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PRESENTATION

Operator

Good morning, and welcome to Apollo Global Management's 2013 second-quarter earnings conference call. During today's presentation, all callers will be placed in listen-only mode. And following management's prepared remarks, the conference call will be opened up for your questions. In the interest of time, we ask that you please limit yourself to one question and one follow-up. This conference call is being recorded. I would now like to turn to call over to Gary Stein, Head of Corporate Communications.

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

Thank you, operator, and welcome, everyone. Joining me today from Apollo are Marc Spilker, President, and Martin Kelly, Chief Financial Officer. Earlier this morning, Apollo reported non-GAAP after-tax economic net income of $0.50 per share for the second quarter ended June 30, 2013, compared to $0.05 per share for the second quarter of 2012. We also declared a cash distribution of $1.32 per share for the second quarter of 2013, which is the largest quarterly distribution since Apollo became a public Company in early 2011. Later on the call, we will provide additional details regarding the composition of the second quarter's cash distributions. For US GAAP purposes, we reported net income attributable to Apollo Global Management of $59 million for the second quarter ended June 30, 2013, compared to a loss of $41 million for the second quarter of 2012.

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 don't undertake to update our forward-looking statements or projections unless required by law. We will also be addressing 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 second-quarter earnings press release, a copy of which is available in the investor relations section of our website. 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'd like to turn the call over to Marc Spilker, President of Apollo Global Management.

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

Thank you, Gary, and good morning, everyone. During my prepared remarks this morning, I would like to touch on a few highlights regarding Apollo's strong second-quarter results, including our recent fundraising and realization activity and the continued growth and diversification of our integrated investment platform. I will also provide you with a quick update on our business segments.

First, during the quarter, we raised nearly $7 billion of new investment capital across the Firm. As we have said before, we believe Apollo is well positioned to capitalize on several powerful secular trends that are favoring our industry, including -- increasing allocations to alternatives, as institutional investors seek to meet their return objectives in a low interest-rate environment; increasing constraints on global financial intermediaries; the emergence of unconstrained credit as an asset class; and the consolidation of limited partner relationships among branded scale investment managers like Apollo that possess strong track records, robust infrastructures, and a broad spectrum of alternative investment solutions. Against this backdrop, we are pleased to note that as of today, we have received commitments of approximately $8.4 billion of capital for our newest flagship private equity fund, which we refer to as Fund 8.

Second, our funds continue to monetize investment portfolios as the window of opportunity remains open, resulting in significant realizations and cash distributions for our fund investors and shareholders. During the second quarter, our funds generated more than $7 billion in realizations, and we declared a distribution of $1.32 per share, bringing the total cash paid out to shareholders over the last four quarters to $3.34 per share. Third, we continue to diversify and grow our business in a variety of ways by leveraging our integrated platform, our value-oriented contrarian investment style, and our credit expertise. For example, within natural resources, in addition to our private equity funds activity, funds we manage are providing mezzanine and other types of financing to energy companies. And on behalf of our funds, we're also evaluating opportunities such as purchasing oil and gas royalties and establishing joint ventures for oil and gas drilling.

Within credit, we continue to expand our credit analysis and underwriting capabilities and enhance our focus on proprietary origination, which has enabled us to offer our clients and increasing array of unconstrained credit solutions. And within real estate, we have continued to execute a single-family home-for-rent strategy. The funds we manage have recently formed a joint venture with a high-quality servicer to acquire small balance, non-performing loans in the United States, and another venture with local investor to acquire office properties in targeted London sub markets. In addition, we continue to broaden our geographic footprint by expanding our Houston office, which we opened last year, and we are planning to establish a presence in Canada.

With those key highlights in mind, I'd like now to provide a few more details on our business segments. Starting with our private equity business, I've already touched on Fund 8, and I wanted to provide you with some additional details regarding recent realizations by the private equity funds we manage. During the second quarter, there were significant realization activities across our private equity funds, which resulted in aggregate distributions of $5.7 billion. These distributions are notable, not only for their total size, but also for the depth and breadth of realization activity which took place across the investment portfolios of our funds.

Specifically, these realizations resulted from a wide range of capital markets and M&A transactions, and comprised more than a dozen discrete realization events during the second quarter, including the strategic sales of Metals USA, SourceHOV, and our fund's remaining shares in Charter. Secondary share sales for Lyondell, Realogy, Rexnord and Berry Plastics. The sale of shares and the recent IPOs of EVERTEC and Constellium, and dividend recaps for CKE, Sprouts, and Constellium.

Following the robust realization activity which occurred during the second quarter, our funds have continued to monetize investments during the third quarter through secondary sales for Lyondell, Realogy, and Berry Plastics. It's worth noting that the recent secondary sales of our funds holdings in Realogy marks the end of this successful investment for Apollo. In addition to these recent secondaries, I'd also like to highlight that just last week, two of our private equity funds portfolio companies completed successful IPOs, Athlon Energy and Sprouts Farmer's Markets. In the case of

Athlon, our fund sold a small portion of their holdings in connection with the IPO, and Martin will provide addition details regarding recent monetization events during his remarks.

Now, turning to our credit business. At the end of the second quarter, we had $62 billion of total credit assets under management, including $25 billion in US performing credit, $12.5 billion in structured credit, $6.5 billion in non-performing loans, $6.3 billion in opportunistic credit, with the balance of our credit assets related to European credit and Athene. This diverse offering of unconstrained credit funds enables us to provide our clients with a broad range of solutions to meet their needs across the risk-return spectrum. During the second quarter, we continued to diversify and grow our credit business, as we raised more than $600 million of new capital in several areas, including our US performing credit and insurance-based investment strategies, as well as our latest credit opportunities fund, which we refer to as COF III. In addition, as we have discussed in prior quarters, we continue to maintain ongoing dialogues with some of our larger investors around establishing strategic managed accounts where they can customize investment portfolios across Apollo's range of credit products to meet their risk- reward targets.

With respect to capital deployment, we remained patient with our funds loan dated capital, and were able to identify idiosyncratic investment opportunities in a number of areas, including our insurance-based investment strategies and European non-performing loans. In addition, during the second quarter, Apollo Investment Corporation, our publicly traded business development Company, had its second most active quarter ever, as it completed more than $785 million of new investments in a wide range of industries, with a meaningful contribution from speciality verticals, including energy and aviation.

Lastly, just to touch briefly on real estate, we continued to grow this business by leveraging Apollo's integrated platform. At the end of the second quarter, roughly 60% of Apollo's total real estate AUM was dedicated to credit strategies, and 40% was dedicated to equity strategies. From a deployment perspective, we remain active in both strategies during the quarter. Notably within credit, we closed a $300-million mezzanine loan secured by a core commercial real estate property in London for one of our managed accounts. Within equity, we remain active across property types and geographies.

In summary, our results for the second quarter reflected strength of Apollo's integrated global platform and value-oriented investment approach. The funds we manage have continued to perform well, which has enabled us to raise new capital and provide significant distributions to our investors. We have also continued to diversify and grow our business, as we seek to capitalize on the favorable secular tailwinds of our industry, and leverage our position as a leading global alternative investment manager. I will now turn things other to Martin.

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

Thank you, Marc, and good morning, everyone. Today I will briefly touch on a few details around our second-quarter financial results, starting with our cash distribution. The $1.32 per share declared for the second quarter of 2013 includes the three primary components that we have talked about on prior earnings calls. The first component includes our regular distribution of $0.07, and the second component represents approximately $0.07 from the recurring portion of our realized carry from interest and dividend income earned by the funds we manage. The third component generally includes one-time realizations, as well as non-recurring special dividends that our funds may receive from their portfolio Company investments. And during the second quarter, there was approximately $1.18 per unit associated with this component of our quarterly distribution. Following up on Marc's comments about recent realization activity, based upon completed and settled transactions since the beginning of July, including secondary sales of Lyondell, Realogy, and Berry Plastics, we have realized approximately $0.56 per share of net realized carry so far in the third quarter.

Turning now to our private equity funds, our portfolio Company investments appreciated by 5% during the second quarter. This favorable performance was driven primarily by Fund 7, which appreciated by approximately 9% and generated more than $220 million of carried interest income during the second quarter. As we have done over the last few quarters, we'd like to provide you with a few helpful data points for certain of our larger and newer public holdings, including five IPOs that were completed either during or subsequent to the second quarter. The funds we manage currently hold 43.8 million shares of Lyondell, including 28.5 million shares in Fund 7, 9.9 million in COF I, and 5.4 million shares in Fund 6. In April, EVERTEC completed its IPO, and there are 23 million shares held in Fund 7. And Taminco completed its IPO, and there are 41 million shares held in Fund 7. In May, Constellium completed its IPO, and there are more than 37 million shares held in Fund 7. Just last week, both Sprouts and Athlon completed their IPOs. Fund 6 holds 54 million shares of Sprouts, while Fund 7 holds 56 million shares of Athlon.

Regarding portfolio Company performance, the aggregate revenues for the Fund 6 and Fund 7 portfolio Companies declined by less than 1%, while EBITDA was essentially flat for the rolling 12-month period ending June 30, 2013, compared to the 12-month period ending March 31, 2013. Looking at the year-over-year comparison, aggregate revenues were down by an estimated 3% for the 12-month period ending June 30, 2013, compared to the 12-month period ending June 30, 2012, while EBITDA was up by an estimated 3% over the same year-on-year comparison.

Moving on, there are a few items I'd like to briefly highlight with respect to our management business results. For the second quarter of 2013, Apollo's management business earned $89 million of ENI, which was driven by higher management, advisory and transaction and incentive fees. Our advisory and transaction fees for the second quarter, which totalled $65 million, included more than $23 million of nonrecurring transaction fees from several portfolio companies that completed IPOs during the quarter, including Taminco, Constellium, and EVERTEC. In addition, there was approximately $21 million in advisory fee revenues from Athene in the second quarter. I also want to point out that we have moved this Athene advisory-fee revenue from the private equity segment to the credit segment to reflect the alignment of Athene within our credit business, where we are already including the management fees from Athene Asset Management. Turning to expenses, as we have noted in prior quarters, there was approximately $21 million of incentive for compensation accrued in the incentive business for the second quarter of 2013, compared to $12 million for the first quarter of 2013.

Before I conclude my prepared remarks, I'd like to provide some additional information on Athene. As of June 30, 2013, there was $15.7 billion of AUM related to the Athene Life re-insurance platform. Approximately $6.6 billion of this amount is currently being managed directly by Apollo across our funds, and we continue to provide asset allocation and related portfolio management services across the entire $15.7 billion. With that, we'll turn to call back to the operator and open up the line for any of your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Your first question comes from the line of Robert Lee of KBW.

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

The question I had on is Fund 8. I'm curious, could you give us color on what you're seeing in terms of the mix of LPs from existing clients to new clients. And then related to that, how the -- if there's any change in the general terms? Are you seeing that you're having to give up say more transaction fees in this version or any change in the fee schedule?

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

Yes. Thank you for the question, Rob. I would say it's too early to tell, ultimately, where the mix will be, but what we've said before is that over the past bunch of years, we've had an increasing percentage coming from international LPs versus domestic. So strong on domestic, but growing international, which we think is a good trend. And we've seen that so far and expect that to continue.

In general, what we have said about terms generally is that the market has moved more towards where we have been. So from our point of view, Fund 8 terms are essentially more or less where they have been in prior funds. And on the margin except for one term, which is we moved from a 68% offset to a 100% offset. That would probably be the only notable change if terms.

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

Great. My follow up, going back to Athene and Aviv, based on comments from Aviv and you guys today and still looking at a -- later in 3Q, 4Q close. Could you refresh -- update us if there's any update on how you expect with the close, those assets to be split up. I guess right now something like 40% or so of Athene's assets are sub-advised in other Apollo products. Is your current thinking it will be a somewhat similar proportion? And then refresh our memory on what proportion of existing Athene assets are actually in funds that have some type of incentive component.

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

So in terms of our expectation, I think you have it right. I probably got that from the AAA call this morning. So end of Q3, early Q4 is our best guess. Secondly, on the percentage of the Athene assets managed directly by AGM, and Martin just went through it almost 40%. That's as high as it's been. The expectation, if we get to the other side of the close, is that number will drop significantly and then grow back over time as we find the right investments for the Athene balance sheet.

Operator

Your next question comes from the line of Marc Irizarry of Goldman Sachs.

Marc Irizarry - *Goldman Sachs - Analyst*

Marc, can you talk a little bit about the pace of capital deployment in private equity? We're hearing, obviously, and seeing some data points that suggest that it's tough putting capital out in this current environment is difficult. Where are some of the regions or areas where you think when you're out there talking to investors about Fund 8 that you'll be able to put capital to work and the pace of capital deployment from here going forward?

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

Thank you. In the big picture no doubt, and you've obviously heard from others and what we've said is for us, it's definitely a better market for selling than it is for buying. But on the other hand, we continue to believe that given the way that we source transactions and the off-the-beaten path nature of what we look for, that we continue to believe that we can find investment opportunities that are historically to return. The second quarter MPE was no doubt lower than our historic average. When you look at the first 6 months of the year, I think we're running just a little bit below our historic average. And in the quarter, while I wouldn't say robust, we definitely found some things in credit and real estate that were interesting. So while we agree from an investment point of view it's been more challenging to put capital to work, we still believe that if you're disciplined and have proprietary origination that there are still areas to put capital to work.

Then on the larger question of the opportunities, it's not necessarily related to Fund 8, but we continue to believe, and I talked about this a little bit in my opening comments, natural resources continues to be a very interesting area for us, both on the equity side and on the credit side. And while the dynamics in Europe have changed a little bit, certainly we continue to believe that that's an interesting place to allocate capital in our EPS business.

Marc Irizarry - *Goldman Sachs - Analyst*

Okay. Great. Martin, one quick one for you. I get the guidance on distributions and things that have closed so far this quarter, the $0.56. Is there anything that's pending or any transactions that are out there but haven't closed yet that also might result in some carry?

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

I can't really talk about forward transactions beyond the transactions we managed which accumulate $0.56 of net carry for the quarter.

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

I would say there are some transactions pending, but due to quiet period considerations, we can't comment at the moment.

Operator

The next question from Michael Carrier of Bank of America.

Michael Carrier - *BofA Merrill Lynch - Analyst*

On the fee-paying AUM, I want to understand that if we look at the table and we look at the amount of capital committed versus deployed, it looks like you would be approaching when like Fund 8 would be moving into fee-paying AUM. But when we look at the dry powder, that looks like a larger amount. So I want to understand, when we think about Fund 8, when we would expect that to start to enter the fee paying bucket going forward?

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

There's a dynamic when you raise into a fund that you have to turn it on and call capital, which we have not done yet. So that's currently under consideration. And when we turn the fund on officially, it will turn into fee paying.

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

Yes, to add to your -- the part about the dry powder for private equity, yes, we're showing $13 billion at the end of the second quarter. Approximately $6.6 billion of that was from the first close of Fund 8, which is included in that $13 billion. In addition, there is capital remaining in Fund 7 that has not yet been deployed. And that also would include some of Fund 7 that will be held back just for potential follow-on investments within the portfolio. There's also some capital remaining for Fund 6 which is available for follow-on investments. And then lastly, there is nearly $1 billion of capital from the natural resources fund which has not yet been deployed.

Marc Irizarry - *Goldman Sachs - Analyst*

Okay. That's helpful. As a follow up, when we look at some of the regulatory changes among the financial space and on the larger financial institutions, I feel that you guys have been pretty innovative, whether it's been on the credit or the lending businesses, the insurance business. It seems like there might be more opportunities in the commodity space. You mentioned natural resources. Trying to get a sense of, when we think about those three buckets, and maybe there's more, like the potential size of the opportunities versus how far along either do you think we are at this point? Meaning are we in the third inning and there's a significant -- more opportunity for firms like yourself?

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

Yes. I was trying to go through some of that in the script, which is what we're trying to do in the background is build, especially within credit, a bunch of different credit businesses where they have the following characteristics. They require a significant credit underwriting skills; they're in line with our historic expertise; and they're businesses that may be starved for capital, given the constraints that are being put on the financial system. In some cases, those markets are quite large. And so from our point of view, as a big strategic view, the addressable universe for us continues to grow. It's very hard to say what inning is it, because I don't really know exactly what the Dodd-Frank and the Volcker implementation is going to look like, and how Basel III will ultimately -- the impact of Basel III, and so the landscape is still shifting. But if you take a reasonable view on how this will all shake out, it's going to continue to create a big opportunity for us to grow in these businesses. And we are spending a lot of time across the firm to grow in those places that we think we have a competitive advantage.

Operator

Your next question comes from the line of Howard Chen of Credit Suisse.

Howard Chen - *Credit Suisse - Analyst*

Credit performance was really strong, both in terms of overall returns and realizations this quarter. I was hoping you could expand on what helped drive both those trends in the June quarter and any impacts you may have seen from the back-up in treasuries here.

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

Yes. Thank you, Howard. There have been a lot of questions about the interest-rate cycle and what's going to be the net effect. And what we had been saying, and I'll repeat it a little bit, is that if you look at our -- the construction of our credit portfolios, number one is we have been saying for a while that we think rates are going up, and we have positioned ourselves for that. And then secondly, the business tends to be barbelled, where \$20 -- \$25 billion or so of our senior loan business, the majority of that is in floating rate instruments, which obviously have a lower duration. And a lot of the rest of it is in idiosyncratic positions that obviously have some tie to the rate market, but much more valued off of the specific asset. And so not to say that we're immune, but we have structured the portfolio so that when rates go up, we were going to minimize any of the draw downs. You saw in the second quarter, commented that the majority of our funds still had positive performance, even in light of the market moves in June.

Howard Chen - *Credit Suisse - Analyst*

Marc, how about the realized income within that business? In the past, you've called out things like contributions from Lyondell. Did you get called out on a lot of debt during the quarter? Could you give a little bit more texture around the realized income in credit?

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

You're right. If you look, page 20 is a helpful place to look. This what I'm sure you're looking at in terms of the components of our carry for the quarter. And clearly, there was a strong contribution from US performing credit, which does include the credit opportunity Fund 1 where we do have position in Lyondell, which as we said, we had some realizations during the quarter. I think that's part of it. And then clearly also a strong contribution from our non-performing loan fund, where we have been having some realizations on portfolio holdings from EPF 1.

Operator

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

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

Both Josh and Leon have been in the press in the recent past about talking about the great market environment to harvest gains. You've definitely executed on that. As you look at the intersection of realizing gains and waiting for investments to season, where do we stand there? And assuming that market conditions stay the same, it would seem like your -- the pace of realizations can continue at a good pace for some time. But at what point do you foresee the pace of realizations starting to slow?

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

Well, it's really hard to predict. If you go back and look at the last 8 or 10 quarters of realizations, it has bounced around. We're really subject to what -- how mature is a position and then what is the market at any given time? The frame that we try to give to people to think about it, and again, we don't know where it will go in the future, but as a frame work, there is around $24 billion of fair value in the ground. And you can make your own assumption as to what will happen to the fair value over the coming period. Then you can look at all different quarters in terms of how much have we realized, and make a guesstimate of how much realizations are left. You can come up with numbers of one to two years. You can come up with numbers of three to four or five years. It's very hard to predict. We're going to realize things when it makes sense for each investment. That's how we think about it. We evaluate each one on its own.

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

Okay. Then to follow up on Athene, what are the approvals that are still required for the deal to close? And as you think about the risks, which feel like they have really diminished, where are the risks for the transaction closing at this point? And how do you feel about them?

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

Well, any transaction like this is always subject to normal customary closing issues. So having done many deals, it seems like everything is in order, but you never know. And really it's -- from a regulatory point of view, it's Iowa and New York. As we've said many times, we have a very strong relationship with both our regulators and have worked very closely with them and have said, and we said this earlier on the call that we continue to believe that somewhere towards the end of the third quarter or beginning of the fourth quarter that we will work our way towards closing the transaction.

Operator

Your next question comes from the line of Chris Harris of Wells Fargo.

Chris Harris - *Wells Fargo Securities, LLC - Analyst*

To piggy back on that last question, in a scenario say where you don't get approval from one of your regulators, say the New York regulators, is there anything that you guys can do to get around that after the fact? My understanding is that only a small percentage of Aviv's assets are New York domiciled. I didn't know if you could move assets around or do something to avoid that being an issue?

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

It's not worth speculating. I think we're going to work constructively to get to where we'd like to get to.

Chris Harris - *Wells Fargo Securities, LLC - Analyst*

Okay. All right. That's fair enough. My follow-up question is going to be on the energy and natural resources area that you guys are looking to devote more capital. In the past, there's been some pretty big industry failures investing in this sector due to volatility of commodity prices. As you guys put more capital to work in that area, is there anything you can do to mitigate those risks from really negatively affecting your returns?

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

Well, I think we have developed a differentiated investment approach, particularly in gas and oil, in terms of our hedging capabilities, which we believe has been a differentiator in terms of our risk management, and ultimately our returns. And we're going to continue to do that. I think we're very mindful of the volatility of some of the industries that we go in to. That needs to be factored into what you do, what you buy, and how you risk manage. We're very mindful of that.

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

I would just add natural resources is one of the nine core industries we focus on. I think it plays extremely well to our distress, contrarian, value-oriented investment style where we can invest in different parts of the cycle. I think to Marc's point, being able to utilize edging capabilities and so forth helps manage through those cycles. But again, we think we know the industry extremely well, and it really does play to the capabilities here at Apollo throughout the entire Firm.

Operator

Your next question comes from the line David Chiaverini of BMO Capital Markets.

David Chiaverini - *BMO Capital Markets - Analyst*

I just wanted to follow up on Athene. Would Athene have to agree to hire the normal capital requirements to get the regulators' approval? And if so, would that impact the economics of future Athene deals?

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

Honestly, I can't really speak to that. I don't know. This is a pending transaction, so I can't really speak to it.

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

Sure. Okay. My follow up is on the customized managed accounts and credit that you mentioned. How big are those accounts, and is there any way you can size the pipeline there?

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

We've talked -- last year we talked publicly about a bunch. Those were what we deem significant, $500 million, $600 million, $1.6 billion, $3 billion. Where the focus has shifted through the dialogue with our LPs is on credited managed accounts across the credit platform. And those are -- the dialogues that we've been in have been anywhere from low hundreds and higher. And so it really depends upon the appetite of the LP and the sophistication, and it is really hard to handicap the pipeline. The dialogue takes a long time. The LPs themselves have to believe that this is a significant value add for them. And so you really don't know. We have to spend our time figuring out where are the LPs who we have the strongest relationships with and have the inclinations to do it, and then work constructively with them through a process. So I can't really say we have a sense of the pipeline. But the dialogue is pretty interesting right now.

Operator

Your next question comes from the line of Brennan Hawkin of UBS.

David Eads - *UBS - Analyst*

This is David [Eads] filling in for Brennan. It seems like recently we've had a pretty sharp increase in investor appreciation and appetite for leverage loan products, including [ETF]s. Do you guys see this as a sustainable trend that could drive a decline in funding costs for the industry over the next couple of years?

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

I think it's a good question. I'd rather say more broadly that the trend that we're most closely watching is on the institutional side. And so I think what you're talking about maybe is increasing appetite from both institutions and retail for credit and unconstrained credit. And so it's hard for me to speak about the dynamics and the ETF market. But what I can say is that with a 7.5% or 8% discount on liabilities, when you look at the credit spectrum, there's very interesting places to put capital to work. That's been a big driver in terms of bringing pension plan and sovereign well fund money to the credit markets. Of course, the more you bring to the credit markets, ultimately on the margin, that has to affect funding costs on the other side. So the answer to your question is probably yes, but it's a little bit harder for me to comment on the dynamics around ETFs and retail.

David Eads - *UBS - Analyst*

Sure. That's helpful. And then have you guys seen any recent increase in discussions around M&A and strategic M&A that could suggest that we might see a better environment for that in the back half of the year, even beyond the typical seasonal strength?

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

It's hard to say. I think that is a -- there seems to be -- activity has been -- M&A activity and corporate activity has been lower than what would have been suggested by where the markets are and what's happened in the economy, especially in the US. But I have not seen really anything recently to say that we've turned the corner or activity is any different than it's been. If you look at the activity that we had in the second quarter, that there was a healthy mix in terms of the realization activity. I think it would be reasonable to guess that corporate activity should pick up the latter part of the year next year, but that's really just a guess.

Operator

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

Patrick Davitt - *Autonomous Research LLP - Analyst*

So we've seen over the last few months a lot of the larger (inaudible) banks raise pretty significant amounts of equity capital. Have you seen that trickle in to them being more comfortable taking losses on assets in terms of properties you've been looking at or packages of assets you've been looking at that maybe they didn't want to sell before they had raised that capital?

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

I would say more generally, we've seen a pick up in activity of assets being sold. I wouldn't say multiples from where it was, but certainly the activity has increased, and I think there are a bunch of dynamics around that. It could be the operating environment. It could be equity capital. It could be the financing markets or maybe of some combination of all of them. And so, we've definitely seen an increasingly willingness to sell assets.

Patrick Davitt - *Autonomous Research LLP - Analyst*

Great. Thank you. My follow up is on the distribution. I believe in 4Q the distribution included a component from the balance sheet. You've clearly been generating a lot of cash again this year. Is that a determination you will make every fourth quarter? Or is it something that could happen whenever you decide? Just curious what your thinking is around when and if you distribute cash off the balance sheet?

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

Sure. So it's not something that we do in a prescribed quarter. We look at -- we look every quarter at what cash feel we need to run the Company. I can say that within the second quarter, $1.32, there was no balance sheet component. And so that's -- and we -- and on a net basis we received cash from selling down [GP 6]. So that amount we have determined to hold in due of commitments for Fund 8 and other new funds.

Operator

Your final question comes from the line of William Katz of Citi.

Unidentified Participant - - *Analyst*

This is actually Neil filling in for Bill. A question regarding the two recent IPO's, Athlon and Sprouts. Are you able to comment on where they were marked at the time of the IPO? Thank you.

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

No. But we will be posting, probably later today, a page to our website in the private equity section that will list out some of our larger private equity investments and their capital at work. So not necessarily the same as cost, but capital at work as of end of second quarter versus our current value. And that may give some additional information that may be helpful.

Operator

There are no further questions. I would now like to turn the floor back over to Gary Stein for any additional or closing remarks.

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

Thank you very much. We appreciate you all joining us today. As I said earlier, if you have any questions following the call, please feel free to follow up with either me or Patrick Parmentier. We'll look forward to speaking to all of you again shortly.

Operator

Thank you for participating in Apollo Global Management's 2013 second-quarter earnings conference call. You may now disconnect.
