrees, in the world of credit, we are as busy as we've ever been because there will be a dispersion of returns. Some business models will continue to thrive, some will be more challenged.

But what Marc talked about earlier, I'm just going to remind folks on this call, you had companies in this sector that were priced or purchased or valued at 15 times revenue several years ago, maybe even 20 times revenue, and now they're trading at 12 to 16 times earnings. And so there's a very large difference in that valuation gap. It doesn't say they're not good companies, but the growth trajectory and the capital availability of them to acquire capital to grow has changed.

So, yes, there's no doubt that we're going to be much more on the offense, but there's nothing that's going to happen tomorrow that we're going to announce, this is just more of a dispersion over time and plays into how we want to be a real partner, whether it's a sponsor community or the core – corporate community as they need capital.

Operator: Thank you. The next question is coming from Brennan Hawken of BMO Capital Markets. Please go ahead.

Brennan Hawken*Analyst, BMO Capital Markets Corp.*

Q

Good morning. Thank you for taking my question. I just had a couple on spread within SRE. Want to follow up from Mike's questions. You spoke to the 50 to 75 basis points, greater spread versus new issue. But how should we think about that on the net spread as you reported, totally appreciate that it fits into the 10% total expectation for the year.

And also maybe a bit more broadly, how should we think about the cost of funds side? It sounds like there's a great deal of optimism on the origination and the asset side. Cost of funds still has steadily gone up. We hear about competition in some of those markets. And so, is the expectation that the cost of funds increases will stop or is it more around the ability to outpace it on the asset side? Thanks for taking my question.

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

A

So, it's Marc. I'll give you a business side and then Martin will dig in a little bit. Cost of funds is ultimately a function of bond yields. Historically, it's that. It's moved around – around the BBB corporate spread. Having said that, in individual channels and individual times and individual quarters, it tightens or loosens. We run a business that is competitive in the marketplace with the highest quality companies and liability side spread in mainstream markets are market determined.

Most of the new entrants who are paying significant premiums for their cost in their cost of funds, and you can see this in any industry publication are in the broker channel. And so it will not surprise you that as a percentage of our business, we do less in the broker channel. At the end of the day, the ability to have a low OpEx and higher than average asset spread allow us to win the fair share of business that we want to win. And we want to win it in a mix.

We want some long-dated business, some short-dated business, some policyholder-dependent business, behavior-dependent business, some non-policyholder-dependent business. And ultimately, as I suggested, this iteration of the business of the retirement is a fascinating business. Retirement products are in amazing demand.

Having said that, the next leg of this business is not the product set that exists today. It is creating the product set that serves the needs of retirees that is simpler, easier to deliver, and that relies more heavily on the things we do well, OpEx and the origination of spread. Building out unique or less traffic liability channels is something that we're focused on that will be important not just over the next five years, but for the five years after that.

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

On the spread question, Brennan, we operate the business on a net spread basis. So the costs of – where we write liabilities and the associated cost of funds is connected to where we can invest against that. We create a net spread which after costs and on a return on equity basis gets to a mid-teens return.

So, in terms of guidance, we were quite specific at the November day on where we expect the spread to come out, assuming alts are at 11% and that was that was 120 to 125 basis points. That's what we printed for Q4 at 124 basis points. And given the comments that we've made about ARI earlier on the call, I would assume that the same holds true for the year. So, in the 120 to 125 basis codes zip code on a reported net spread basis, and where we write business and we invest against them.

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

Brian Bedell

Analyst, Deutsche Bank Securities, Inc.

Q

Oh, great. Thanks. Thanks. Good morning. Thanks for taking my question. Maybe just shifting to the 401(k) market. Marc, if you can just talk about what kind of progress you're seeing in the DOL and for plan sponsors in terms of their appetite to adopt alternative products.

And then if you can add in your strategy with – collaboration with different managers. You had the Schroders announcement this morning. Obviously, Lord Abbett and State Street as well. Should we expect more of these types of announcements, or do you view yourself as sort of an open architecture collaborator, if you will, or do you feel like you've got the partners you need for the for their future game plan here?

Marc Jeffrey Rowan

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

A

So, let me work backwards in this. We are open architecture and we are a product supplier to numerous traditional asset managers, particularly through our ACS business. That is one level of collaboration with traditional asset managers. The next level of collaboration is the creation of a partnership and the serving of joint

– creation of joint product. I think you're starting to see that in a couple of partners you mentioned. I think we're going to continue to see that blossom.

Having said that, we're all learning right now. And what has to happen in the business is we – as an industry, we need to adapt our business to the ways traditional asset managers work. Moving your business to daily NAV is a big deal for our industry. We are in the process of moving, as I suggested in our last call, particularly our high-grade credit business to daily NAV. That is an unlock. Providing liquidity and markets which many in our industry have spoken against is an unlock for traditional asset managers. And so I expect and I've said this previously, I think traditional asset managers done well could be the single largest opportunity. I expect them to be among the largest buyers.

Some of that will be in the existing mutual fund complexes and ETF complexes. Some of that will be through new products, and some of that will be through 401(k). On the 401(k), specifically, the big volumes in 401(k), in my opinion, are not going to come until there is a rulemaking or at least guidance that will give more clarity to the executive order that has come down.

Having said that, Jim and I are the recipients of numerous call reports. If I had to give you my email inbox, the amount of activity taking place in DC in all its quadrants is just off the charts. Every conference, every industry get together is literally just overwhelmed with the discussion of private assets and for very good reasons. The addition of private assets to a portfolio, given the length of time these employees will be in these plans, are 50% to 100% better outcomes. And the other interesting piece of this is not so much focused on in the executive order is the opening of 401(k) to guaranteed income, particularly guaranteed lifetime income.

We moved as a world for something that was really good for employees. We've moved from defined benefit. Employees loved it, guaranteed lifetime income, companies hated it. We then moved to a world of defined contribution, where all of the risk was essentially on the employee and not on the company. Great for companies, but not so good for employees. Most employees have not made a proactive investment decision within their 401(k) ever. They are guided by the alternatives provided by the trustees of that plan.

I believe the world we're heading to is a more of a hybrid world, to use a term that we use a lot around here, where we will end up with something that looks more closely to defined benefit but will not be provided by the employers. It will be provided by the marketplace. Right now, we're in the baby steps phase, where every day we're making progress. It will be north of \$1 billion this year. It might have even been, I don't have the number in front of me, north of \$1 billion last year. But I can see it taking shape. And just like the comments around traditional asset managers, these people need to be not just daily NAV. They need to be daily liquid. The ability to do this, the ability to create the structures, the ability for our indices, not just for us to adapt our product set to serve these markets, in addition to the rulemaking or guidance, is going to be what unlocks this opportunity.

But you can hear from what we're doing and from the comments around margin. We've gone from a business with one market to six markets. The problem is, or the opportunity is, five of those markets require different products at different delivery mechanisms and different surroundings in terms of daily NAV and liquidity. And how fast our industry and our firm pivots to that is going to be how fast we're able to grow. Along with Jim's comments around origination at scale but with quality.

At the end of the day, the thing that is not changing here, we come at this business with a principal's mindset. Whether you are an institutional client or retail client, a 401(k) client, an insurance company client, you are side by side with us. We're eating our own cooking. It keeps us really focused on the quality of what we do. There is no amount of fee that we can make from an asset that will overcome a bad principal decision. We reinforce that

every day. It's why we're going to be on offense in software. It's why we have the opportunity set we have today. Couldn't be more enthusiastic.

Operator: Thank you. That brings us to the end of the question-and-answer session. I would like to turn the floor back over to Mr. Gunn for closing comments.

Noah R. Gunn

Partner & Global Head-Investor Relations, Apollo Global Management, Inc.

Great. Thank you everyone for joining us this morning and for all your time you're spending with us. If you have any follow-up questions, as usual please feel free to reach out on anything we discussed. Thank you very much.

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

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