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CORPORATE PARTICIPANTS

Gary Stein *Apollo Global Management LLC - Head of Corporate Communications*

Leon Black *Apollo Global Management LLC - Chairman & CEO*

Josh Harris *Apollo Global Management LLC - Co-Founder, Senior Managing Director*

Martin Kelly *Apollo Global Management LLC - CFO*

CONFERENCE CALL PARTICIPANTS

William Katz *Citigroup - Analyst*

Mike Carrier *BofA Merrill Lynch - Analyst*

Craig Siegenthaler *Credit Suisse - Analyst*

Ken Worthington *JPMorgan - Analyst*

Robert Lee *Keefe, Bruyette & Woods, Inc. - Analyst*

Luke Montgomery *Sanford C. Bernstein & Co. - Analyst*

Devin Ryan *JMP Securities - Analyst*

Patrick Davitt *Autonomous Research LLP - Analyst*

Michael Cyprys *Morgan Stanley - Analyst*

PRESENTATION

Operator

Good morning, and welcome to Apollo Global Management fourth quarter and FY15 earnings conference call.

(Operator Instructions)

And, following managements prepared remarks, this call will be open for questions. This conference call is being recorded. I would now like to turn the call over to Gary Stein, Head of Corporate Communications.

Gary Stein - *Apollo Global Management LLC - Head of Corporate Communications*

Thanks operator, and welcome everyone. Joining me today from Apollo are Leon Black, Chairman and CEO, Josh Harris, Co-Founder and Senior Managing Director, and Martin Kelly, CFO.

Earlier this morning, we reported non-GAAP, economic net income $0.08 per-share for the forth quarter and $0.96 per-share for the full year-end of December 31, 2015. Apollo also reported distributable earnings to common and equivalent holders of $0.31 per-share for the fourth quarter and $1.50 for the full-year. We declared a cash distribution of $0.28 per-share for the fourth quarter, bringing the total for the full-year to $1.38

Before I hand the call over to Leon I would like to remind you that today's conference call may include forward-looking statements and projections, and we ask that you refer to the most recent FCC filing for factors that can cause actual results to differ materially from these statements and projections, as well as rick factors relating to our business. We don't undertake to update our forward-looking statements or projections unless required by law.

We will also be discussing certain non-GAAP measures on this call, which are reconciled to GAAP figures in our fourth quarter and full-year 2015 earnings presentation. This conference call is copyrighted property, and may not be duplicated, reproduced, or rebroadcast without our consent.

As usual, if you have any questions about any information in the earnings release presentation, or on this call, please feel free to follow-up with me or Noah Gun. With that I would like to turn the call over to Leon Black.

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

Thanks Gary and good morning everyone. I would like to focus my remarks on the rational behind the share repurchase plan that we announced in our earnings release. Then I would like to discuss a few highlights regarding our performance before I turn this call over to Josh, who will provide you with some color on a few of our key business activities.

As you know, since our listing on the New York Stock Exchange nearly five years ago, we have paid out substantially all of the quarterly cash flow generated by our business in the form of cash distribution. This policy has yielded cumulative cash distributions of approximately $11.00 per-share over nearly five years, which has been very rewarding for shareholders.

At Apollo, we pride ourselves as being best-in-class investors. And I believe that is something we've have demonstrated in over more than two decades.

To produce outstanding returns for our fund investors, we apply our value orientation and spend a great deal of time searching for attractive investments with the funds we manage. We believe it's our responsibility to apply that same philosophy, diligence, and commitment for public shareholders in managing our financial resources.

As a firm, we are continually presented with numerous potential areas to invest capital opportunistically and for strategic growth. And at the current price levels for Apollo shares, we see is significantly undervalued company. So we view share repurchases as an accretive use of our capital.

As such, given the trading level of Apollo shares in today's volatile markets, we felt it was financially prudent to adopt a share repurchase plan. This action should be viewed as a reflection of our firm belief that the current share price does not in any way capture the inherent strength of Apollo's business model, growth prospects, and long-term strategy.

The $250 million share repurchase plan includes $150 million earmarked for open market repurchases, and $100 million through a reduction of shares to be issued to employees to satisfy tax obligations associated with equity-based awards. Our current expectation is that share repurchases will occur opportunistically over time. The timing and amount of any share repurchases will depend on a variety of factors including, market conditions and other potential uses of capital.

The aggregate repurchase plan represents approximately 5% of Apollo's current market capitalization. By introducing share repurchases into the mix, we believe we are using a complementary approach to returning capital to our shareholders that will enhance long-term value, while preserving a very competitive and attractive payout through cash distribution.

Before I turn the call over to Josh, I would like to provide some comments regarding Apollo's business performance. As we look back on 2015, there are a few highlights that I want to quickly touch on including the strength of our management business, positive influence of capital, and deployment of capital by the funds we manage across our integrated platform.

First, the financial performance of our management business remains strong. With pretax cash earnings during 2015 of $427 million, or approximately $1.04 per-share. We continue to view this has a very solid base of relatively predictable earnings supported by long-dated and permanent capital, that we expect will continue to grow over time.

Second, we have continued to solidify our position as a leading global alternative investment manager, and drive our business forward through organic fundraising efforts and strategic initiatives among our permanent capital vehicles, which collectivity led to more than $20 billion of growth inflows for the year. That figure includes nearly $10 billion of fundraising activity, a year that did not include a flagship private equity fund.

This organic growth was driven by our continued success in meeting the strong fund investor demand we're seeing, particularly across the credit spectrum, through raising larger successor vintage funds, bespoke management accounts, and newer open-end products which leverage our existing expertise in product diversification. Strategic growth primarily two of a permanent capital vehicles we manage, Athene and MidCap, accounted for nearly another $10 billion of inflows during the year. Athene completed its first deal outside the US annuity market through the acquisition of Delta Lloyd in Germany.

In addition, MidCap, and innovative, middle-market direct origination platform, grew from less than $2 billion to more than $5 billion during the year, with expectations of reaching approximately $6 billion in total assets by the end of the first quarter 2016.

Lastly, we remain committed to our value orientation and continue to identify a variety of attractive investment opportunities. In other words, we have planted many seeds that we expect will drive attractive realization opportunities in the future.

Across our integrated global platform we invested more than $13 billion of capital during the year. This was driven by strong activity among all of our businesses, where in a generally over-valued market, we have continued to find what we believe are attractive opportunities in a number of regions and industries.

In private equity specifically, our funds deployed more than $5 billion during the year, exceeding our historical annual average of $3 billion to $4 billion. In line with our value orientation, the average creation multiple on investments made by fund eight in 2015, was approximately six times, which is four turns below the 2015 industry average of roughly 10 times.

Our funds pipeline of committed, but not yet deploy capital approached $2 billion as of December 31st. Through the end of the fourth quarter we have committed 32% of fund date, so we believe we are well positioned to continue to deploy the funds within its investment period.

Taking a step back, this is Apollo's 25th year in business. And today my partners and I remain as enthusiastic as ever regarding our potential for future growth and profitability. We have an extraordinary team that is now approaching 1,000 employees, with nearly 350 investment professionals, and we all remain eager to drive our business forward.

With that, I would like to turn the call over to Josh for some additional comments. Josh.

Josh Harris - *Apollo Global Management LLC - Co-Founder, Senior Managing Director*

Thanks Leon, I would like to continue the call by providing some specific commentary around a few of our key business drivers. Starting with asset growth and fundraising.

As Leon mentioned, we generated more than $20 billion of inflows across the platform during the year. Included within that figure is more than $12 billion of inflows in the fourth quarter alone, which we believe provides strong momentum heading into 2016.

The quarter's activity was led by the acquisitions among some of the permanent capital vehicles. We manage further expanding a large base permanent capital which now stands at $83 billion and represents nearly half of our total AUM. In addition, to Athene acquisition of Delta Lloyd that Leon mention, MidCap completed the acquisition of the majority of a loan portfolio from -- GE capital during the quarter, with a balance of the acquisition expected to close during the first quarter.

Our inflows during the fourth quarter also included approximately $400 million from our second natural resources fund, which is now up to approximately $1.7 billion in total commitments and the fund is continuing to raise additional capital. We also raise nearly $700 million during the fourth quarter in new or add-on managed accounts, which is an area where we continue to see interest among fund investors. In fact, so far during the first quarter of 2016, we have already closed on nearly $1.2 billion of additional managed account mandates.

As we have said in the past, by providing fund investors with holistic, unconstrained, credit solutions targeted to their needs, we believe that we are providing a differentiated service that is not easily replicated elsewhere in the marketplace. In addition to these offerings, we expect that a couple of our flagship credit products will be in the market with their third vintage funds during the year, including European principal finance, or EPF, which is focused on buying assets and businesses from financial institutions in Europe, and financial credit investments or FCI, which is our insurance link security strategy.

Next, I would like to provide some context around investment performance. Given the volatility were seeing in oil prices, and the other markets, it is not surprising that a common thread between the markets we saw in [P] and credit during the fourth quarter, was primarily driven by our fund energy investments. Our fund energy exposure is only 5% of our $120 billion of a AUM and Apollo managed funds and accounts. That figure excludes the non-subadvised portion of Athene. But, as a result of the continued pricing pressure were seeing on energy prices a relatively small proportion of the portfolio, can create a drag on overall unrealized marks.

Our traditional private equity fund portfolio depreciated by approximately 2% during the fourth quarter. And if we were to exclude energy-related investments from the private equity funds in the fourth quarter, the funds would have been up approximately 1.5%.

Turning to credit. Amid a generally soft backdrop we saw many industries post declines during the quarter, with more than $71 billion of Apollo managed funds in our credit business produced a relatively smaller decline of approximately 1% before fees and expenses. If we excluded energy-related investments from the Apollo managed funds within credit, for that same period the performance would have been flat during the quarter. Ironically, the choppy market backdrop which led to mark to market losses which are not realized generally among the funds we manage, that has actually created what we believe to be more attractive opportunities for us to get capital to work. As a result, the total dollars invested in 2015 by funds we manage was strong.

If we stopped to take advantage of dislocations of market, we believe are continuing to persist in the current environment. Although the financing markets have all but ceased-up lately for more traditional buyouts, volatile times like these play to the strengths of Apollo's flexible investment model an integrated platform, enabling us to pivot toward stress and distressed opportunities as they begin to emerge.

As we sit here today and look forward to the rest of 2016, we are beginning to see the potential for a more distressed investing opportunities than we have seen in the past several years. In fact, given the recent pressure on bond prices, our investment teams have already begun buying debt of selected companies that they have been tracking for years.

Historically approximately one third of our funds invested capital and private equity as an example, has been in the area of distressed. To date, funding has invested in relatively small amount of distressed, but we expect this to increase if the current market environment persists and opportunities become more plentiful. We are already beginning to see the acceleration of distressed investment pace and as funded exposure to distress as a percent of invested capital nearly doubled between the third and fourth quarters.

Broadly speaking, we believe the combination of our distressed and contrarian investing skill set, our long dated capital, and our dry powder is particularly well-suited for today's environment. In certain cases were market values of certain fund investments are falling, but our conviction remains, our funds are buying more to build on existing positions as prices fall and lowering our average cost.

While this style of investment can create near-term headwinds in unrealized marks, any (inaudible) accounting, we believe the potential long-term value creation has proven to be a highly rewarding strategy for our fund investors and shareholders. Taking a step back and looking at where we are today, we have largely gone through our realization cycle over the past three years by monetizing approximately 85% of private equity funds six and seven, and also opportunistically monetizing our credit and real estate funds.

At this point, with $26 billion of dry power across the Apollo platform, we are more in a deployment mode, particularly given the environment I just described. Now I would like to turn the call over to Martin for some comments on our financial results. Martin.

Martin Kelly - *Apollo Global Management LLC - CFO*

Thanks, Josh and good morning again everyone. Starting with our cash distribution. The $0.28 we declared today, was driven by $0.31 of distributable earnings, which resulted from a $0.28 pretax contribution from our management business and a $0.03 pretax contribution from our incentive business.

We understand the FCC to be focused at an industry-wide level on the disclosure to fund investors, regarding the acceleration of fees from fund portfolio companies. In connection with an ongoing FCC regulatory matter previously disclosed in our third quarter 10-Q that principally relates to this topic, we accrued a $45 million pretax reserve during the quarter. For comparability purposes, I will speak to the quarters economic earnings excluding the impact of the reserve.

On an adjusted basis, we are $96 million of economic income in our management business during the fourth quarter, up from $79 million in the third quarter. The increase was driven by higher management business revenues, as well as sequentially lower expenses. The increase in revenue was driven by rising management fees and transaction fees, while the decrease in expenses was driven by lower compensation costs, and lighter than expected placement fees.

Turning to the incentive business, the economic loss during the quarter was primarily the result of unrealized marks in private equity. The 2% depreciation in core funds during the fourth quarter, was driven by 1.2% depreciation in private holdings, as well as negative marks on public debit positions. Partially offset by 1.7% appreciation in public equity portfolio company holdings. And is Josh alluded to earlier, public and private energy-related investments combined were 350 basis point headwind on core fund returns during the quarter.

In credit, the investment performance of the funds we manage was modestly negative during the quarter, down 1.2% on a gross basis, and down 1.4% on a net basis, excluding the non-subadvised assets Athene. Energy-related investments resulted in slightly more than a 100 basis point drag on performance for the quarter. Despite the overall performance figures, the credit business posted carried income during the quarter, due to gains and certain carried generating draw down funds.

Within other income we recognize a $16 million increase in the value of our direct and indirect ownership stake of Athene. And lastly on the incentive business, there was a discretionary incentive for compensation accrual in the quarter of a $8.5 million within realized profit sharing expense.

Our ENI tax rate was approximately 1% and 3% for the quarter and the full-year respectively, excluding the impacts of the reserve I mentioned. As was stated previously, we expect the tax rate to normalize in 2016, toward our long-term range of 10% to 20% due to the rolloff of certain benefits realized in 2015. To provide even more context, we expect the effective tax rate on our management company to be in the mid-to high teens range. We currently expect our cash tax rate on total distributable earnings to be approximately 10% to 15%.

One last point I would like to mention relates to the escrow position of our private equity funds. Based on December 31 fund valuations, there is currently $0.28 per-share of cash that is potentially available for distribution at a future date.

As a reminder, escrow is a standard provision in our industry and occurs in our PE funds when the fair value of the remaining investments in the funds falls below 115% of the funds remaining capital. This typically occurs in as a fund gets closer to the end of its life and is holding investments in their later stages.

To provide further color on funds six specifically, which accounts for the majority of the cash held in escrow, the fund is currently sitting with approximately $3 billion of remaining assets, a $35 million net carry receivable balance, and since inception, gross and net IRRs of 12% and 10% respectively. While fund six appears to be relatively close to its 8% preferred return total, the funds remaining assets will depreciate by 44% before the fund entered the phase otherwise known as 80/20 catch-up, where unrealized losses would be disproportionately returned to investors in the fund. With that, we will turn the call back to the operator and open up the line for any of your questions.

QUESTIONS AND ANSWERS

Operator

The floor is now open for questions.

(Operator Instructions)

Please limit your questions to one and one follow-up. Your first comes from the line of William Katz with Citigroup.

William Katz - *Citigroup - Analyst*

Good morning everyone. I appreciate the updates. Just a little curious with the buyback, just how are you thinking about funding that? And maybe the related question would be sort of you mentioned opportunistic, just given how the stock is behaved over the last year or so, is it safe to assume you're in the market currently?

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

So in terms of the first question, the reality is, if you look at our balance sheet we have $600 million of cash and then another $500 million of undrawn revolver, and so I don't really, that is sort of -- and then we have dividends stream where were only paying out, we don't even payout all of that, we've been not nearly all of it. So the buyback feels very manageable from a liquidity standpoint. And so, the answer is, that would be the answer to the first question.

The second question, I would say that we're announcing a buyback. We have not been in the market, but this is sort of the announcement that we may very well be in the market going forward depending on market conditions.

William Katz - *Citigroup - Analyst*

Okay. Just a quick follow-up to the second question. You've been making a bit of a push into the retail segment, can you give us an update of where you might stand and where you see the income opportunity?

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

Yes, I would say that, as we said on previous calls, the retail investor we think it's under weighted rather to alternatives. And particularly relative to yield product, whether that yield the real estate slash credit. Also to a more limited extent in private equity, and so there are many ways to access the regional channel.

Clearly we've announced some subadvised special situations with people like Oppenheimer and others, that would be the one that we've announced. Clearly there are a lot of high net worth channels. Basically where the major banks provide access to their retail client base.

And then more recently obviously, as you know, we had and announce transaction which we did not pursue relative to ARC and RCS, and so we looked opportunistically at doing something and that did not work out and you should just read the public disclosure there. We're continuing -- and they were obviously in the private BDC slash real estate channel which then go public.

So there are many ways to access it, and we are doing all of it, and building up our capabilities there, and building up our own sales team there. Looking forward to continuing to press into that area.

William Katz - *Citigroup - Analyst*

Okay, thanks.

Operator

Your next question comes from the line of Mike Carrier with Bank of America Merrill Lynch.

Mike Carrier - *BofA Merrill Lynch - Analyst*

All right thanks guys. Hey Martin, maybe a first question on the fund raising, it's very active particularly on the credit side.

I just wanted to get some sense, as the fees are kind of turning on with this type of fundraising. What we should be thinking about in terms of the revenue impact like the fees rates, and then the operating margin, or the operating leverage in that business. Because FRE it's definitely strong this quarter when you back out that reserve, but given the strength of fundraising just what the outlook looks like?

Martin Kelly - *Apollo Global Management LLC - CFO*

So I would say the fund, the fee structure of new fundraising is consistent with what is named. And so, I don't think there's any sort of noticeable change on that side.

And then in terms of funds that we've raised, that are not yet earning fees, of which there's about $8 million, we can look at the pace of deployment that we're experiencing outside and get a sense for how that's wrapping up. I think in terms of margins overall, we remain intently focused on maintaining and improving margins over time. I think the only real risk in any period to that would be unusual placements fees that we might occur on raising successive of funds like EPF three later in the year, but apart from that, I would expect that everything we do is focused on maintaining and improving margins. (inaudible) basis.

Mike Carrier - *BofA Merrill Lynch - Analyst*

Got it. Okay. And then maybe for either Leon or Josh, I think when you look at the amount of dry powder and the deployment activity you're picking up, I think a lot of investors will be looking at Apollo as very well-positioned to take advantage some of those opportunities. There's obviously the pressure on the current portfolio, and then the time to realize the investments that you're deploying currently.

So Josh, you mentioned looking at more of these distressed opportunities versus the traditional private equity types of deals. When you think about the realization time you typically see for those types of investments, are they longer or shorter than typical private equity, trying to get a sense on when you can start to see the benefits there?

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

This is Leon. So, we been doing this at Apollo now for 25.5 years. We've gone through four market cycles. This one is going to be the fifth.

We deployed probably 35% to 40% of our private equity capital overall during down cycles. And frankly, it's had our best returns for the following reasons.

Basically, when we put that money to work in distressed situations, about half that capital has turned into longer-term traditional PE deals after a restructuring. That restructuring might take a year to happen, and then we've gained control of those companies and manage them, and build value, and made a lot of money on them.

LyondellBasell is one you're all familiar with, but in each of those cycles we've ended up owning four or five companies through that process and been able to buy-in at very attractive prices. In fact they've averaged about of five multiple through the distress process.

What makes this so interesting to answer your question is, about half the capital we have put to work in distress, we fail to get control. We fail to get control because either we can get a large enough position, which gives us an important seat at the table, or maybe at the end of a restructuring process, a third-party comes in and says we will buy at high multiple now that you've cleaned it up.

And all of those cases we have made a lot of money on our bond position. And those have been 80% IRRs on average, although over short periods, which could be even less than a year, and then we get to recycle that capital and use it again.

So, distressed as long as you know what you're doing, and you're looking at companies that are good companies with bad balance sheets that your delivering through a restructuring process, we have found that either we end up with a prize of having very good leverage buyout transactions of companies we control where we make very nice long-term money, or for half of it we make very high returns over a short periods and we redeploy the capital.

Josh Harris - *Apollo Global Management LLC - Co-Founder, Senior Managing Director*

The holding period for the distress businesses a lot shorter. So realizations come quicker. I mean, just to add a little bit, over the last year as we realize about $50 billion, and so were largely sold-down in our private equity portfolio there's very little left.

There's a little bit of energy obviously, which is affecting our margins, but when we look at our portfolio, we sort of feel like were well-positioned to weather the storm and what's left. A lot of liquidity even in the energy, a lot of liquidity, a lot of runway, a lot of hedging, a very low cost reserve positions, and so, even though you do get to mark to market volatility in the cycles.

What we try to do is position ourselves very defensively on our existing portfolio, not sell it, weather the storm while we're adding on offense, and if you look at our numbers you will see that for the first time in years deployment in 2015 were $13 billion and realizations were $8.5 billion so we've flipped now, and we're going in a deployment cycle from the several years before the realizations were roughly three times the size of deployments.

So we're doing what we have said were going to do, and what you should expect us to do, which is, we are buying when things get tough -- we're buying low and selling high. I hate to be trite. We sold when the markets were high, now that the markets are low, were slowing down are selling and doing a lot of buying.

The reality is, when you look at the fourth quarter, deployments were very, very high. They were as high as they have been. And realizations were as low as low as they have been. So you're going to see I think in some sense, the cycle getting a bit worse it's going to help us create a lot of value even though it may create a few more mark to market losses for us in our existing portfolio, which is very small.

Mike Carrier - *BofA Merrill Lynch - Analyst*

Got it. Thanks.

Martin Kelly - *Apollo Global Management LLC - CFO*

Just a put a little granularity on that, our last private equity fund was an $18 billion fund that was the largest done of this vintage, the reason for that is, I think there are investors have appreciated that we have had 25 years of 39% growth, 26% net returns. To them going through all of the cycles, investing in good times, and bad and doing my Josh just said.

One of the reasons we are starting this repurchase program, and why I stated earlier that we don't think the current stock reflects in any way what our underlying value is that even though we've had the best-in-class returns in PE for the last 25 years, the market is giving us a negative evaluation frankly today. Negative not even zero for our franchise-leading track record in creating superior returns. In good times and bad.

So that's really coming full circle as to why we think this is something that is the right thing to do for our investors, to have a stock repurchase, because if you look at $13.00 a share today, and you look there is almost $3.00 on the balance sheet of assets, so you have $10.00 left over, you tell me what the multiple is? It used to be 16, and lets say it's 12. That says your whole incentive fee business, where we are the best in the industry, is being valued negatively, which to us is kind of an absurdity, but an opportunity clearly in terms of repurchasing shares.

Mike Carrier - *BofA Merrill Lynch - Analyst*

Got it. Thanks.

Operator

Your next question comes from the line of Craig Siegenthaler with Credit Suisse.

Craig Siegenthaler - *Credit Suisse - Analyst*

Good morning. Capital deployment picked-up nicely in the fourth quarter as global asset prices corrected. Based on your transactions already announced in 1Q, how do you expect aggregate investing activity too track to 1Q and throughout 2016 at this point?

Josh Harris - *Apollo Global Management LLC - Co-Founder, Senior Managing Director*

It's very hard to predict, because we have a significant private equity, traditional private equity pipeline. But to a large extent, that pipeline is waiting for the financing markets to open up. And right now with given all the volatility in the market the financing markets have not quite opened up yet. They could.

But at the same time, we're deploying capital in our distressed for control, and our credit business is quite nicely at an expanded pace. So I really can't, because it can literally change, week-to-week, month-to-month, and I kind of know in my mind what is out there, it is very hard to be able to give you an accurate answer.

I can tell you that if the financing markets do come back, it's likely we will have a very significant quarter. And if they don't, we may have a smaller quarter, but distressed for control will pick up a lot.

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

I mean once more, we have been through this before. This is 25.5 years, four cycles, this is cycle number five. And we are pretty tried-and-true and proven in being able to traverse these cycles. But underscoring what Josh said, it's very hard to predict quarter-to-quarter. But cycle-to-cycle we feel extremely comfortable.

Josh Harris - *Apollo Global Management LLC - Co-Founder, Senior Managing Director*

You just sort of unfortunately have to, -- the other thing that is going on truthfully is, the liquidity in the market is quite different this cycle than it has been in the last few cycles. And so again, the trading in our distress businesses and our credit businesses is very chunky.

It can be literally bond prices or -- prices can move down a huge amount on very little volume, and then you buy a little bit and they can spike back up, or you can have big chunks come out. And so just the predictability of deployment on a daily or weekly basis it's just unclear.

Craig Siegenthaler - *Credit Suisse - Analyst*

Got it.

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

But in medium -- truthfully if the environment gets worse, deployment will over time go up for us. When you look at, we deployed way more our average deployment, lets just use private equity for a second, our average deployment has been in the $3 billion to $4 billion range.

At very high points of the market it can dip in into the two's and during the financial crisis it was eight. And so if, I'm not saying this should be a financial crisis, but if this environment slowdown continues in the financing markets, are deployment will over time directionally be heading up and that will be a good thing for us.

Craig Siegenthaler - *Credit Suisse - Analyst*

Got it. And just as my follow-up, on slide 24 you highlight CLO performance, I see the returns are fine, 2% in 2014, 2% in 2015. I'm just wondering, how does this compare versus the benchmark that Athene has for these assets, or maybe any insurance total rates that they look at?

Martin Kelly - *Apollo Global Management LLC - CFO*

I can talk to how they perform verses the industry benchmarks, I'm not familiar with Athene benchmarks. The whole end market has been down in the quarter. The leverage line index was off 2% points, and we have, although we have under performed the press, we've outperformed the market generally speaking.

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

It's pretty good. CLOs have been wacked. This is pretty good performance.

Craig Siegenthaler - *Credit Suisse - Analyst*

Got it. Thanks for taking my questions.

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

Thanks.

Operator

Your next question comes from the line of Ken Worthington with JPMorgan.

Ken Worthington - *JPMorgan - Analyst*

Good morning. So first, you have some credit AUM out of carry. When you think about getting [300] to 500 basis points back in this type of market, is that possible for 2016, or is that a hard-core fantasy here?

And then as we think about the recovery in some of those products, is it something that you manage, or do you have to wait for it? I think Josh you talked about adding better investments to the current book.

I guess, is that true with credit too and is there enough dry powder in the right funds to get those products back? Sorry, I think is like 20 questions in there but thanks.

Josh Harris - *Apollo Global Management LLC - Co-Founder, Senior Managing Director*

Let's take them apart. First of all, the high-yield market was down 500 basis points. Just the high-yield market last year.

The energy high-yield was down 25%. And so it's not, the reality is, it's not our core fantasy at all. The reality is, the credit markets have been -- if you look at benchmark credit single B is up 400 basis points from the low. That's a huge move. So do the math.

It's five-year to seven-year duration, it's a big move. It's not a hard core fantasy at all. Liquidity, certainly if liquidity were to come back in the marketplace and if the single B, double B, credit markets would go back to where they were, or oil were to come back quickly. It's really not a hard-core fantasy.

We are buying a lot of stuff that is getting quite stressed in our credit businesses, as well as our private equity business. And truthfully is no different. At the end of the day, we have more than enough liquidity in our credit businesses to manage through the situation.

We have a lot of liquidity in our opportunistic businesses, and if anything we've had a lot of, we been really slow at deployment there. And so, I think this is a good situation for us.

And what happens is, in this kind of environment our investors because of our brand, and because of our expertise, they look to us, this is when people want to add capital. And so, we'll add capital as we start to draw-down liquidity.

The reality, the tough thing for us has been not finding the liquidity. It's been finding the investment opportunities, and we tend to be one of the few shops where when things get tough -- when things get tough, our institutional investors do pull back a bit. They just do.

But with us, you have this counter-cyclical trend where people say okay, we're going to pull-back, but the dollars we have we're going to give to someone like Apollo because we know that they are good at this. So I actually think again, is quite good for our credit, and private equity, and our real estate business.

We operate all of our businesses with the same culture, we're integrated and we operate with this value-oriented culture. And so this is good across the board. I'm not sure if I got everything there but.

Ken Worthington - *JPMorgan - Analyst*

Good enough. I appreciate that. And this is sort of pie-in-the-sky too but, is a potential for some consolidation for APO or maybe some of the permanent capital funds? Obviously MidCap did the GE book, APO bought some of the CLO managers a few years back.

So as we look at 2016, are these type of acquisitions done in good times, or do they start to perk up more in bad times? And do credit managers start to come on the block because they are under pressure because their investments are under pressure? Is there a closet opportunity here for you on a consolidation front?

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

It's like every other investment, I mean we tend to be value-oriented both for our GP, for the Company, for APO as well as for all of our investing, for our LPs we have the same philosophy. And clearly we don't pay up. It's just who we are.

And so when there's pressure in the system, that certainly on a broad level helps us find more value-oriented investment opportunities. It's hard to be more specific than that though, because obviously you have to work through the underlying investments. Certainly when things get tough you need to also be careful and diligent.

So I would say broadly it's helpful. But it is hard to be more specific. It's a general statement.

Ken Worthington - *JPMorgan - Analyst*

Great. Thank you very much.

Operator

Your next question comes from the line of Robert Lee with KBW.

Robert Lee - *Keefe, Bruyette & Woods, Inc. - Analyst*

Good morning guys. I apologize if you have gone through this before, but on the third-generation credit funds you touched on earlier. Is it possible to size, give us some sense of what you're thinking about what a next generation will be, relative to the second in terms of size. You're assuming kind of 50%, 20% increases same size. Some sense of that?

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

It's tough to say. I don't think we want to be putting targets out there at this point. But generally speaking, if you look at that trajectory of our prior credit funds, whether DPF, or FCI, or script, the trajectory has been where the successful funds have been as large, if not larger than the prior funds. Clearly it will be based on performance of the funds.

Robert Lee - *Keefe, Bruyette & Woods, Inc. - Analyst*

Okay. And then maybe strategic question. If memory serves me, I think similar to Athene asset management that you billed to manage Athene's assets here, I believe in Europe you've been looking at, or trying to build something similar whether it's the manage Delta Lloyd assets and portfolio company financial assets. So I'm curious on where that initiative stands and how you're thinking of that as contributing to management fee growth over time.

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

Yes, it's moving forward and it's something we are excited about and focused on. At this point it's really helping our internal businesses, because what we've done is integrated and created one team that servicing a lot of our businesses in Europe. Whether they be portfolio companies, or companies like Athene where we have, or companies like Delta Lloyd where we have asset management agreements.

But the client capital, which is going to generate the management fees is still coming. We focus on setting it up, and getting the value proposition right, and then we're going to grow it. And so, the expectation is that it will add management fees, but the reason were not emphasizing it today, here and now, is that it's still a work in process in terms of the client business.

Operator

Your next question comes from the line of Luke Montgomery with Bernstein Research.

Luke Montgomery - *Sanford C. Bernstein & Co. - Analyst*

You sound very guarded about the ability to finance buyout deals. I get that the leverage finance markets have been choppy, but it seems like your comments are a bit more negative than what I'm hearing from some of the peers.

Maybe you can just clarify if this is something that's affecting you disproportionately, or is it more of an issue for everyone? I would've thought your brand and history would of been a real advantage in this type of financing market.

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

I think we are just trying to level with you that is a more choppy market. I don't think our deals our harder to finance than anybody else in the industry. And I do think we have terrific relations with our banks and multiple banks.

And there are deals that will be financed, there will be deals that will have to be negotiated, because there is a lot of fear among the banking community that they don't want to be stuck with hung loans, and they have regulators looking down at them pretty sharply. So there's some fear and anxiety, I think deals will have to have more equity in them in terms of the capital structure and be slightly less levered.

And clearly we're in a period again, nothing new versus the past where this can affect pricing and eventually either prices will have to come down, or deal flow will be compromised.

I think that's just the fact that were being blunt about, but no, I do not think that there's an issue vis-a-vis our peers on Apollo deals. I think if anything, banks respect that what we are able to do in these markets and want to work with us. But it is a choppier market. We are stating the obvious.

Martin Kelly - *Apollo Global Management LLC - CFO*

I would also add that it can literally change in a couple of weeks. So there was a pretty quick and negative sentiment shift in both of fixed income and equity markets over the last few months and that's what's created this

From our point of view, the fundamentals of the market remain similar to what they were last year, but the sentiments got negative and the sentiment can certainly turnaround. There's also a lot of quantitative [easing] globally.

There's a lot of money out there that could come into these markets. So we're just reporting the real-time market data and activity that we see over the last 30 or 60 days. And not in any way prognosticating about where it goes, but just being ready to react either way.

Luke Montgomery - *Sanford C. Bernstein & Co. - Analyst*

Okay. Thanks. I appreciate the candor. And in terms of thinking about potential risks related to credit marks, the issue of maybe, remind us of how much good of your credit management business fees are price on gross or net asset value. It didn't seem to have much affect, at least not a material one on the credit management fees in Q4.

I wanted to revisit the exposure there, and maybe you could comment on how material of a risk you think that might be to the stability of FRE, your goal of growing up FRE with the credit business.

Martin Kelly - *Apollo Global Management LLC - CFO*

It's outside-- so there's the Athene assets for which we drive the 40 basis point fee. And that is based on the market value of the assets.

The sensitivity from a fee perspective is not great. As I mention that, those assets have a duration of about four years. So if rates or spreads widened, or backed-up 100 basis points, that would translate into about $10 million of management fee revenue risk on an annualized basis.

Away from that, there's some, but there's not much. And you've actually seen it come through in the Q4 earnings. So I think certainly whatever has happened has been reflected in the results that we've just posted.

Luke Montgomery - *Sanford C. Bernstein & Co. - Analyst*

Okay. Great. Thank you very much.

Martin Kelly - *Apollo Global Management LLC - CFO*

Thanks.

Operator

Your next question comes from the line of Devin Ryan with JMP.

Devin Ryan - *JMP Securities - Analyst*

Hey guys, good morning. Just a couple follow-ups here. So first, maybe you could drill down a little bit more into the opportunity and energy. It seems like the opportunities set can be pretty broad with some companies that just can't operate at $30 oil so that could create recap opportunities, and then others that just can't support the CapEx, you get some asset sales and attractive prices.

With that said, is there a particular area within energy where you guys are currently focused, or do you feel like the risk, reward is better today?

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

I think you said it. It's a very broad opportunity set, and there are multiple things going on and I think you've highlighted some of them. There's also JV structures and other things that you didn't talk about.

Some companies have too much debt, there's capital structure opportunities, and so there's just a lot of pressure in a very capital intensive environment where most people, nearly everyone is cash -- negative at this price, and so someone that has a lot of dry powder is a great opportunity. And so were trying to have, to be very flexible as a how we approach it.

And certainly the credit, the secondary trading prices of debit are finally starting to get to the point where there interesting in some specific cases. That has not been the case until recently. But it's getting there now. But that doesn't preclude private equity opportunities.

So in all of our funds we are pretty active to be honest with you. And it's not really specific. So I would just leave it at that.

Devin Ryan - *JMP Securities - Analyst*

Okay. Helpful color. And then within Athene, you guys have been expanding your funding agreement back-notes business. I know is relatively small, but I believe the capacity is much greater there. I'm curious how fast you can scale that, or you want to scale that to a meaningful number and really where you see the capacity there over time?

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

It's tough for us to speak on Athene's behalf, in terms of the operations of the business and projecting out what their potentially going to do. Clearly to your point, projects [speaking of funding] agreement back in the (inaudible) market is an attractive one for them as an avenue of growth.

They did their inaugural offering I think in October of $250 million offering, which they were able to do now that they have A minus ratings across the board. Clearly they will look to opportunistically use that market going forward, but to try to scale it out, or scope it out, its not something I think we would want to do, we'll leave that for Athene to do going forward.

Devin Ryan - *JMP Securities - Analyst*

Okay. Fair enough. And then with respect to the buyback, I think it would be great to see, and clearly you have to start somewhere on a number, but just curious if there is any way, or anything we can think about or look at to give us some sense of how the size was determined, or a metric to maybe think about where that could go over time. I don't want to put the cart before the horse, but just trying to think about that number.

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

$250 million is a meaningful number relative to our float. It's between 15% and 20%. It also, as we executed plus or minus, generally will immunized the dilution from employee grants. It was very manageable in terms of our capital structure, and our liquidity, and our cash, so that's where we are starting and we will see what happens.

Devin Ryan - *JMP Securities - Analyst*

Okay. Great. Thanks guys.

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

Thanks.

Operator

Your next question comes from the line of Patrick Davitt with Autonomous.

Patrick Davitt - *Autonomous Research LLP - Analyst*

Good morning, thanks. If you look at the evolution of your commentary over the last year or so on the energy marks in PE, it sounds like the private marks have started to become a little bit bigger of a drag than they were earlier in the year when there was more EP energy. Is that a fair perception? If so, what's really driving that? Are the hedges starting to roll off, and if that is the case, where do you think we are in that process if prices stay in this range?

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

I think it's pretty simple. The answer is, the price of energy went from $80, $90, to $50, to $30, and the reality is that the private marks, I won't speak about the specific (inaudible) marks, but the reality is, the prime marks were based on -- public comps and other things -- amongst other things. And so it totally makes sense that the primary marks are coming down.

From a hedge point of view we are between 70%, were greater than 70% hedged in private equity portfolio this year. And so that's down a little bit from last year, but were still substantially hedged, and when you look at the overall liquidity of our overall portfolio, we have more liquidity than we have maturities for the foreseeable future.

Clearly there are specific companies that have different things going on in which I will not comment on. So our portfolio is in quite good shape, but it does not surprise me, you would expect the private marks to be moving down as a function of the oil prices.

Martin Kelly - *Apollo Global Management LLC - CFO*

I just had, in the quarter the marks on privates and publics were pretty similar actually. And it's really company specific. Most of our PE investments are early-stage EMP, and we benchmark them against comps realizing that every company is different.

There's a variety of methods that we use to do that, but if you look at what's happened in the last couple of quarters they are similar. Whether you look at debt versus equity, and private versus public, what's in our credit business, or what's in our B business. It's all thematically, inconsistently down. The one other comment is gas for companies that are tagged as predominantly gas are down more than oil in the recent bust. So that's it.

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

Sorry to pile on. I would just add as we talked about having gone through a meaningful realization cycle, just the amount of public holdings we have has gone down quite substantially, and the value of EP as part of that public portfolio has really gone down significantly already. So that's what you're seeing more of a shift towards some of the private marks having more of an impact.

Patrick Davitt - *Autonomous Research LLP - Analyst*

Okay. That helps. And Josh, the comment on the 70%, does that mean your hedged for the full-year?

Josh Harris - *Apollo Global Management LLC - Co-Founder, Senior Managing Director*

That's an aggregate figure for all of our companies and a private equity portfolio. It's an aggregate comment on percentage their hedged for this year. Yes.

Operator

Your next question comes from the line of Michael Cyprys, Morgan Stanley.

Michael Cyprys - *Morgan Stanley - Analyst*

Morning. Just a follow-up question here on the buyback. So it seems your buying-back some of the stocks issued here to employees that satisfying tax obligations. Just curious how that's change from what you had done in the past, what some of the mechanics were around that, and how you are thinking about the timeframe for using of that $100 million component, equity based component with this year of about $62 million, I think last year was about $100, so is this maybe like a year, or a year and a half or so on that component?

Martin Kelly - *Apollo Global Management LLC - CFO*

We've been buying back or net-share selling for the last year or so. And we've made that decision each quarter and now we are sort of formalizing that as part of the announcement we made this morning.

If your questions getting at the share count and how that evolves over time. As we look forward, if we were to net share settle and our share programs remain the same, which we currently expect, then each year our share count would step up by about 2 million shares, so there's about a half a percentage point of dilution per-year, in our share count if we (inaudible). With the program we announced this morning, that gets us into year three of what we see as net share settles three years from now.

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

It hasn't really changed. If formalized we continue to be able to have flexibility to make the decision every quarter. I think we are indicating that -- we're indicating where we're headed today, given the current stock price. And I think also, obviously that minor dilution Martin talked about would be offset by any shares we buy-back into the market. It would be non-employee.

Michael Cyprys - *Morgan Stanley - Analyst*

Got it. Okay thanks, and if I could ask just a follow-up here on some of your earlier deployment commentary, it seemed like that did pick up a little bit in the quarter. But just from here, what sign posts are you looking for to deploy capital even more aggressively from here, we see credit spread gap out concerns around liquidity and the marketplace, we've seen oil prices collapse, I guess how much more to market you need to pull back, or what do you see happen from here?

Leon Black - *Apollo Global Management LLC - Chairman & CEO*

Again, we have returned targets in each of our funds. We are absolute return players, and when we think that the market prices, or the prices where we can transact are below levels that allow us to achieve our returns, we buy.

And so, what you're seeing is the aggregate of all of those decisions. There's hundreds, or even thousands of those decisions and the reality is, yes when things get tough, since we tend to think about things over the medium-term or the long-term in terms of we've locked up capital, and we are looking at returns over a period of time.

When you see short-term disruptions in the marketplace which pushed down prices that tends to create more investment opportunities. So naturally, investment flow ticks up, and you see us with greater volume of deployment. But that is the way we approach it, and it's hard to really predict, again was is going to happen, but certainly lower prices, lower values, are better.

Operator

At this time there are no further questions. That concludes the Q&A portion of today's call. I will now return the floor to Gary Stein for additional and closing remarks.

Gary Stein - *Apollo Global Management LLC - Head of Corporate Communications*

Thank you, operator and thanks everyone for joining us this morning. As we noted earlier, if you have any questions please feel free to follow up with Noah Gunn or me.

Operator

This concludes today's conference call. (Operator Instructions)

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