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PRESENTATION

Operator

Good morning and welcome to Apollo Global Management's 2012 fourth-quarter earnings conference call. During today's presentation all callers will be placed in a listen-only mode. Following management's prepared remarks, the conference will be opened up 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 Marc Spilker, President; and Martin Kelly, Chief Financial Officer. Earlier this morning we reported non-GAAP after-tax economic net income of $1.69 per share for the fourth quarter ended December 31, 2012, compared to $0.80 per share for the fourth quarter of 2011. For the full year 2012 we reported non-GAAP after-tax ENI of $3.82 per share compared to an economic net loss of $0.86 per share for the full year 2011.

For US GAAP purposes, we reported net income attributable to Apollo Global Management of $172 million for the fourth quarter ended December 31, 2012, compared to $11 million for the fourth quarter of 2011. For the full year 2012, we reported net income attributable to Apollo Global Management of $311 million compared to a net loss of $469 million for the full year 2011.

We declared a cash distribution of $1.05 per share for the fourth quarter of 2012, which is the largest quarterly cash distribution Apollo has declared since becoming a public company in early 2011. Later on the call, we will provide additional details on the composition of this quarter's significant cash distribution.

Today's conference call may include forward-looking statements and projections, and we ask that you refer to our most recent filings with the SEC for important factors that could cause actual results to differ materially from these statements and projections. We do not 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, such as economic net income and after-tax economic net income per share, which are reconciled to our GAAP net income or loss attributable to Class A shareholders and GAAP weighted average Class A shares outstanding. These reconciliations are included in our fourth-quarter earnings press release, a copy of which is available in the investor relations section of our website at www.AGM.com.

Please also refer to our most recent Form 10-K that was filed with the SEC for additional information on non-GAAP measures and risk factors relating to our business. This conference call is copyrighted property and may not be duplicated, reproduced or rebroadcast without our consent. If you have any questions about any information in the release or on this call, please feel free to follow up with me or Patrick Parmentier after the call.

With that, I would like to turn the call over to Marc Spilker, President of the Apollo Global Management.

Marc Spilker - *Apollo Global Management, LLC - President*

Thanks, Gary, and good morning, everyone. The fourth-quarter capped an extraordinary year for Apollo and our financial results for 2012 reflect the strength of our globally diversified investment platform that we continue to grow. We achieved numerous accomplishments throughout the year and I would like to highlight a few.

We had a strong year of fundraising with $9.7 billion of new capital raised. We returned $10.9 billion of capital and realized profit to our limited partners in 2012, $4.9 billion of which was in the fourth quarter alone. Our AUM increased 51% since the end of 2011 and is now over $113 billion after the $10.9 billion of distributions to our limited partners.

Five portfolio companies of the private equity funds that we manage completed initial public offerings within the last year, further advancing our funds towards future realization. We commenced our fundraising for Fund VIII, our next flagship private equity fund. We successfully integrated the Stone Tower and Gulf Stream businesses within our credit segment, adding more than $21 billion of AUM to further diversify our investment platform and grow the profitability of our management business. And importantly to our shareholders, we declared a significant cash distribution for the fourth quarter, bringing the total cash distributions declared in 2012 to $1.94 per share.

These accomplishments were made while the broader markets faced a great deal of uncertainty. The year began with the inconclusive economic data and ongoing secular headwinds in Europe leading up to the November elections and ensuing US policy decisions on the so-called fiscal cliff. Against this backdrop, we were able to execute on the broader strategy we laid out at the time of our 2011 IPO, building a best-in-class global diversified alternative investment platform while delivering strong investment returns and cash distributions.

Today, I would like to briefly walk everyone through our views on the current market and discuss how our businesses are performing. Starting with the markets, we continue to operate in a historically low interest rate environment. Credit spreads continue to tighten although they are not at all time tights. Central banks are continuing to use nontraditional monetary actions to spur economic growth and reduce unemployment. We continue to believe that these technical conditions are driving markets ahead of fundamentals, although the fundamentals and confidence have improved.

Putting all of these factors together, the capital markets window is open for monetizations that we continue to capitalize on, playing to the strengths of our flexible business model. During the fourth quarter, we returned just under $5 billion worth of capital to our fund investors, and in the process earned $600 million of realized carry, which was a primary driver of our $1.05 quarterly distribution.

Turning now to Fund VI and Fund VII, our two largest private equity funds that we manage, both funds had a significant positive impact on our 2012 results even though they were deployed in very different market environments. Fund VI is our $10 billion private equity fund that was largely deployed during the peak of the economic cycle in 2006 and 2007. Despite its challenging vintage for private equity, Fund VI has an annual net IRR of 9% based on the market values as of December 31.

During the fourth quarter, the previously announced sale of Smart & Final was completed and a number of Fund VI portfolio companies have gone public as market windows have opened within the last year. These portfolio companies include Caesars, Rexnord, Berry, Realogy and Norwegian Cruise Lines, bringing Fund VI closer to future realizations.

Fund VII is our largest private equity fund that closed on just under $15 billion of capital committed in 2008, when the financial crisis began. Our investment teams actively invested Fund VII's capital throughout the financial crisis. During the fourth quarter, Fund VII successfully sold a portion of its shares in Lyondell Basell and Charter Communications, which had a significant impact on our quarterly distribution. With an inception to date net IRR of 26% and over $12 billion of investments remaining on hand, we believe that Fund VII is well-positioned for future monetizations.

In addition to the realization activity I just described, dialogue with strategic buyers also continues to take place. Metals USA, for example, is a Fund V portfolio company that recently agreed to be acquired by a strategic buyer for an enterprise value of approximately $1.2 billion. This transaction is subject to customary closing conditions and regulatory approvals and is expected to close in the second quarter.

During 2012, our funds deployed private equity capital at an average pace of $800 million per quarter, which is in line with our historical investment pays of $3 billion to $4 billion per year. We continue to find attractive investment opportunities that meet our value-oriented criteria within the core industries we focus on.

For example, the funds we manage recently completed or announced several deals, including Talus's energy acquisition of Energy Resource Technology as well as other transactions that were announced in the last few months. As you know, our strategy for growing shareholder value extends well beyond private equity and we continue to expand and diversify our credit and real estate capabilities. Our Credit segment now has $64 billion of total AUM and our Real Estate segment has just under $9 billion.

In addition to the integration of the Stone Tower and Gulf Stream acquisitions, we continue to see organic growth in a number of areas, including non-performing loans, CLOs and our publicly-traded residential and commercial mortgage REITs. We believe Credit and Real Estate will continue to be large drivers of growth at Apollo, where we see compelling risk/reward opportunities in areas that are less liquidity and more complex.

Now I would like to make a few comments about Athene, the insurance company whose business centers primarily around issuing and reinsuring fixed and equity indexed annuities. Athene has continued to grow rapidly, and over the last several months it has completed or announced several important transactions. First, Athene completed the acquisition of Presidential Life Insurance, bringing Athene's total AUM to $15.8 billion at the end of 2012.

Second, as you may remember from our last earnings call, AAA, the publicly-traded strategic investment vehicle that we manage, completed a significant corporate transaction with Athene in October.

Finally, in December, Athene announced the pending acquisition of Aviva's US annuity and life insurance operations. This transaction, which is subject to customary closing conditions and regulatory approvals, is expected to add significant scale to Athene's existing business.

During his prepared remarks, Martin will cover additional details regarding these transactions.

Now turning to fundraising, we raised $1.6 billion in new capital during the fourth quarter of 2012, bringing the full-year total new capital raised to just under $10 billion. Our second European non-performing loan fund, EPF II, held its final close in December, finishing with more than $3.6 billion of committed capital with more than $900 million raised during the fourth quarter alone. Our natural resources fund also held its final closing in December with an additional $400 million that was raised during the fourth quarter and bringing its total committed capital to $1.3 billion.

Looking back on 2012, we executed against our strategic plan and our financial results completed an outstanding year for Apollo. Going forward, we believe that our integrated investment platform and value-oriented approach leave us well positioned for continued growth.

I will now turn things over to Martin.

Martin Kelly - *Apollo Global Management, LLC - CFO*

Thanks, Mark, and good morning again, everyone. Today, I will briefly touch on a few details around the fourth quarter and 2012 financial results before we move on to your questions. Starting with our cash distribution, the $1.05 per share that was declared for the fourth quarter includes three components that we have talked about on prior earnings calls as well as a few additional items that I will describe. The first component includes our regular distribution of $0.07 and the second component represents approximately $0.08 from the recurring portion of our realized carry that stems from interest and dividend income earned by the funds that we manage.

We generally associate the third component of our distribution with one-time realization events from the dispositions of equity and debt investments by our funds as well as nonrecurring special dividends that are funds received from their portfolio companies. I'm pleased to note that during the fourth quarter of 2012, there was approximately $0.90 per unit associated with the third component of our quarterly distribution, $0.80 of which was driven by realization events in our funds, including secondary share sales of LyondellBasell and Charter Communications, special dividends from three of our funds' portfolio company investments, net realized carry from Fund VII's sale of Smart & Final, as well as the sale of holdings in some of our credit funds.

In addition to the $0.80 of realization activity I've just described, the third component of our distribution also includes realization activity related to AGM's balance sheet investments in the funds we manage. Since this is the first time our distribution includes meaningful realizations from these balance sheet investments, I wanted to provide you with a little more color on this component. Historically, our balance sheet fund investments have been a source of capital for our business. Since going public in early 2011, we have largely reinvested distributions from these investments back into our balance sheet.

During 2012, there was a greater amount of cash received from our balance sheet fund investments relative to what we contributed, and we have elected to pay out this excess cash to our shareholders. Since cash flows to and from our balance sheet fund investments are largely dependent upon market conditions and fundraising activity, it's difficult to establish a forward-looking estimate on any excess amounts that can be distributed to our shareholders in future quarters.

However, our policy remains the same in that we intend to distribute substantially all of the net after-tax cash flow in excess of amounts determined necessary or appropriate to run and grow the business.

Turning now to the performance of our private equity funds, Fund VII and Fund VI appreciated by approximately 8% and 11%, respectively, during the fourth quarter of 2012, both outperforming the 1% decline in the S&P 500 for the same period. Funds VI and VII both benefited from an appreciation in Lyondell's share price, and the strong performance of Realogy following its IPO in October also had a significant impact on Fund VI's valuation as of the end of the fourth quarter.

I would like to provide you with some helpful data points for certain of our larger public holdings as of the end of 2012. Starting with Lyondell, the funds we manage continue to hold a combined 113 million shares, including 17 million shares in Fund VII, 24 million shares in (inaudible) 1 and 13 million shares in Fund VII.

For Charter Communications there are 16 million shares in Fund VII and 7 million shares in Fund VII. For Berry Plastics, there are 37 million shares in Fund VII and 22 million shares in Fund V. For Realogy, as we have disclosed previously, there are approximately 50 million shares held in Fund VI. Finally, Norwegian Cruise Lines went public last month, and Fund VI holds 59 million shares.

Regarding portfolio Company performance, the aggregate revenues from the Fund VII and Fund VII portfolio companies were down slightly by an estimated 2% during 2012 compared to 2011, while EBITDA was slightly higher by an estimated 1% over the same time period. These results are largely unchanged from the prior quarter, when aggregate revenues were also slightly down by an estimated 1% for the trailing 12 months ending September 2012 compared to the same period of 2011, and EBITDA was down slightly by an estimated 2% over the same time period.

Moving on, there are a few items I would like to briefly highlight with respect to our management business results. For the full year 2012 Apollo Management business earned $223 million of ENI, which was significantly greater than the $76 million of ENI we earned in 2011. We believe this performance demonstrates the ability to scale our existing investment platform with additional operating leverage to the upside from incremental transaction and other one-time fees.

During 2012, we have seen a steady growth in our management fee revenues from new funds that were raised and the strategic acquisitions in our Credit segment. There was a $15 million one-time catch-up of management fees during the fourth quarter which was associated with the final closings of our natural resources fund and EPF II. Also during the fourth quarter, we received advisory and transaction fees in connection with the IPOs of Fund VII portfolio companies.

Turning to expenses, there was a pickup in non-compensation expenses in the fourth quarter which included a ramp-up in placement fees associated with the final closings of the natural resource fund and EPF II.

Compensation expense for the management business was $344 million for the year ended December 31, 2012, an increase of 8% compared to the $319 million that was recorded for 2011. These amounts exclude the impact from the Apollo incentive pool compensation plan, whereby certain discretionary bonuses are driven in part by realized carry and are therefore recorded as realized profit sharing expense in the incentive business.

There was $62 million of incentive pool compensation accrued during 2012 compared to $35 million for 2011. Our total realized profit sharing expense as a percentage of total realized carry was 44% in 2012 compared to 48% in 2011. The decrease was predominantly impacted by mix as funds with lower profit sharing percentages generated a greater amount of realized carry in 2012 compared to 2011.

Incentive business revenues also increased significantly during the year. There was $2.1 billion of total carry and incentive fee revenues in 2012 compared to a net reversal of total carry and incentive fee revenues of $442 million in 2011. Fund VII continued to be the largest contributor of total carry with $908 million earned in 2012 while Fund VI was also a significant contributor with $640 million of total carry earned in 2012.

Due to Fund VI's favorable investment performance, there was a corresponding A-20 catch-up of unrealized carry revenue during the fourth quarter, and the related $170 million general partner obligation that we discussed last quarter was fully reversed. As of December 31, 2012, we estimate that the next $500 million of investment and appreciation in Fund VI will result in our earning unrealized carry on an 80/20 basis before we catch up to our 20% share of total profits in Fund VI.

Finally, as Mark alluded to earlier on the call, I would like to provide some additional information on Athene in view of the presidential and AAA transactions that were completed during the fourth quarter as well as the Aviva transaction that was announced in December.

At the end of 2012, there was $15.8 billion of total AUM related to the Athene life reinsurance platform, $3.7 billion of which was added by Athena's acquisition of Presidential Life. Approximately $5.2 billion of the $15.8 billion in total AUM is now managed directly by Apollo across our funds. For the remaining $10.6 billion, we continue to provide asset allocation and related services.

We have historically derived fees for our services in three principal forms -- asset management fees across all of Athena's assets, management fees for those assets directly managed by Apollo Funds and advisory fees that Apollo earns from Athene. Subsequent to the transaction between AAA and Athene, we continue to derive asset management fees principally in cash, and now we will start to receive equity interest in Athene in connection with the advisory services provided to Athene.

Looking ahead, we expect the amount of these fees to scale the growth of Athena's AUM.

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

(Operator instructions) Roger Freeman, Barclays.

Roger Freeman - *Barclays Capital - Analyst*

Just thinking through the realizations within the private equity portfolios and also new IPOs, when you look at the percentage of your total portfolio that is based on market valuation, it has kind of been flattish, around 60%, I think 64% last couple quarters. Is that -- is it just a function of the newly public companies replacing what has gone out the door? Or, is there any change in the back end of the mix of private companies that are now getting value off of public comps or comparable transactions or something like that?

Marc Spilker - *Apollo Global Management, LLC - President*

I would say it's generally -- I think what you describe is correct. We have obviously had realizations with some of those public holdings. And to your point, some of those realizations of these public holdings have been replaced by new public holdings. There has not been any fundamental change in methodology here, and I think we have been fairly consistent with approximately two thirds of the private equity fair value being determined by public comps.

Roger Freeman - *Barclays Capital - Analyst*

Okay.

Marc Spilker - *Apollo Global Management, LLC - President*

And I think, again, broadly overall portfolio with around three quarters of their value being determined by those public marks and/or broker quotes.

Roger Freeman - *Barclays Capital - Analyst*

Okay, and I guess, also, in the US performing credit bucket, you had a lot of realizations in the fourth quarter. I was just wondering if that is an indication of a view that that sector is topping out.

Marc Spilker - *Apollo Global Management, LLC - President*

Well, there are certain markets that seem more fully priced. As you know, in some of those businesses, there are positions in Lyondell as well, and so that is a big piece of it.

Roger Freeman - *Barclays Capital - Analyst*

Okay. And then any update on the Texas teachers mandate? I'm not sure if this is related directly to them, but I think there's $2.5 billion of commitments to the platform that have yet to be deployed. Is that the Texas teachers' fees? And that looks like it came down a couple hundred million from last quarter.

Marc Spilker - *Apollo Global Management, LLC - President*

Yes. I would say two things -- that, generally, that is related to committed but unallocated managed accounts, and the largest one being TRS. And what we said, I think, in the first couple of calls after we officially received the mandate was that we thought that we would invest the majority of the money over a 2- or 3-year period. So we're probably not going to report on what we do on that, but I would say it's reasonable to assume that we are on the pace that we thought we would be on.

Roger Freeman - *Barclays Capital - Analyst*

Okay, alright, thank you.

Operator

Howard Chen, Credit Suisse.

Howard Chen - *Credit Suisse - Analyst*

Congratulations on an incredible year. Marc, given your commentary and the fact that net accrued performance fees continued to trend higher, level one assets are increasing, really everything is pointing to you being a better seller in the market. But just given we have not gone through a realization cycle with Apollo as a public company, I was curious if there is any way you can qualitatively frame the pace of monetization, if it holds in. Asked another way, are you garnering any sense of market fatigue relating to some of your more significant investments?

Marc Spilker - *Apollo Global Management, LLC - President*

Look, I think it's a good question, but it's really hard to tell. And so I would just go back to the way we believe our platform works, which is that we could be both selling positions and deploying capital at the same time. And if you go back over the last couple of quarters, we keep on saying market dependent and subject to windows. But, given the nature of our portfolio, when it was invested and how these companies are doing, that we believe that we were ripe for monetizations. And as long as the window stays open, it feels like a good time for us to monetize.

At the same time, the investing environment, while getting tougher, is still interesting in the less liquid, more complex side of the market. So we are going to continue to pivot day to day between monetization and investing.

And one of the things about 2012 that we are really proud of is that we returned just under $11 billion of capital and the overall franchise grew. And one of the things that you know which is true about opportunity funds -- you raise them, you invest them, you return them and then you go raise them again; and this balance between returning and raising is always the big question. And I think in 2012, what we showed is that we can return a lot of capital and raise a lot of capital outside the flagship private equity fund, which is something that is coming in Fund VIII. And I think that that really highlights the robust health of our business, even in this kind of market.

Howard Chen - *Credit Suisse - Analyst*

Great. Thanks, Marc. That's all really helpful. You highlight in your commentary conversations with strategic buyers taking place. I don't want to overwrite what you are saying, but how much of an incremental positive is that versus, say, 6, 9 months ago for you in all of what you own?

Marc Spilker - *Apollo Global Management, LLC - President*

So I said it there, and I also -- in the way we look at the interaction between fundamentals and technicals, I also referenced that confidence is generally improving. And we could see that in the strategic dialogue. So I am with you as I don't want to make more of it than it is because you just never know. But, certainly, we are in a market where the risk on trade is more there than it has been, and I believe that that's going to loosen up people to want to do things that maybe has been in the backlog.

And so it's hard to say where things will get, because you know you can have lots of strategic dialogues that go nowhere, but it feels encouraging.

Howard Chen - *Credit Suisse - Analyst*

Great, thanks. And then just final one for me -- you noted diversification in the efforts, and certainly one of those efforts for the firm has been real estate. I was hoping that you could just dig a little deeper and give us a broad update on all of what you are doing within that asset class.

Marc Spilker - *Apollo Global Management, LLC - President*

Thanks for that question, Howard. So in real estate, we continue to think of real estate in two pieces. One is the real estate private equity side and the other is the debt side. We are working a lot to continue to integrate the real estate debt side with our overall credit business. And while, in the big scale of things the numbers are still small, they are growing. And that, we think, has plenty of opportunity for growth.

And the opportunity side of the business, and I said this on last quarter's call, that will grow with opportunity. And we are a value-oriented investor and we have launched, as you know, last year North America Real Estate I. We are investing the capital, we are finding things that we think are interesting, and that business will scale relative to the size of the opportunities.

The thing that you can't see from the segment reporting is how well real estate group and product has become integrated with the firm. And we talk a lot about our integrated platform and we have made a lot of progress over the last year in terms of integrating real estate. When you look at some of the opportunities that we are seeing in Europe, in particular, under the broader theme that over the last couple of quarters it seems like in certain places real estate is emerging as a little bit more of opportunity then maybe we would have thought a year ago in Europe. And having a team and having that integrated with our European platform is something that we think will benefit us over time.

Howard Chen - *Credit Suisse - Analyst*

Excellent, thanks for the update.

Operator

Bill Katz, Citigroup.

Bill Katz - *Citigroup - Analyst*

Just on the dynamics between what you highlighted in terms of some of the bigger investments you have and possibly for further exit, it sounds like, how do you think about the comp to revenue ratio on that? Would you expect that comp realization to continue to trend lower? Or, are we at a bottom from that ratio?

Marc Spilker - *Apollo Global Management, LLC - President*

I would say it's hard to predict because all depends on which fund it comes from. And so if you look at what Martin said in his comments, that we do have a different profit sharing arrangement in Fund VI versus Fund VII. But what we've continued to say overall, that in the 40% to 45% typically is what I think you should expect from the incentive company.

Bill Katz - *Citigroup - Analyst*

Okay, that's helpful. And then you spent, obviously, a lot of time on Athene. How do you think about growth in that business? I think, what is it, $15 billion or so as it stands right now. Is this a multiple of growth? How do you think about that so we can maybe model it more effectively?

Marc Spilker - *Apollo Global Management, LLC - President*

One thing that may make this a little bit easier is AAA did its earnings call this morning, and what's posted on the AAA website is a presentation about Athene. And so I think that will answer a lot of questions.

But to answer your question more directly is -- we think that Athene will continue to grow. The largest element of that will be if the Aviva transaction closes. It has not yet closed, but in the event that it does close, that I do think that we're talking about multiples the size of where we currently are.

Bill Katz - *Citigroup - Analyst*

Okay, that's helpful. And then it's early days, and maybe more of a qualitative answer, but as you start speaking with LPEs and other investors on Fund VIII, any sense of appetite at this point versus prior cycles, prior raises, excuse me?

Marc Spilker - *Apollo Global Management, LLC - President*

Thanks for the question, but I'm not going to say much about where we think that will get to. But I will go back to what we've said time and time before, that more generically that what you see in the private equity industry is more haves than have-nots. People who have performed well are doing better in fundraising than people who have not. And then on top of all obviously things that matter to LPs, which is generating good returns and good risk-adjusted returns is the integrated -- having all the other services reporting, relationship trust. And those are things that we think we have done particularly well with our LPs on top of performance. And so all of those things will be big factors into where we end up.

Bill Katz - *Citigroup - Analyst*

All right. I have more questions, but that's good for now. Thanks so much, guys.

Operator

Ken Worthington, JPMorgan.

Ken Worthington - *JPMorgan Chase & Co. - Analyst*

I'm sorry; I missed Bill's question on Athene; so, hopefully, I'm not replicating it. But I appreciate the additional color on Athene. It seems like Athene is really bulking up here. Yes, so what is Athene getting here with these transactions, number one? Why is it growing so much now? That's number two. And what is the endgame with Athene?

Marc Spilker - *Apollo Global Management, LLC - President*

Well, I would say that the insurance industry is going through a lot of change, and so when you think whether this is post-crisis or some of the capital issues or some other performance, there's a whole host of reasons why the insurance industry is going through change, which means that liability blocks and reinsurance are for sale and businesses are for sale.

So what Athene is responding to is a big market opportunity to, on the one side, grow liabilities, which you effectively can think of as funding; and, through what Athene asset management does and what it assets to Apollo Funds, that we obviously think we will do a very good on the asset side of the business. So we think that the business model makes a lot of sense, especially in light of the fundamental shifts happening in the insurance industry.

And so Athene has grown quickly. And, obviously, if this Aviva transaction will close, that's another multiple step up in growth. And so that's really the story behind Athene.

Ken Worthington - *JPMorgan Chase & Co. - Analyst*

And I'm sorry; this is sort of a silly question, but is Athene going to be more valuable? Like, based on your vision for Athene, is Athene going to be more valuable to Apollo, or is Athene going to be more valuable to some other investor or group of investors, if you look forward into the distant future? Is this business, the direction it's going, is something that will continue to make sense for Apollo?

Marc Spilker - *Apollo Global Management, LLC - President*

Well, I would say there are two sides of this. There's the one side which is the ultimate shareholder Athene, and we believe that this is a very interesting ROE business for the shareholders of Athene. And so we believe there's a lot of value to be created there. And then obviously, for AGM in terms of the asset management platform that we are building, given the ways in which we can provide value to the balance sheet of Athene and get paid for that, we obviously think it's a very large opportunity for AGM.

So in our eyes, this is a win-win.

Ken Worthington - *JPMorgan Chase & Co. - Analyst*

Okay, thank you. And then I guess more silly questions -- on credit, can you talk about the expectations for demand for alternative credit if demand for traditional credit wanes? So if people are viewing the traditional credit market as being kind of frothy, is that kind of good for alternative credit because they are like, oh, we don't like traditional; we are going to move to alternative? Or, does demand -- should demand or does demand move in parallel between those two different kind of views of credit?

Marc Spilker - *Apollo Global Management, LLC - President*

You know, it's a good question. We are really talking a lot about major secular shifts in the way portfolios are allocated at market conditions. So the way we really think about it is traditional benchmark fixed income versus unconstrained credit investing. And in the unconstrained credit investing, where we believe we provide a lot of value are for those things that are more complex and less liquid. And so what we have seen over time with the interest rate market where it is, that traditional fixed income investments are not accretive to the 7.5% or 8% hurdle for pension plans, therefore increasing demand for what we think of as unrestrained credit. And given some of the structural shifts in the financial services market, whereby bank balance sheets have shrunk, higher capital charges, Dodd-Frank, Voelker, Basel -- all of these other things, the securitization market -- that the center of the market is providing less of this kind of credit, and so creating a big opportunity for, on the one hand, are LPs to find places to get higher returns and for us to grow this unconstrained asset management business. So, even in an environment where rates continue to grind lower, we still have a degree of optimism that there is plenty of opportunity to grow that business, for all the reasons I stated.

Ken Worthington - *JPMorgan Chase & Co. - Analyst*

Okay, great, thank you very much.

Operator

Marc Irizarry, Goldman Sachs.

Marc Irizarry - *Goldman Sachs - Analyst*

Marc, I want to go back to the allocation services that you are providing, that you mentioned you are providing for Athene. When you think about building the management fee business and allocation services, obviously, Athene is one place where you can put that to work. Can you maybe talk about just the revenue opportunity more broadly for allocation services for you guys? And is this really something where you see Apollo able to leverage that over time?

Marc Spilker - *Apollo Global Management, LLC - President*

Thanks for that question, Marc. So, let me just give a broader way of thinking about it and then I'll answer your question more specifically, which is Athene Asset Management, which is a subsidiary of AGM, provides a whole range of services to Athene Insurance, including asset allocation and risk, and then all of the expenses associated with doing so. And so that's the framework to think about that.

Then, obviously, if you do that efficiently, then the net from that, the revenues minus the expenses, if you do it well, will scale with volume. And so we believe that, given how much we have grown in investing in that business, that we have gotten to an interesting point in scale. And so the incremental new assets will come at very interesting marginal margin.

Whether or not we could ultimately, then, take that expertise and provide it to third parties, I don't really think that that has yet been in the dialogue because Athene is very focused on building the company and managing the assets well. But, certainly, if we build world-class insurance asset management capabilities, which I think we are building, there's going to be many opportunities down the road to figure out how to monetize that.

So I think the nature of your question is that I do think that there will be other opportunities come out of this for us. But right now, we are really focused on getting the acquisitions closed, building the infrastructure, managing the company really efficiently, generating the returns; and then, once we get there, figuring out how to leverage it.

Marc Irizarry - *Goldman Sachs - Analyst*

Okay, and then just on the credit environment, if you look at the distribution, the $0.08 in the ongoing realized carry, etc., on interest and dividends; can you talk about the duration, I guess, of those assets and how you would expect those to roll off? I imagine that a lot of those are in credit investments that are -- or some of that, at least, is in credit investments that are more mature. How should we think about the rolloff of that?

Marc Spilker - *Apollo Global Management, LLC - President*

Yes. It's very hard to say the timing, but certainly since the majority of that are in these opportunity funds, we know over time those investments will be sold. So, given the current construction of the portfolio as we sell those assets over time, that middle bucket of 5 to 10 eventually will go down, except if we ultimately replace it with other things. And so if you look at the way that we have run our business over the last 22 or 23 years, it would not be crazy to assume that as these assets roll off, others could come in. But I can't say what the construction of the portfolio will be in terms of what replaces what we have, so I don't know where it will go. But the expectation is over time that these assets we have will be sold at some point and replaced. And whether or not they are replaced with equal yielding from a recurring realization point of view, I'm not quite sure. But our history suggests that there is a reasonable chance that that's what the outcome will be.

Martin Kelly - *Apollo Global Management, LLC - CFO*

I would just add -- I think the duration is really mostly impacted by sale decisions or restructure-type decisions -- debt into equity versus maturity; you know, duration of the assets disappearing or shrinking because of debt being matured.

Marc Irizarry - *Goldman Sachs - Analyst*

And, Martin, just given all the extensions of maturity dates that you have already gone through in Fund VI, is there still more to go on that front, or is the pace that slowing? It seems like a pretty good environment maybe to take advantage of the credit markets.

Marc Spilker - *Apollo Global Management, LLC - President*

When you say the pace of what is slowing?

Marc Irizarry - *Goldman Sachs - Analyst*

The pace of the refinancing activity for those credits.

Marc Spilker - *Apollo Global Management, LLC - President*

Yes. I would say, as you know, we really pride ourselves on optimizing capital structure, so I would say I think the teams are fairly comfortable where the capital structures are of these investments right now.

Marc Irizarry - *Goldman Sachs - Analyst*

Okay. And then, Martin, just one more for you on the balance sheet. Can you just -- I thought the comments on your distribution policy were interesting. How do you think about the distributions from the balance sheet and the right level of cash that you would need to run operations and just how we should think about the part of the distributions that come off the balance sheet over time?

Martin Kelly - *Apollo Global Management, LLC - CFO*

I think we look at maintaining a cash position which we think is what we need to run and grow the business, and that is based on what we can anticipate going out into the future. I think this quarter, we looked at that in conjunction with the realization activity and made a decision to distribute the $0.10 piece based on our return of balance sheet investments, and that included both return of capital and income net of new money that we put back into Fund VI.

So, it's very difficult to look forward and predict beyond saying we look at what we can reasonably anticipate in the future and where we are comfortable maintaining the cash. And if you look at the cash position at December, given the strong realization activity in Q4, or the net cash, net debt position, it's significantly higher than where it has been in the past.

Marc Irizarry - *Goldman Sachs - Analyst*

Okay, great, thanks.

Operator

Mike Carrier, Bank of America Merrill Lynch.

Mike Carrier - *BofA Merrill Lynch - Analyst*

Just on the fund-raising in the quarter, it seems like you had the core fund-raising, and then the bucket where you had the other, the acquisitions, that was elevated. Assuming that is either related either to the Athene side, but just wanted to make sure on that. And then just when we think about Athene going forward, I just want to make sure -- like is it a simple, from your P&L, as assets go up, you are going to get a feel rate on that? Or any products -- do you get incentives on it, like you are other business? I'm just trying to figure out, when you say insurance, is there any different like P&L impact or accounting versus just what we are typically used to in the overall business?

Martin Kelly - *Apollo Global Management, LLC - CFO*

I think, generally speaking, it's reasonable to expect that the fees will increase as the AUM increases. There is a carry component related to AGM's investment in AAA. So that's in addition to the what we covered on the call. And there is this new -- well, the advisory contract that we mentioned; that has been restructured such that future fees are paid in the form of equity versus cash. But, generally speaking, I think it's safe to assume that, as the assets grow, so will the fees, subject to containing and managing expenses around providing those services.

Marc Spilker - *Apollo Global Management, LLC - President*

But I just wanted to add at a high level, just to try to simplify all this, that we get an overall fee based upon total assets for our asset management and other services, and there is all sorts of costs associated with that. And so there is a net P&L times the AUM, plus -- and we have said this many times in the past, and I think Martin referred to it in his script -- some of the money then gets allocated directly to funds that we manage where we will receive normal fees. Some of those are management fee only, and some of those are management fee plus incentive. So that piece of it works like any other LP, which is growing the AUM in the funds that we manage directly.

Mike Carrier - *BofA Merrill Lynch - Analyst*

Okay, got it.

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

Just to take the first part of your question about the -- you asked about the inflows on the AUM, the other inflows and acquisitions. And, yes, a portion of that, a significant portion of that is related to Athene's acquisition of Presidential, which closed just before the end of the year. So it really got added to AUM as of year-end. But from a fee perspective, didn't really see any fee, given when it closed during the quarter. But, obviously -- so we have got the acquisitions.

We also, as we talked about, had nearly $5 billion in distributions, and that was largely offset by the acquisitions, but, obviously, also the organic capital raises, things like EPF II and natural resources.

Mike Carrier - *BofA Merrill Lynch - Analyst*

Okay, got it, makes sense. And then, Martin, you mentioned on the non-comp, I think, a little bit elevated just for some of the placement fees. I'm just trying to figure out -- 2012 you guys were pretty active. 2013, you will be working on Fund VIII. So just when we think about that level, should we see some falloff and then some pickup as that ramps up, or just any color on that?

Martin Kelly - *Apollo Global Management, LLC - CFO*

I think, as we continue to grow out the business, both on the credit side and the PE side, we will see a continuation of placement fees. So that will -- it's hard to predict the amounts and when, obviously, but that will be a feature, I think, going forward.

Marc Spilker - *Apollo Global Management, LLC - President*

Mike, just to add to that a little bit is that our franchise has grown. And we try to raise the money organically ourselves with our marketing team, and in certain places we will take placement fees. And if you look at the past private equity funds, we have hired placement agents in certain places. And so, depending upon when you would have a closing and depending upon what that arrangement would be, there could be a larger number in there. But it's very hard, as we sit here today, to speculate how big that would be and what quarter it will occur in. So there could be some volatility around that.

Mike Carrier - *BofA Merrill Lynch - Analyst*

And then last one -- everyone has got slightly different comp arrangements. Just remind us -- and this is more for the full year, but if share count takes a little bit, I think there's going to be some -- that it's going to be, given the employees over the year. Just remind us roughly what that percent should be. And I'm assuming you want to increase the float; that's one way to do it. But you are not going to be buying that in, meaning we shouldn't expect that to just like pick up over time.

Marc Spilker - *Apollo Global Management, LLC - President*

Yes. I would say what has happened over the last couple of years has really been two forms of increasing of share grants. One is in the form of welcome grant, and the other is normal compensation. And so it's hard to say exactly what the right run rate is. We could look back over the last couple of years. I would say the last year or two, it feels like we are dealing, we are operating in a normal versus a growing -- and if you look back to 2008, 2009, 2010, 2011, we did hire a significant number of senior people, and we feel like the management team and the leadership team is very, very well built out. That doesn't mean that we won't have big welcome grants, but I would say the expectation is that theirs should be lower than they have been in the past.

But compensation is operating as normal, and but for our desire to continue to create the most effective comp plan where we may see some changes of stock versus other things, and that's stuff that we always debate, that I feel like from an annual paying stock as part of compensation, we are in a more normal environment, where the last couple of years have felt more normal to me.

Mike Carrier - *BofA Merrill Lynch - Analyst*

Okay.

Marc Spilker - *Apollo Global Management, LLC - President*

So I don't know if that exactly matches the question, but that's how we think about it.

Mike Carrier - *BofA Merrill Lynch - Analyst*

Yes, that's good. Thanks a lot.

Operator

Chris Kotowski, Oppenheimer.

Chris Kotowski - *Oppenheimer & Co. - Analyst*

-- questions on the credit business -- one is, there was a nice step up in the linked quarter-based management fees. And I was wondering, is that just the impact of the $1.2 billion in new funds that you referenced, or are there draw-down funds that bring AUM into fee-paying mode as they are drawn down?

Martin Kelly - *Apollo Global Management, LLC - CFO*

I think it's both, but then it's also -- as we mentioned on the call, there were one-time catch-up fees on --

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Chris Kotowski - *Oppenheimer & Co. - Analyst*

Okay.

Martin Kelly - *Apollo Global Management, LLC - CFO*

-- (multiple speakers) particular.

Chris Kotowski - *Oppenheimer & Co. - Analyst*

And then, secondly, on the carry arrangements on most of the credit funds, are there absolute hurdles that you are going against; or is it relative to benchmarks, for the most part? I guess what I'm wondering is, in particular, in an environment where either rates back up or there is a backup in the high-yield markets, how should one think about carry in the credit business in that kind of environment?

Marc Spilker - *Apollo Global Management, LLC - President*

Yes, I think it's a good question. We don't really have benchmarked AUM opportunity funds. Mostly, we will have a hurdle rate. I would say more broadly, we get asked the question a lot about what happens in an interest rate up environment. And if you look at the construction of our business, it's very barbelled. The big performing loan business has a lot of floating rate in it, so less affected by the move-up in rates.

And the other side, which is, as we continue to say, the less liquid, more complex, which has lower beta to the market. And so we think in general that if rates spike, we think that will overall be an opportunity for our business.

Having said that, there will be some assets in the portfolio that will go down in value because they are related to the markets. And so you could see some ENI markdowns. And of course, ultimately, it's all about whether or not we underwrite the credit well.

Chris Kotowski - *Oppenheimer & Co. - Analyst*

Okay. All right, thank you, that's it for me.

Operator

Patrick Davitt, Autonomous Research.

Patrick Davitt - *Autonomous Research LLP - Analyst*

You mentioned the post-crisis retrenchment of traditional sources of capital, which we have seen open up a lot of new businesses for you and your competitors, particularly in energy. You are seeing it in insurance now, some multiple forms of bank lending. Are there other businesses like that where you are seeing this starvation of capital that you guys can take the place of that can give you new pools of growth beyond the energy and insurance space?

Marc Spilker - *Apollo Global Management, LLC - President*

Yes, it's a great question. It really goes to the core of our strategy, which is kind of, again, the barbell. In the markets today, you have things that are very liquid and you could argue whether there is no risk premium or negative risk premium. But, you could look at the other side of the barbell, where there are things that are less liquid, more complex, that have very interesting risk/rewards. And the business that we are trying to build is to find those places that have good risk/rewards, harder to understand, more complex, less liquid. And the traditional sources of funding have dried up, and so we think that on an ongoing basis, that's a big opportunity for us. So energy mezz; Europe, broadly; certain sectors of real estate, and I alluded to that earlier on the call, and there are a variety of other ones that we continue to look at.

And if you look at where our platform was five years ago versus where it is today, things that we are doing as a matter of course today, we weren't doing -- RMBS, CMBS, structured credit, CLO liability, CLO equity. And so we continue to believe that there are asset classes for us to move into. And I would say that, really, and one thing that's really important to us is that we want to stay on our core thesis of value-oriented investing. And so the market, we believe, is providing us the opportunity to take our investment process and our investment mentality and apply it to some of these markets that have been a little bit starved for capital.

Patrick Davitt - *Autonomous Research LLP - Analyst*

Okay, great, that's helpful. And getting a little bit more specific on Europe, you guys have been at least the most publicly involved in some transactions in Spain. We are hearing from multiple channels that the bid/ask is a lot closer with the banks there than a lot of other European countries, particularly on the real estate side of things. Are you starting to see a pickup in flow in that regard?

Marc Spilker - *Apollo Global Management, LLC - President*

I would say, probably a little bit. There is an element going on where there are some banks that need to continue to sell, and a lot of European banks. But if you look at some of the so-called global banks, healthier balance sheets and looking to put capital to work. So there's certain parts of the market in Europe that have greater ability to get financed today versus maybe six months or a year ago, and so we believe that that will facilitate more transactions.

Patrick Davitt - *Autonomous Research LLP - Analyst*

Okay, alright, thanks.

Operator

This concludes the Q&A session for today. I would now like to turn the call back over to Gary Stein for any additional or closing remarks.

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

Thanks, operator. Thanks, everybody, for joining us today. As we said earlier, if you have any questions, please feel free to follow up with either me or Patrick Parmentier. Thanks again.

Operator

Thank you. This concludes today's conference call. You may now disconnect.