03-Nov-2026

Apollo Global Management, Inc. (APO)

Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to Apollo Global Management's Third Quarter 2026 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. 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 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.

Our third quarter results reflect strong execution across both asset management and retirement services. We generated record fee-related earnings of $802 million or $1.28 per share and record spread-related earnings ex-notable notable items of $909 million or $1.40 per share. Combined, adjusted net income totaled $1.3 billion or $2.07 per share and $2.15 per share ex-notable items.

For today's call, we're going to switch up our typical flow for prepared remarks. Marc will offer some brief opening highlights, then pass to Jim and Martin, and return for closing perspectives.

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

Marc Jeffrey Rowan

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

Thanks, Noah, and good morning. Noah gave you the highlights of the quarter, but just to repeat, record quarterly FRE, $802 million, 23% year-over-year increase, 2% quarter-over-quarter. Management fee growth, 18% year-over-year, 2% quarter-over-quarter. ACS fees, $290 million, six straight quarter, greater than $200 million and, as you recall, directly tied to the origination that we are doing, increasingly durable, and a really important part of our business.

SRE was solid for the quarter, $909 million ex-notables. On the adjusted long-term return basis, it would have been $963 million plus $54 million, 1% quarter-over-quarter and 9% year-over-year. You will hear more about the business overall from Martin going forward, but I see good momentum across the entirety of our franchise.

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What tells me we have good momentum is the strength of the origination pipeline, which I always believe is the core of a private assets firm. Origination for the quarter was $114 billion, incredibly active across all channels, very active pipeline across most sectors and geographies, and most important, really good, attractive, consistent spread, 330 basis points over Treasuries with a BBB average rating.

Capital formation follows attractive origination, was $53 billion for the quarter, asset management at $35 billion, and Athene at $19 billion. In short, based on what we've seen quarter-to-date, I think we're very much on track for our 20% plus FRE growth for 2026 and our 10% SRE growth for 2026. In short, though, that's not enough, our ambition, as you will hear, is to do more and to make sure we don't only meet the current quarter and current year's results, but that we position the company for what needs to be done following the completion of our five-year plan in 2029.

Before I turn the call over to Jim, I thought, I'd spend a second talking about investment outlook. At the end of the day, investment results are ultimately what drive our business over a long period of time. The world can be very confusing or the world can be very simple. We look out and we see valuations in almost all markets relatively high. We see risk relatively elevated. The logical conclusion from high valuations and increased risk is to take risk down.

In our credit business, taking risk down means moving from below investment-grade to investment-grade and moving from unsecured to secured. In the equity business, the way we take risk down, we reduce leverage. We move toward hybrid structures, and we increasingly focus on the sorts of businesses that we think are enduring franchises and are relatively immune or will actually benefit from technology cycles, think Atlantic Aviation, Pembina Gas, hydroelectric businesses.

So much of what we've seen in the press and what we've seen from our competitors is about the bubble. FOMO is not an investment strategy. We are prudent and we are cautious, especially in credit.

In the equity business, you are paid to be concentrated, because you have unlimited upside. In the credit business, you only get interest in principal. And, therefore, if a company wants you to hold concentrated amounts of their credit, they need to offer you two things: more return and more safety. As you will hear from Jim, one is not enough.

With that, I'm going to pass it over to my partner, Jim Zelter.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

Thanks, Marc. In our business, there is no finish line. We set ambitious goals, deliver on them, and push for more. We focus on the end, delivering today and building for what's next. We don't see those as competing priorities. We must do both. That's what separates a good quarter from an enduring franchise. We're doing all of this in a world of knowns and unknowns, which is the way we've always thought about risk at Apollo. We think about what's happening on the field or what's knowable and visible and off the field where tail risks and unknowns live.

So, let's start with on the field, as Marc noted. We see a strong economy, solid employment, accommodative policy, and open capital markets. We're also seeing historic capital investment across infrastructure and energy, defense, manufacturing, and compute. Companies are investing enormous amounts of capital and that is creating tremendous opportunity for our broad origination businesses. Off the field, governments are levered. Our consumers aren't. A geopolitical reset is taking place, and we are in the middle of the largest tech investment

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cycle ever witnessed. In addition, inflationary pressures amid the robust funding backdrop are putting an upward bias on rates.

In an environment where valuations remain high, spreads are tight and risks are rising, the logical conclusion, as Marc noted, is to take risk off, position defensively, and prepare for the opportunity to play offense. And that's exactly what we're doing. In credit, this means moving up the stack, prioritizing senior secured. In equity, this means moving from levered to less levered or unlevered.

You're also seeing this defensive posture with respect to the assets we're originating. Of the record $114 billion of origination activity in the quarter, $98 billion was debt, of which more than 80% was investment-grade, with an average rating of BBB+, and that brings volume over the last 12 months to $356 billion. And looking at the near-term pipeline, we continue to see strength over the next couple of quarters.

Importantly, we're originating credit with attractive, durable spread. On investment-grade origination, we generated excess spread of 285 basis points over Treasuries, or approximately 200 basis points over comparably rated corporate indexes. On sub-IG origination, we generated an excess spread of 430 basis points over Treasuries or approximately 160 basis points over comparably rated corporates. A few recent examples that demonstrate our origination leadership and the diversity of our – across our franchise include in energy and power, a $1.5 billion financing for Keppel's Offshore Fund to monetize offshore rigs, CAD 2.7 billion for Enbridge's natural gas pipeline expansion in British Columbia, and $9 billion of structured equity for ONEOK, one of the largest midstream companies.

In infrastructure, a strategic partnership with Atlantic Aviation, one of the largest fixed-based operators, valuating the company at nearly $10 billion and these are mission-critical assets with irreplaceable footprint of the nation's busiest airports. In sports, as noted, a $2.6 billion investment in credit and equity in the Yankees parent company, the team's first institutional capital partnership in more than 50 years.

And in compute, we led a $40 billion GPU financing for SpaceX. And like Broadcom before it, SpaceX is a prime example of our flywheel at work, sourcing, structuring, investing, and syndication. We built this platform to provide capital at scale, and we believe few, if any, in our industry can do what we do.

Now, for the hot topic that's on everyone's mind, AI. As students of history, we know that America's financed roughly 10 great CapEx cycles in 200 years, from canals and railroads to electricity and shale, and most have been between 2% to 3% of GDP. What's unique at this point with AI is who's spending the capital? The major players are scaled, investment-grade franchises, with high gross margins and historic high free cash flow conversion. Against this backdrop, we frequently ask ourselves, how are we approaching AI financing opportunity? Again, this is about knowns and unknowns.

So, what do we know? We know that society will use dramatically more computing power in the future, the demand for energy will rise with it, the demand for chips will remain strong, and then AI capabilities are improving in an extraordinary rate. What we don't know is how pricing and economics will evolve or which parts of the ecosystem will earn an attractive return on the capital being committed. We also don't know the full spectrum of what the societal or regulatory implications of AI are going to be. And for these reasons, our origination investment activity has been predominantly focused on the capital imbalances we see in two sectors, power and chips, two areas where we see attractive risk-reward and that we have high conviction. Our goal applied to open – to AI-related assets or otherwise is simple: beat a basket of IG public debt with better structure, better security, and better spread.

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Let's start with power. We know that we've underinvested in energy for decades in this country and that power is a large part of the cost structure in building compute capacity. We see financing energy, so long as competitively and costed properly as compelling opportunity. With chips, we know this will require a look at the global supply chain. You can look at every chip fab across the globe as capable of producing advanced semiconductors and reasonably conclude that the GPUs and TPUs will be in short supply for the next several years. Therefore, financing that fully amortizes over a fixed period assumes no residual value and is further supported by guarantees from IG counterparties, offers the best combination of safety and return that we can lend against for our capital.

As we have noted previously over the last couple of years, when you think about the circa $8 trillion of through cycle CapEx, it's clear that no single source of financing can meet the demand. Operating cash flow alone won't be enough, neither will the public debt or equity markets. It's going to what we call all precincts of capital to step up from banks to the public markets to private capital. Private capital will play a pivotal role, and we intend to participate most prominently in opportunities where we're lending on a secured basis. Our high-grade capital solutions franchise puts us in a strong position to do just that, having originated more than $150 billion across 200 transactions to date.

As the world's leading companies look for new ways to finance their growth in many industries, Apollo continues to be the partner of choice. Our broad financing toolbox, scale, and flexibility are making us an increasingly important part of conversations in boardrooms around the globe. While the opportunity is massive and compelling, we will remain disciplined. After 40 years in the business, my rule is simple: never take equity-like risk for debt-like returns.

Touching briefly on investment performance, our strong origination capabilities set the foundation for differentiated returns we provide to our clients. Hybrid solutions had another excellent quarter, up nearly 5% and 18% over the last 12 months. And across credit, LTM returns were anywhere between 4% and 7%. Even where higher rates were a headwind in the quarter, opportunistic credit and multi-credit beat their indices by 40 and 80 basis points, respectively, and have solid LTM returns.

As Marc noted, turning to capital formation, we're on track for a record year in asset management. Total inflows were $53 billion for the quarter, $35 billion in asset management, and $19 billion at Athene, and asset management inflows were roughly two-thirds credit and one-third equity and broad-based client types and geographies.

Institutional also had a strong quarter from hybrid and credit to infrastructure and flagship private equity. AMAPS, which we've talked about in the past, demand remains very high. Our sixth issuance at quarter-end brings the program to $30 billion in just over a year. And on the back of strong direct lending demand from institutional clients, we launched ADL3 ahead of schedule with the first close expected in coming months.

In global wealth, we raised $4 billion, a strong result against industry-wide softness, with flows up sequentially in both semi-liquid and drawdown strategies. Private credit direct lending, which has faced a lot of questions about durability this past year, is doing well for us. The answer is returns. Our flagship ADS strategy, $25 billion in size, has delivered an 8% annualized return since inception, more than 400 basis points over high yield and 800 basis points over safe IG and in 2026 has been strong as well in absolute and relative terms.

At Athene, retail contributed $10 billion, with RILA setting its third straight record of over $1 billion for the quarter and funding agreements added $6 billion and flow reinsurance $2 billion, respectively. With more than $60 billion

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of inflows year-to-date, Athene is on pace for another solid year and continues to extend its leadership in retirement services.

Taken altogether, Q3 was punctuated by record origination, strong flows, strong and solid investment performance. We enter year-end with robust pipelines and confidence in our ability to carry the momentum forward.

With that, I'll pass over to Martin.

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

Thanks, Jim, and good morning, everyone. Our third quarter performance continues to highlight the business continuity, building on its strong trajectory, as you've heard, driven by a consistent execution of our long-term strategy. I'll walk through the quarter's financials, provide some drivers behind them, and provide some comments on the outlook.

Our asset management business delivered another quarter of record earnings, as you've heard, supported by broad-based growth. Fee-related earnings of $802 million, marked a new high, up 23% year-over-year and 2% quarter-over-quarter, with AUM and fee-generating AUM up 18% and 28%, respectively, on the year.

In the quarter, FRE drivers included 18% year-over-year growth in management fees, driven by third-party fundraising across credit and equity strategies, strong capital deployment, and growth at Athene and Athora. Quarter-over-quarter management fee growth reflects continued robust Athene flows, additional AMAPS issuance, and other third-party capital raise, partially offset by realization activity in equity.

Capital solutions fees, as you've heard, of $290 million reached a new high in Q3, with contributions from over 115 discrete transactions. Activity was split roughly 60% credit and 40% equity, consistent with the mix we've observed in recent years.

Origination broadly defined is the engine of capital solutions revenue, scaling alongside the growth of our $1 trillion plus platform. Activity is increasingly diversified across our credit and equity franchises, sectors, and geographies. Notable contributors to this fee stream in the quarter included our infrastructure and hybrid businesses, as well as our high-grade capital solutions, asset-backed, multi-credit, and direct origination businesses within credit.

Further, origination is increasingly sourced from repeat issuers as clients look to us as solutions providers. It is this diversification across businesses, sectors, and geographies that has led us to deliver $200 million plus of fee revenue now for six straight quarters. We're continuing to originate financing solutions that fund and recognize fees over multiple quarters and, in some cases, years rather than all up front. Case in point, the Broadcom financing did not contribute to ACS fees in the quarter given the timing of capital draws and the fee construct.

Fee-related expenses grew approximately 15% year-over-year in the quarter, reflecting continued investment in the firm's long-term growth priorities. Our FRE margin of 58% is up approximately 150 basis points year-over-year, reflecting positive operating leverage from record fee-related revenue against measured expansion investment growth. Year-to-date margin expansion of a little more than 100 basis points is tracking in line with our target for the full year.

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Leading indicators across our business, including capital formation dialog, committed capital earning fees, origination pipelines, and signed originations with future fees remain exceptionally strong. Looking specifically to 2027, we expect 20%-plus FRE growth, underpinned by 15%-plus management fee growth as well as continued growth in origination-led ACS fees. The 2027 management fee growth reflects the reduction in fees from MFIC and ARI and includes a low-single-digit or approximately 2% estimated contribution from the combination of Fund XI and Fund X.

Moving to retirement services, Athene's net invested assets grew 13% year-over-year to $322 billion. We generated $909 million of SRE ex-notables for the quarter. The notable item in the quarter came from Athene's annual third quarter actuarial assumption review, which results in an update to lifetime expected profitability on the annuity portfolio. The actuarial assumption review resulted in a $65 million unfavorable impact to reported SRE and was driven principally by revisions to estimated usage of income rider features by annuitants. This process is typical in the industry, and Athene tends to be at the lower end of the range of the impacts from updates.

Year-to-date Athene's inflows remained strong at $61 billion, and we've continued to originate new business – organic business in line with our long-term ROE targets and historical averages. The reported net spread, ex-notables was 114 basis points consistent with the prior quarter. The improvement in net spread was driven by a rising fixed income yield as we continue to source attractive investment-grade assets, more favorable alternative returns, and lower operating expenses, offset by higher cost of funds on new business and runoff of low-cost liabilities.

Adjusting for the notable item and to our 11% long-term return expectation on the alternatives portfolio, the net spread would have been 121 basis points, in the range of our previously communicated full-year outlook of 120 to 125 basis points.

Athene's Q3 SRE reflects certain late-in-quarter asset deployments from cash to yielding assets, which will quarterize in Q4 to support our expected Q4 SRE earnings of approximately $1 billion on the same basis, resulting in an expected 10% growth rate for the year. And looking ahead, we also expect to deliver 10% SRE growth in 2027, assuming an alts 11% return as we remain confident in our multi-year growth plan.

Turning to capital, our approach remains consistent. We intend to grow our dividend by roughly half the rate of FRE growth over time, and we use share repurchases both to offset equity-based comp and opportunistically, when we see dislocation in our stock price. Consistent with these priorities, we deployed approximately $140 million this quarter for share repurchases, half of which was opportunistic. Over the last 12 months, we've returned $2.7 billion to shareholders through dividends and buybacks combined, while allocating nearly $750 million to strategic growth initiatives.

Before turning the call back to Marc, I'll briefly touch on two transactions that occurred subsequent to quarter-end. First, we announced a minority equity investment in Mubadala Capital, MCAM, the asset management arm of Mubadala Investment Company. This transaction will also include LPA commitments from Apollo and other third-party investors across MCAM Investment Strategies. Apollo and Mubadala have long shared an aligned investment philosophy and strong commitment to each other's mutual success. Subject to customary approvals, the transaction is anticipated to close late in the fourth quarter and is expected to be funded by a combination of cash and debt.

Second, a publicly traded BDC, MidCap Financial Investment Corporation, MFIC, and Ares Capital Corporation entered into a definitive agreement under which Ares will acquire MFIC in a stock and cash transaction. The

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purchase price reflects an approximately 30% premium to MFIC's pre-announcement stock price. The transaction is another example of Apollo's longstanding commitment to delivering strong, positive outcomes in all instances, where we manage stockholder capital. The financial impact of this is embedded within our 2027 management fee expectation guide.

With that, I'll turn the call back to Marc.

Marc Jeffrey Rowan

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

Thanks, Martin, and thanks, Jim. I thought what I do is maybe take it up a level and talk a little bit about strategy and where we see the business going. Recall that in our industry, most of the companies who are public today, were relatively small, at least as compared to where they are today, surrounding the financial crisis. The tailwinds, secular changes that happened propelled our industry forward to the size we are today. We see a similarly favorable dynamic at work, which will benefit not just us but the entire industry.

We see three main factors that are driving our industry forward. The first is this global industrial renaissance. We're building everything all at once. It's not just AI and data. It's energy. It's energy transmission. It's next-gen manufacturing. It's defense. It's infrastructure, and it is worldwide. While most of the focus has been on the United States, Canada will spend $1 trillion, the Gulf will spend $1 trillion, and Europe will spend at least that. We see this taking place over a multiyear period of time, while acknowledging that there – while a strong upward trend, we will have cycles.

In addition to the renaissance, we have aging populations in almost every Western society. Those aging populations are in need of retirement income. Finally, we see a convergence of public and private markets, driven by public markets being increasingly concentrated, correlated, and indexed. In short, investors are in search of alternatives. As Jim suggested, our job is not just to deliver the results for 2026 and, again, in 2027, in fact, I believe we have in-house everything that we need to deliver our five-year plan through 2029. That does not mean it will be easy or it is guaranteed, but we have all the tools at our disposal necessary to meet the targets that we have previously laid out for you.

All good. But we are focused on the end. What is it that we will do to drive growth beyond 2029? How can we position our business not just to meet our short-term agenda, but increasingly to be focused on the long-term? In short, we're focused on unlocking a much larger market and many more business opportunities.

Let me now be more specific. Almost the entirety of our industry was driven by one client, one client being the alternative bucket of our institutional client base. We, now as an industry, have six clients. We've added individuals. We've added insurance companies. We've added the debt and equity bucket. We've added traditional asset managers and 401(k) and DC. All of those markets, in my opinion, represent a market of roughly the same size as the original one-sixth of that.

The problem or the opportunity is those five new buyers do not want what the first buyer wanted. Many in our industry believed that these five new buyers would come to them in the existing structures and the existing products. And while we have seen some of that reflected in our growth to date, I believe we will grow much faster and reach many more clients if we go to them.

What does it mean to go to them? Well, most of these people have lived their entire lives in the public market. Their operating systems operate in the public market. And for us, we are putting in place the foundation necessary to serve them where they are.

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Let me connect the dots a little more. You saw us on June 30 go to estimated daily value for the entirety of our investment-grade suite of products. On September 30, we went to estimated daily value for the entirety of our credit business. Those who said this could not be done just simply don't understand. To give you a sense of what the public market is, 99% of investment-grade bonds do not trade most days. 90% of investment-grade bonds do not trade most weeks. 50% do not trade most months. Only 7% of bonds trade $1 million or more every day. Therefore, 90% of the US investment-grade market effectively marks the model off a curve, off liquidity, off beta on a daily basis.

We have that same opportunity, provided we make the investment in data and systems necessary to support this, and we intend to continue to drive this forward across our business rather than retreat. We see this as an incredible unlock. Estimated daily value alone will not be enough to meet investors where they are. Increasingly, investors want CUSIPs or, in the absence of a CUSIP, ICE IDs. By having standardized IDs, securities can be processed within existing systems and existing operations of large asset management firms without the need for expensive intermediated structures. Also, a unique identifier allows data to be associated with that unique identifier made available to investors who increasingly have come to understand that information and transparency can produce better investment outcomes.

Following estimated daily values and CUSIPs and ICE IDs, there's market making. Can they actually sell? The answer is yes. We have little Apollo for the past year. We will trade north of $40 billion by year-end. Increasingly, we see the large banks entering this marketplace and also providing liquidity. Far from being a competitive threat, we see that as a great opportunity, a world where more information, more price discovery and more liquidity has not resulted in a better outcome.

The next place we are moving is the custody and settlement. Custody and settlement will not be something that we do by ourselves. We will do that in partnership with a number of others. Our goal is to make buying and selling of private assets as easy and familiar as possible. We will start with credit and we will get after this in 2027. Deadlines and specifics to follow. But the world I'm describing is a world in which private assets have a price. They have a CUSIP. They're tradable, and custody and settlement without the need for expensive intermediated structures.

Given what's happened in public markets, given the increasingly concentrated, correlated, and indexed nature, we believe that we can present an attractive alternative. And once that is set up, we believe we can create new businesses. How do we know this works? Well, no one knows this works, but we have seen very positive first steps in this marketplace. If you think about what AMAPS is, AMAPS is CUSIP-ed, has an estimated daily value, there's good market making, and is relatively easy for people to custody and settlement. AMAPS in a year, along with its companion product, a longer-term version of AMAPS called APADS is now $40 billion. We see that increasingly as a very attractive way for investors to have access to private markets without a lot of illiquidity of certain structures.

As the industry moves forward and innovates, it opens up models, it opens up other forms of services that we, heretofore, have only associated with public markets. Those are the kinds of things that open up new profit opportunities and new growth opportunities for our industry, provided that they are willing to make the investments and to move quickly. So, much of our industry is anchored to the world not changing until they retire. That is just not going to work given the pace of change.

Internally, we talk about the rate of change inside needing to exceed the rate of change outside. I wish that were true, and we're moving very fast. Jim, Martin, myself and everyone else here, we've decided to double down.

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Over the next 24 months, we will incur roughly $350 million of planned expenses to make this happen. We will write off our software and eliminate the systems previously relied on as we update and take advantage of new technologies in a much faster way than we otherwise would have. The data – data drives everything. We would not be able to do estimated daily value. We would not be able to do market making without data. But data can still be improved. We will make a continued, very sizable investment in data. And as I've said previously, we will build lots of new businesses around this new form of how we believe private markets will operate. Those businesses will primarily be built out of Austin, Texas, allowing the team in Austin to focus on building what we need for tomorrow and not being distracted by what we need in 2026 and 2027. You will hear more from us going forward about redesigned comp systems that further drives alignment, this kind of thinking, and aligns all senior people at Apollo with our shareholders over a long period of time.

In short, it's an amazing time in our business. We have amazing tailwinds. Yes, there are things that we worry about, things Jim went through and Martin went through. But the fact is we have everything we need in house to meet or exceed the targets we have previously communicated. It's now up to us to do and on top of that. Let's embrace change and lead better, stronger, faster.

With that, turn it back to the operator and welcome your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. The floor is now open for questions. [Operator Instructions] We do ask that you please limit yourself to one question and then re-queue for any additional questions. [Operator Instructions] Today's first question is coming from Alex Blostein of Goldman Sachs. Please go ahead.

Alexander Blostein

Analyst, Goldman Sachs & Co. LLC

Q

Hey. Good morning, everyone. Thank you for all those comments. Marc. I was hoping maybe to pick up on where you left off and just kind of thinking about what Apollo could look like beyond sort of your 2029 target. So, it sounds like you guys are making considerable investments. You're trying to drive market structure change in private credit and fixed income broadly. That requires a sizable ecosystem shift with others potentially having to follow. So, as you think about others moving slower, can the ecosystem evolve fast enough where you guys can actually earn a return on this investment and return on that capital that you're looking to kind of put to work more aggressively over the next several years?

Marc Jeffrey Rowan

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

A

I see it, Alex. And the eye opener for me, and Jim and Martin will add their color, was AMAPS. The ability to act as one firm, without regard to individual compensation pods to create access to everything we do in private credit and give investors liquid public structures, really an eye opener. The notion that a new product is $40 billion after a year and we see doing at least that amount in 2027, it will not surprise me to see other firms do it, and we are actively pushing other firms to enter this marketplace.

And I think you will see other firms join us in the estimated daily value. You saw State Street's announcement in their earnings call, and you will see other firms join us in the ICE venture. That does not mean everyone. There are people who are resistant to change. The private market has benefited from a long time to, allow me to say, managed volatility. Managed volatility fools no one. Ultimately, these markets, if you're a debt security and you

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have a rating and you have a duration, you vary with the public market, whether you like it or not. Recognizing it treats every investor fairly, particularly in vehicles that do not have permanent locked-up capital.

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

A

Hey, Alex, I'd say a couple more things. Marc talks about AMAPS, and I obviously can agree. But I need to put that $30 billion in context. When you think about the net new issuance of CLOs in the year, it's around $80 billion to $90 billion. So, one firm this year created a third of the net issuance of the entire $1.5 trillion marketplace. Our 40-plus years tells that industry leaders who get their first take out their position will have a very, very strong dialogue with investors across the board. We saw it and we've done it in our insurance business and other – many, many other areas. So, yes, we're convinced if you are a market leader and you lead with the tools that we're bringing, that investors, if we're solving solutions, we will get a lion's share of the economics.

Operator: Thank you. The next question is coming from Steven Chubak of Wolfe Research. Please go ahead.

Steven Chubak
Analyst, Wolfe Research LLC

Q

Hi. Good morning and thanks for taking my question. So, I was hoping to double click into the ACS fee outlook. You cited robust pipelines to support the digital infra build-out. You've clearly emerged as a partner of choice, as you noted, for many in the ecosystem. So, to help us frame the ACS fee upside, I was hoping you could speak to – in relation to the $8 trillion in CapEx spend, how much of that's going to be financed in the private debt markets? And given your high win rate, how it informs not just the level of ACS fee growth potential, but also the durability of those fees given your more conservative revenue recognition?

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

A

Yeah, let me start out. When we think – there's been a lot of research by the big sell-side banks about whether it's the $5 trillion to $7 trillion and how it gets financed, a third through operating cash flow, a third through public markets, equity and debt, and a third through private market structures. As I mentioned, that really is on the AI ecosystem. When we look at our pipeline, energy, defense, manufacturing, a variety of other industries are going to be more pronounced. And I think what really – like I would urge you, thinking back 20 years of being public, when investors were laser focused on one number 20 years ago, our FRE margin, and I think we told folks we think you're missing the forest from the trees. I think the breadth – when Martin mentions the 100-plus transactions, when Martin mentions the granularity of our fees, when we're able to actually structure the economics when transactions get funded, that just creates a robust continuation of a business. So, we're more focused on the durability than the growth in this level, but it's going to have some inherent growth, no doubt.

But there's – I would say and I want to be careful about some of these comments, but certainly every boardroom, every CEO, when you see the scale of the solutions that we are being asked to execute which – and we've done, we are just part of many, many conversations. So, I guess my message to you is the ACS line of business, the robust, durable nature of it, we are more convinced not only in the next two or three quarters, but in the future years to come.

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

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Glenn Schorr
Analyst, Evercore ISI

Q

Hi. Thank you. So, I'm curious, if you looked at just the quarter, the SRE growth wasn't as much as you wanted. Part of it, I think, is the conservatism you talked about. Right? The cost of funds was up 20 basis points. The asset yield was up like 4 basis points. And if you look at what you added on the balance sheet, it was super safe stuff. So, I'm curious, I heard your cautionary comments on the – in the beginning. But maybe peel back the onion a little bit in terms of what you deployed late in quarter that makes the fourth quarter so much better and are we less cautious? I'm just curious on how your overall approach because, like you said, there's a lot of growth, but it feels like you've been purposely holding back growth under the umbrella of conservatism. Thanks.

Martin Kelly
Chief Financial Officer, Apollo Global Management, Inc.

A

Hey, Glenn. It's Martin. So well, firstly, in a period of rising rates, which we're seeing across the entire curve, you should expect to see, for new business, both higher cost of funds and higher investment yields. Right? And so, you're seeing that. The numbers that you cite on the cost of funds include the notable. So, you need to adjust for that to get to a run rate basis. And then in terms of managing sort of inflows of cash written by new business with investment opportunities, that's something that we do all the time and we manage that around the pipeline.

What we saw in the quarter specifically was, yeah, about 60% plus actually of the new sort of investment business was put to work in the month of September. And so, if you adjust for that, the spreads were pretty much in lockstep on a gross basis. And then as I commented, that will then sort of fully quarterize into Q4, which gives us the line of sight to SRE uplift from 3 to 4 basis points.

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

A

Glenn, I'll give you one on top of that. If you look at what's happening on the regulatory side, NAIC took a massive step forward in their 10/26 public memo to address what they call blatant regulatory arbitrage in offshore jurisdictions. They did not mince words. They called it serious and urgent solvency concerns that require immediate direct action. They are feeling the heat from industry, from some of the headlines, involving insurers, particularly in Delaware-domiciled and from federal authorities, while not directly regulating concern about some of these oversights or lack of control in some instances.

I think we are going to see significant regulatory change as we roll into 2027 for people who do business in offshore jurisdictions, not every offshore jurisdiction, but those that are non-reciprocal with the US. This comes back to a very simple principle. Everyone should be able to compete, but equal capital for equal risk. The risk that you book in Bermuda or Iowa, you should have the same capital required for the risk you book in the Caymans. That is not the situation today, and I believe that it will be addressed and I think it will be addressed relatively soon.

So, I am – that won't affect what's happening in 2026, because I do think that firms who have raised money based on the Cayman Arb will put that money to work quickly and hope for some form of grandfather. But I do think everyone is now on notice for what will come in the future as they project rates of return and as they price new business.

And it would not surprise me to see the NAIC also address certain onshore jurisdictions that have offered the opportunity to hold less capital in an effort to compete with some of these offshore jurisdictions. So, in short, a relatively favorable regulatory outlook rolling into 2027.

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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 for taking the call. And, Marc, I'd be remiss if I didn't say I enjoyed the music on the hold this morning. Just a question for you...

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

A

All about change. All about change, Bill.

William Katz
Analyst, TD Cowen

Q

Yes, I deduced that, for sure. Okay. So, the question is just going back to where you left off as well, is the algorithm changing here a little bit in terms of how you foresee the FRE growth of the business? $350 million does seem like a pretty sizable investment spend. You did sort of hint at it, sort of shifting the comp structures around a little bit and that you're on pace to hit your goals through 2029. But is this now more of a top line expansion story at the expense of margin? Or do you think you can hold and build margins along the way as you reinvest? Thank you.

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

A

I think we get to hold margin along the way. I think we're going to see increase in capacity. And I'll just give you the kind of anecdote from my trip to India earlier this year. Just before the summer, I headed off to visit our office in Mumbai where we have some 800 people, which is, for Apollo, a very sizeable footprint. And I was expecting to deliver a relatively downbeat message given that India has grown in large part through labor arbitrage. And what I found there is because most of the work that went to India initially had to be productized to be able to be outsourced in the first place, India was two years ahead of us in the US in terms of the application of technology, particularly AI to the workflow. India talks to me about a 50% capacity increase without the addition of people.

Now, the bad news for India is we're actually delivering on that. But I do see the opportunity to invest in the business without necessarily investing in people at the same rate, which will give us some investment discretion. My remarks again, Bill, I think you picked up on it. The business as defined to-date is a business about raising assets. We're all about raising assets, and I think we have a good trajectory and a good tailwind for the raising of assets.

But as you start and make investments, you become – you have other business opportunities that are afforded to you, whether it is in the market-making business or it is in the lending business, the lending against private asset business, which is a relatively small piece of everyone's pie today. Once you have liquidity, you have price, you have custody and security and data, you have the makings of a pretty good private markets lending business. We do that today in a bulky way called NAV loans.

So, you are right. I see this as a revenue picture, and the reason to have done it the way we're doing it is to allow a team that is really experienced to focus on the businesses that we want in 2028, 2029, and 2030 and to not be consumed by the urgency of the business in 2026 and 2027, and thus the geographic separation as well as some

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of the personal separation, and we have the luxury of doing that. So, we'll be able to carry both the costs of investment as well as deliver the numbers. But I do think this is about revenue at this point.

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

A

Yeah. And I would just add that, I think, historically, our business has thought about management fee and incentive fees as well. Management fees may be annual, you need to generate more assets. Think about a world where the economics are more like the interstate highway system, where there's a variety of tollbooths. And if you originate an asset between trading it, between custody, between financing it, there's a variety of more income streams from that single asset. That's the creativity and vision that we're trying to bring to the industry. And I believe our scale, creativity, and our incumbency will give us a shot at doing that.

And, again, it's very clear. We're not abandoning the base business by any means. We're solely focused on it. But by having things like Austin, by making sure that we can actually be end of the business, we want to capture that upside in the future.

Operator: Thank you. The next question is coming from Mike Brown of UBS. Please go ahead.

Michael C. Brown
Analyst, UBS Securities LLC

Q

Okay. Great. Good morning. Thanks for taking my question. Wanted to maybe follow up a little bit more on the ACS side of the business. So, maybe can you talk a little bit about the origination funnel for corporate solutions, including in the digital infrastructure space? How much opportunity is coming across your desk today? How has that evolved? Are spreads changing in any meaningful way as more capital providers seem to be entering that market? And then can you just talk a little bit about the ultimate asset placement, including how much you're retaining at Athene, Apollo funds, and then syndicating out to market?

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

A

Yeah. I mean, I would highlight that, again, 24 months ago, the conversation around private credit was very narrow. It was about direct lending and software. That now is sort of in the rearview mirror. And now your question, it shows that the marketplace is appropriately thinking about the $40 trillion, not the $2 trillion. It's really our view that, if you look at the last 6 to 12 months, the hyperscalers have had to come into the marketplace, spreads have continued to widen out. But we would argue, when you even look where Meta is issuing today as a public IG paper, as a AA, spreads are very robust. And in an era where real yields are positive and real for the first time in 18 years, by being able to achieve 8% to 9% on these type of financings, we think in a world where more and more folks are savers, more and more funds are looking to put more fixed income to work, it's going to be much broader. So, it's a longwinded saying that the application, when Marc talks about these six buyers versus the one buyer, the additional five, some will access directly, some will access through syndication. It's a much more open architecture world.

So, it's as much about executing the flywheel than it is the actual dollars at work. But I think it really just continues to embed the role that we have with issuers as well as buyers across the board. And, again, for our capital what view we have on share prices, when you have a fully amortizing five-year piece of paper where you have a situation where you're not taking any residual risk, we believe these. In fact, we would actually wouldn't mind with the zero basis getting some more of the residual and that may be part of structures in the future, but we believe it's just very, very strong risk-reward on the structure we put in place.

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

A

Let me move a little bit to the Athene side and the commitment. We put out a deck early – last week, at the end of the week that really laid out Athene's philosophy and, quite frankly, all of our regulated balance sheet philosophy, talking about 1% to 1.5% positions in various issues and being mindful of industry concentration.

What's interesting is one of the stats that was in there, and I don't have it in front of me, but the IG market, broadly defined, the public IG market is projected to be 16%, roughly AI-related. We're seeing just a massive shift from dominated by global financials to dominated by both global financials and tech companies. And if you think about the flywheel we've created, these are complex financings where the choices you make on what risk you're willing to take and how you document these things, if you approach it as an agent and you're just willing to get deals done, you can end up with gaps. Not to make fun of the areas publication, but you have to mind the gap. If you are a principal and you are focused on what you need for yourself, how you want to protect your own balance sheet, you don't take – you don't skip steps. You do what is necessary.

The market understands that we are principal in this and not just an agent. As a principal, industry participants who want to participate in the economics that Jim talked about want to be aligned with us. The fact that we have been able to align other industry participants, including insurance companies and pension funds and wealth managers and others, is what gives us the market heft to say yes to very sizable transactions without taking undue risk. We are not in the bridge loan business. We do not want large concentrated positions at some level. We just don't want to take that sort of risk.

And, fortunately, we've been able to de-risk the business. A lot of that does come in ACS fees, which we are mindful of not recognizing income on a current basis, recognizing it over the period of time in which this thing funds so that we do not create that volatility. And, increasingly, we are focused on structures that allow and incent employees on a long-term basis to bear more of that volatility in a way that is appropriate.

Martin Kelly
Chief Financial Officer, Apollo Global Management, Inc.

A

I would just add, beyond the IG focus, ACS fees are a consequence of origination. It's a revenue fee stream as management fees are, if assets end up in our funds and we earn a management fee on that. And the funnel around the origination activities has broadened out so much in the last couple of years that – and it's facilitated by the fact that we have no walls, that origination activity really sits within every business, from equity, hybrid, infrastructure, sports, non-investment-grade, and then all forms of investment-grade, and then works its way through a distribution syndication process.

And so, we are – we have moved past a point where it was sort of an occasional large transaction that created fees, so it's a flow and evolution of relationships. And every business, literally every business in the firm is contributing to that effort.

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

Patrick Davitt
Analyst, Autonomous Research LLP

Q

Hey. Good morning, everyone. My question is on the new European credit platform announced this week. Could you expand on how we should think about that directly impacting results? Like is it just a broader origination

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funnel or something more than that? And then higher level, should we take this move as a signal that you see a turning point for a ramp in allocations to high-grade privates and ABFs in Europe? Thank you.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

A

Yeah, I think this is consistent with our view. If you look at the US banking and capital markets system vis-à-vis Europe, it's a very bank-heavy lending environment where the capital markets are not as developed. And so, historically, a lot of focus has been on the non-investment-grade direct lending. And our view was if we could put together a platform that was a complete solution provider for corporates and sponsors, they can do investment-grade, asset-based, and non-investment-grade direct lending in one vehicle, not a fund. It would have the scale, the permanence, and the partnership approach that would be the measure of success.

And so, we're excited. We went out to a handful of global investors. They joined us as pioneer investors. As you saw, we have about 10 billion of equity that will allow us to create a $10 billion portfolio. These are the seedlings that we have created around the firm that give us the confidence in the 2029 plan. But, again, I think it's a set of one right now. We don't know any other provider that's created this unique platform that can partner with Apollo, that can partner with banks, and yet source on their own. And so, it has the winning combination of structure and focus that we find very alluring. And it's negligibly in our plans going forward. So, it's a lot of upside for us.

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

Hey. Good morning, everyone. Hope you're doing well. Our question is on the liability side of Athene's balance sheet. In light of the sizable increase in liability cost ex-unlocking year-over-year, how should we think of the go-forward trajectory with elevated competition, the rising US 10-year Treasury yields, and challenges with growth outside of the US, the UK, and Japan? And what could make this better? Is this a recession/bear market, which could push capital out of the industry, and that might give Athene an opportunity to outperform when OREO dispersion widens?

Marc Jeffrey Rowan

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

A

Craig, I'll take the first shot, and then Martin will have a crack at it. So, we don't really see the business the way you framed it. Rising liability costs are a function of rising interest rates. For us, we manage spread and we manage spread against locked-in liabilities protected by MVAs or – and/or surrender charges. So long as we're putting on sufficient spread, costs are going to go up and down.

We have seen in segments of the market, particularly the brokered market, that is less concerned of quality. We have seen increased competition as you've heard across the industry. That has been a function of the willingness of the brokered market to accept facing Cayman insurers directly that, in general, do not hold as much capital and, therefore, have been able to continue to do business without the benefit of origination, scale, or anything else other than capital.

I think as that normalizes, you will see a better opportunity, and that's a short-term trend. The reality is the long-term trend here is to make the products more user-friendly and market accessible. Right now, an insurance policy is folded. It's a piece of paper. It's actually 116 piece of paper, folded in triple, put in a plastic sleeve, and put in

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your safe. It is not part of your asset allocation or your asset management discussion with your financial advisor or how you think about your wealth.

Increasingly, the growth of this industry is going to be about product simplification and moving insurance from your safe to your financial statements. We have, as an industry, not really done a great job of product innovation. And what you're starting to see from us and what you heard me sort of beginning two years ago was an intense focus on new markets and new products. Those products this year will be – and, Martin, correct me quickly – $10 billion and I expect that to be an increasingly large part of our growth. That does not mean annuities will disappear or RILA or funding agreements or otherwise. But the growth in this industry, in my opinion, is going to come from accessing new markets and creating spread in new ways, making them much more accessible for people thinking of them as financial alternatives side-by-side with your non-guaranteed products.

Martin Kelly
Chief Financial Officer, Apollo Global Management, Inc.

A

Specific to the quarter we wrote business at the – new business at the margin consistent with long-term trends. The return on equity was consistent with long-tern trends. There's a page in the earnings release that shows the spread walk, which is ex-notables, up 14 basis points on the cost of funds side, up 10 basis points on the income earned side. If you adjust that for the comment I made on timing of deployment, the two sit on top of each other. So it's – there's puts and takes within the numbers, but we focus on where we write new business on a net basis realizing – so the comment that we both made earlier, rates will go up and down. In a period when rates go up across the curve, as they did, you're going to see, both increases in returns and cost of funds across any tenor of business that's being written and invested against.

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 thanks for taking my question. Marc, earlier you referenced in deck Athene put out last week with a lot of helpful disclosures around how you're participating in the AI financing opportunity. Curious, maybe a two-parter, if you could expand a little bit on the broader category limits. I think you talked very specifically about single issuer limits, but how are you guys thinking about sort of broader exposure to the industry and what that looks like over the next couple of years?

And then I'm curious what this means from a third-party perspective. I would assume your third-party insurance clients have similar risk exposure limits. But what does this mean in terms of where the capital is going to come from in terms of financing this opportunity? Does this sort of crack open the broader IG credit opportunity with LPs? How are you thinking about that over the next 12 to 24 months? Thank you.

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

A

I mean, let me start it out, if you would, in terms of the IG. As Marc noted, hyperscalars and tech have gone from negligible 1% to about 6%. And when you look out the next 24 months, some of the big banks have the ecosystem of AI, 12% to 15% of the IG index. As you witnessed how we've invested over the years, go to ADS and our software limitations. We always believe, as a fixed income investor, industry diversification is one of the keys and hallmarks of success. In the AI deck or in the digital infra deck that we gave out for Athene, it talked about their exposure today around a 3%. When you talk about Apollo, it's 2.5% to 3% in aggregate.

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And I think that if the indexes were to go to the numbers that I talked about earlier, we would clearly be more prudent than those type of numbers. And so, it's our view that, there's diversification in CLOs, there's diversification in indexes. We would typically stay below those based notwithstanding the great confidence we have in these free cash flow-generating businesses. But I think those would be demarcations of we would probably get – not get anywhere near those type of index exposures. So, somewhere in the half to two-thirds at best over many years.

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

A

So, in terms of third-party insurance and how people are allocated, there's a chart in there that really does speak to this. Clearly, as hyperscalars and others are taking up a larger portion of the public IG index, the industry owns that. Almost every public IG bond is unsecured. We have a position, but it is not a meaningfully outsized position relative to the industry we sit firmly in the middle. There are those who have much larger public positions. Our belief is that we are much better off coming back to the first thing I said. For us to hold concentrated credit, we need not just more return but more safety, moving from unsecured to secured, moving to chip financings that give us 20% paydown over five years, with the IG guarantee, and more spread. The ability and willingness to hold assets that are private rather than public, I believe, is a risk-reducing move and lots of our third-party insurance clients see the same. And you've seen this in all the reports of increasing exposure to private assets. These are mostly IG.

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

Oh, hey, thanks for taking the question. One of the tailwinds you mentioned is aging populations and the need for retirement income. Just curious how you think about the opportunity set for product innovation on that front. When you look at guaranteed income solutions today, how different might they look in 5 to 10 years? Maybe speak to some of the steps you may look to take in the coming years.

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

A

At the top of the house, if you think about what our business is, we have, on the one hand, this group of companies around the world that need capital to support this global industrial renaissance. Most of that capital is debt capital. Most of that is IG, but it's also amounts of equity and of hybrid. On the other side of the world, you have retirees directly and indirectly who need increasing amounts of guaranteed income or other forms of savings for retirement.

When we guarantee the outcome, we call that insurance. When we pass it through, without a guarantee, we call that asset management. Right now, they live in two separate worlds. One lives in your safe, the other lives on your financial statements. And what we see is an increased opportunity to access the inherent advantages of insurance, which are tax deferral, guarantees, and access to assets that are not generally available in the public marketplace. The more we can package those products, 1,916 page documents in places and ways that people understand, the better off we're going to be. It will not surprise me if we see in the future guaranteed 2 or 3 times, MOIC guaranteed outcomes 17 or 18 years from now to pay for college.

The more we become a solution rather than a policy or a product, the better chance we have. Now, the reality is our industry is growing, just as a result of population going, and it will grow through 2050. However, our share of

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the retirement market as an industry is going down. We have an opportunity to just ride the industry trend as so much of the population, not just in the US but everywhere in the world ages, and the world is short guaranteed income.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

A

Yeah, I would just also add and when you go around the globe and talk to the big pools of capital, this backup in rates has created a variety of investors that are now fully funded or much better funded than they were a decade ago, with rates at very low levels. There is a big push around the globe for much more compounding yield, taking concentrated public equity risk off the table and doing so with more compounding yielding fixed income. And with the indexes in the US on the IG the chip financings that we're getting with single A credits are 8.5% to 9%, at what spread and what yield will you sell equity and buy fixed income that you feel is compounding? We feel it's getting pretty close. So, as Marc said, the introduction in terms of structure to models and various investment programs, that is the future that we will be in the front of.

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. Thanks for taking my question. Just sort of one cleanup on SRE, and then one more philosophical question. So, the 10% SRE growth expected in 2027, is that off the reported SRE base, or should we adjust the base for an 11% alts return? And then when you think more philosophically about the alts return, it's been sub-11% now for going on five years. And given the length of some of these liabilities, that actually would have meant that some of the liabilities underwritten in early 2022, you had the wrong alts assumption and, therefore, the spread wasn't what you were thinking you were underwriting to, but something below that.

And so, how do you think about whether or not continuing to embed the 11% is sensible? You guys have restructured the portfolio. It's moved in a closer direction, but it's still below that level. And so, how do you think about that philosophically when you think about pricing our liabilities to the spread? Thanks.

Marc Jeffrey Rowan

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

A

So, I'll start and then I'll turn it over to Martin. We still believe that that is the right number over a long period of time. And what we've seen is while fixed income – excuse me, while alts have underperformed, what we've seen is real outperformance on a number of the fixed income, particularly on originated product, the result being that the numbers have basically balanced and we are satisfied to – better than satisfied at the ROE level.

Part of the way we see that is the success of third-party capital. Recall that the way we finance our business is we finance all new business, one-third Athene, two-thirds investors through these native structures. And so, the investors see exactly what you see, and they like it enough where they're not just coming into the business side by side with us. They're actually paying us a fee to participate in that flow. There are very few places in the world where investors can get low- to mid-teens rates of return on a compounded basis with an aligned partner who is not going to take undue risk.

Having said that, I think we do have to acknowledge the underperformance. And what we've seen over the past few years and alts, as you recall, is a very long game, we harvested a lot of gains and really high IRRs early, and

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some of that reflect and was not achieved on a consistent basis. What we have seen from an underperformance point of view, primarily, been one or two investments that were unique to Athene and a drag of Athora as Athora tried to grow in Europe and was unsuccessful and ended up finally deploying in the UK through the acquisition of PIC. Athora pulling its weight is a very sizable investment and will go a long way to narrowing the gap.

From a modeling point of view, we give you the numbers, so you can apply what you need. But assure, we underwrite this with a variety of sensitivities around what we're going to achieve on the alts side, recognizing that, over a long period of time, we believe that that's the right alternative – right number.

Martin Kelly
Chief Financial Officer, Apollo Global Management, Inc.
A

Yeah. And then the answer, Brennan, to the first part of the question is straightforward. We always speak in the context of SRE at the 11% normalized number. So, it should be 10% off the higher number for 2026 – sorry, for 2027, referencing 2026.

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

Ironically, more than that, off the lower number.

Martin Kelly
Chief Financial Officer, Apollo Global Management, Inc.
A

Yes.

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

But that's fine.

Martin Kelly
Chief Financial Officer, Apollo Global Management, Inc.
A

Yeah. That's the point.

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. Thanks for taking my question. Can you flesh up further the notable item at Athene that negatively impacted the cost of funds this quarter? What are the factor or factors that drove the $65 million unfavorable impact? Maybe how often do these reviews take place? And can there be a favorable impact on the cost of funds under the right circumstances as well?

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

I'll take some of it and I'll let Martin do it. These – unlocking in this industry is typically done once a year in the third quarter. What you're talking about is a balance sheet that is, on a gross basis, nearly $400 billion. $65 million represents and rounds to zero. There's no other way to say that. And, yes, you can have favorable unlockings over a period of time. Martin said it in his prepared remarks, we, as principal, underwrite these risks as principal.

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There's no incentive for us to want to underwrite risk that does not ultimately perform because it's not like the potato is getting passed. It's ours. And the team and the management team is in the same boat that we are at the holding company. Everyone's rowing in the same direction with complete transparency.

We historically unlock at much lower rates than the rest of the industry. You can look at a comparable company that's about two-thirds our size with nearly twice the unlock just for this quarter.

Martin Kelly
Chief Financial Officer, Apollo Global Management, Inc.

A

Yeah, which was reported last night. We – last year, we had a small gain, I believe the year before we had a small gain. And so, it's been in the range of 0 to $100 million per year. In the context of the balance sheet, we have, it's not a consequential number and it's intended to represent a full revision of estimates on the existing book of business through its final maturity date. And so, you're taking $65 million on the $400 billion over a period of – weighted average period of six to eight years. So, it's pretty inconsequential relative to the scale of the business and the balance sheet. And it is – you can look at any of Athene's peers, it's a customary adjustment. It's typically done in the third quarter. So, you can look at the scale and the history of adjustments across the industry.

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

Great. Thanks. Good morning, folks. Thanks for taking my question. Most have been asked and answered, but maybe just to come back to daily pricing and trading private assets – or private credit assets, to what extent, Marc, do you envision this as solving the liquidity problem within private credit or at least the perception of liquidity problem for investors? And then if you can sort of – maybe it's trying to project too much in the future, but, think about a timeline of when do you think that will be realizable? And then also, just a couple of other things on that. To what portion of the ACS fees do you think could be attributable in 2027 to this? And then, lastly, will tokenization of private credit play a role in trading going forward?

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

A

Let me take a shot at it first and then Marc will comment. I – first of all, let me just say, I don't think the – while we've traded plus or minus $40 billion year-to-date and it's up dramatically and will be up dramatically next year, it is yet to be a massive contributor of ACS, so I wouldn't look through that.

I think our lens is there's sort of three ways that we believe the business is going to develop. There's transparency, there's actually pricing overall, and then there's the delivery method of the products. I think the more transparency will bring a bit more secondary market activity and will also bring confidence to investors to allocate to asset classes. And, therefore, it'll be a different delivery mechanism. What Marc talked about this morning of AMAPS, we really talked about it is a surrogate for a better CLO, CLO 2.0, which we are very – have been very clear about the benefits of diversity and IG exposure and – taking a good structure and improving upon it.

But it's also people are missing the opportunity for it to possibly be a very interesting delivery method for investors wanting private credit, whether it's investment-grade in the single A's, whether it's BBB, the BBB tranche, or in the equity in the mezz. And the ability for us to provide pricing, daily transparency on that as well as a marketplace for

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individuals to make decisions, those will all inure to our benefit over the coming years in our structure, in our origination, and in our overall business.

Operator: Thank you. The next question is coming from Bart Dziarski of RBC Capital Markets. Please go ahead.

Bart Dziarski
Analyst, RBC Capital Markets

Q

Great. Thanks for taking the question and good morning, everyone. Just wanted to ask around the strategic investment you announced in MCAM, how should we be thinking about that in terms of benefit to Apollo long-term? Are there puts and takes from owning a stake in another alt manager? If you could unpack that for us would be great. Thanks.

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

A

I think we look at it, this is the result of many years of evolution. We have an amazing presence in that part of the globe, in that region, in the UAE. We have a multi-part partnership with Mubadala, the parent, over a variety of our activities across the franchise. And that's happened over decades, but really has accelerated the last five years. And so, when we look at they have done in creating Mubadala Capital with the structure, with the distribution, with the aligned objectives, we think it's a very thoughtful way for us to, in the world of open architecture and expanding our dialogue with large strategics, we think it's a very interesting way. We think the economics are quite compelling, and I think this is step one of a longer-term partnership across the breadth of our platform.

Operator: Thank you. Our next question is coming from Dan Fannon of Jefferies. Please go ahead.

Daniel T. Fannon
Analyst, Jefferies LLC

Q

Thanks. Martin, I was hoping you could just unpack the guidance you gave for next year in terms of the 20% FRE and 15% management fees a little bit more and also discuss maybe margins in the context of a rising contribution from ACS and how that might flow through to the FRE margin.

Martin Kelly
Chief Financial Officer, Apollo Global Management, Inc.

A

Hey, Dan. So, the – so 20% plus FRE, 15% plus management fee growth, that is inclusive of the switch over from Fund X to Fund XI, which I would assume happens around the midyear point. And so, the relative contribution to that 15% is weighted more to credit than equity. Equity is back-weighted, given that dynamic. And so, that's kind of the puts and takes. I would assume a reasonably steady growth in credit management fees side by side ACS throughout the course of the year. So, there's no sort of back weighting to that piece of it.

More specifically on margins and flows and so on, we'll provide more comments on that as we close the year out on our next call.

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

Wilma Burdis
Analyst, Raymond James & Associates, Inc.

Q

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Hey. Good morning. What gives you some confidence that you might see some advantages from improved regulatory environment for annuity capital requirements into 2027? There's definitely been some more tangible regulatory actions in 2026, with two of the top annuity, 20 annuity writers now de-risking their portfolios and the NAIC activity that you cited. But one thing we know about insurers is they're usually pretty good at finding loopholes. So, do you think it's different this time and why? Thanks.

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

A

So, I think the best place to go is actually to pick up the NAIC bulletin from October 26. I think it says it as plainly as we see it. Some of the marginal pricing pressure is not coming from what you would expect traditional insurers who you referenced in the conduct and how they do. What we're seeing is people have misunderstood what it is we do. We run a business that is based on being a principal where we have to earn principal-based returns, which means good ROEs and a proof of a good ROE is that investors come in side by side with us, and they want this business so much so that they pay a fee to us on top of taking this business.

What's happened in the industry over the past few years is asset managers have seen this not as insurance but as a way to grow asset management fees. And they're coming to a party late without the benefits of scaled origination, without the benefits of a scaled infrastructure that allow for reasonable OpEx and without good liability platforms or liability programs.

So, when you have a poor cost of liabilities, you have no edge on assets and you have no edge on OpEx. The only thing you can do to try and scale the business is use less capital. The place people have used less capital has been primarily in the Caymans but not exclusively in the Caymans. And so, to the extent we see both for the health of the industry, because we are, at the end of the day, a trust-based industry with a guarantee fund that is supported by the insurers, it's unclear why, as an industry, we would be interested in anything other than equal capital for equal risk. Why would we want a third party taking undue risks where the industry itself pays the bill? I think this is coming home to roost, and I'll let you draw your own conclusion from the NAIC memo.

Operator: Thank you. Our next question is coming from Crispin Love of Piper Sandler. Please go ahead.

Crispin Love
Analyst, Piper Sandler & Co.

Q

Thank you. Appreciate taking the question. Marc, on the $350 million of planned expenses and investment over the next 24 months, can you discuss how you foresee the evolution of this investment and the payoff there? In the prepared remarks, you did call out that just hitting near-term FRE and SRE targets isn't enough. So, just curious on how you're thinking about what your report card is going to look like to grade the success of this investment over the long-term.

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

A

Over the long-term, the success of this program is going to be driven by our ability to create new businesses that don't exist today. And that is the beginning of what we see along – and/or better than average growth in the businesses that do exist today. When you get to an ecosystem that is the one I described, lending becomes easy, market making and trading becomes easy, and a series of additional products and services that we have yet to bring to market also become easier. To us, this is about not just looking at our industry the way it traditionally has been looked at, which is the raising of money and the investing of money. There is a services ecosystem that

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makes everything better, and we intend to make money on the services to pick up on Jim Zelter's tollbooth analogy, while we improve our business.

But it comes back to the most fundamental. Private markets have grown, notwithstanding the fact that there is not transparency, not a lot of liquidity, and not good visibility on pricing. Imagine how much we would do if we actually had those things. And the firms that embrace that and the firms that are willing to lead that change, I believe, will be the firms that benefit. And we're starting to see that take place in our industry. Sometimes I listen to some of the peer investment scripts and they sound like we've been saying for the past two years. It tells me we're making progress. So, to me, that's the report card.

Operator: Thank you. The next question is coming from Stephen Biggar of Argus Research. Please go ahead. Stephen, please make sure your phone is not on mute. We're getting no response. At this time, I would – I'm sorry. One moment, please. Let me see if we can bring him back. I thought he started to speak. Stephen, are you there?

Stephen Biggar

Analyst, Argus Research Co.

Q

Yes, I am. I'm sorry. My question was answered. Thank you.

Operator: All right. Thank you, sir. At this time, I'd 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 all for joining us this morning. As usual, if you have any follow-up questions on anything discussed, feel free to reach out to us and we look forward to speaking with you next quarter. Thank you.

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

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