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PRESENTATION

Operator

Good morning, and welcome to Apollo Global Management 2016 first quarter earnings conference call.

(Operator Instructions)

This conference call is being recorded. I would now like to turn the call over to Gary Stein, Head of Corporate Communications. Sir?

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

Thanks, Operator, and welcome, everyone. Joining me today from Apollo are Josh Harris, Co-Founder and Senior Managing Director, and Martin Kelly, Chief Financial Officer. Earlier this morning, we reported a non-GAAP economic net loss of 0.18 per share for the first quarter ended March 31, 2016. Apollo also reported distributable earnings to common and equivalent holders of $0.25 per share for the first quarter, all of which was declared payable for the quarter's distribution.

Before I hand the call over to Josh, I wanted to remind you that today's conference call may include forward-looking statements and projections, which do not guarantee future events or performance. Please refer to our most recent SEC filings for risk factors related to these statements. We'll also be discussing certain non-GAAP measures on this call, which are reconciled to GAAP figures in our first quarter 2016 earnings presentation. As usual, if you have questions about any information in the earnings release presentation or on this call, please feel free to call Noah Gunn or myself. With that, I would like to turn the call over to Josh Harris, Co-Founder and Senior Managing Director of Apollo Global Management.

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

Thanks, Gary, and good morning, everyone. Amid a volatile backdrop during the first quarter where equity markets pulled back meaningfully and then rebounded, spreads widened and then tightened, an appetite within the financing markets moderated and then returned, Apollo had one of its busiest capital deployment quarters ever. The funds we managed together with co-investment partners deployed or committed nearly $8 billion in aggregate across a range of investments.

By leveraging the firm's integrated platform, our ability to embrace complexity and choppy markets like those we experienced in the first quarter, create the type of environment where Apollo tends to thrive, capitalizing on dislocation while others are often sidelined by it. Due to the locked up nature of our capital and ample dry powder across the platform, we were well-positioned to put our skill set and contrarian approach to work for our investors.

In credit, we deployed capital in a variety of debt securities at attractive prices, but have since traded up in many cases. In private equity, we were very active during the quarter. Contrary to what some may think, when traditional sources of capital in the financing markets seize up, this could actually work to our advantage. While it may be more difficult to get transactions over the finish line, it can lead to more attractive outcomes. Notable transactions announced during the first quarter include ADT, The Fresh Market and Regional Care's acquisition of Capella Healthcare.

Each of these deals is emblematic of Apollo's differentiated investment capability and I would like to elaborate further on a few specifically. In the case of ADT, which just closed on Monday, the funds we managed were able to invest in the leading provider of home security and automation services, combining Protection 1, an existing Fund VIII portfolio company, with ADT.

In aggregate, this transaction had a combined enterprise value of approximately $15 billion, making it one of the largest sponsor-backed transactions in the past decade and the largest year-to-date. The combined business is projected to generate over $4 billion in annual revenue, have more than 20,000 employees and serve approximately nine million customers across the US and Canada, equating to approximately 25% of the monitored home security market.

Through our broker-dealer affiliate, we were able to provide a creative financing solution despite difficult markets. This included accessing sizable nontraditional sources of debt and preferred stock capital from a large legal -- a large limited partner and an affiliate of Coke Industries. The deal also required an investor with the size and scale of Apollo to be able to speak for the $4.5 billion of equity contributed through the funds we manage and our strong network of co-investors.

In the case of Fresh Market, Fund VIII pursued what we believe to be an attractive high-end specialty grocery business, operating 184 stores across 27 states. We believe there's a significant opportunity to enhance the brand and merchandise offering to make The Fresh Market a primary destination for shoppers.

Our team at Apollo has had the good fortune of having executed a number of transactions in the consumer food industry, including Sprouts Farmers Markets, Smart & Final, Hostess Brands and General Nutrition Centers, among others. Each of these transactions has undergone a significant transformation under the strategic guidance that we bring and we intend to bring that experience to bear at The Fresh Market.

In addition to these two take private transactions, we've also been active on a handful of distressed situations. Even though the broader markets may not be under stress at the moment, there are usually pocket of distress in certain industries at any given time. One distress for controlled deal that was completed during the quarter was Warrior Met Coal, formerly known as Walter Energy, which owns what we believe are two of the three best mines in the US. Although it's a relatively small transaction, it highlights the flexibility of our investment approach across market cycles and industries.

We're excited about all of the recent investments and believe we are building a strong portfolio in Fund VIII. Even in the high priced private equity environment we've seen in recent years, we are maintaining our value-oriented discipline to buy right, which we believe is the single biggest determinant of value creation for an investment. We're pleased to note that Fund VIII is now approximately 50% committed when including quarter's to date activity. The portfolio has been constructed with an average creation multiple of approximately 6 times enterprise value to EBITDA, meaningfully lower than the industry average at approximately 10 times. The commitment level means that Fund VIII is now slightly ahead of pace.

I would like to continue the call by providing some commentary around asset growth and fundraising. We generated $23 billion of inflows across the platform over the past 12 months, including $4.5 billion in the first quarter. The quarter's activity was driven by the following. First, new or add-on managed account commitments totaling $800 million, which is an area of continued interest from our LPs. Our pipeline remains strong, and we are in active dialogue for additional mandates. By providing investors with holistic unconstrained credit accounts targeted to their needs, we believe we are providing a differentiated solution.

MidCap, our middle market direct origination platform, added roughly $600 million during the quarter, bringing total assets under management to nearly $6 billion. It is worth noting that MidCap has only had cumulative losses of 5 basis points since inception across more than 400 discrete transactions. So performance is strong.

Our inflows during the first quarter also included approximately $200 million for our second Natural Resource Fund, bringing total commitments to approximately $2 billion. And the Fund is continuing to raise additional capital.

We held a $250 million first closing for a new Fund we called Special Situations. This Fund is a product expansion within private equity that will seek to capture idea generation across the platform and invest in opportunities that we believe are attractive but typically fall outside existing Fund mandates. Examples of investments that we expect to make through this Special Situations Fund could include longer dated private equity, royalties, infrastructure and minority investments.

In addition to these offerings, there are others worth noting. We've commenced marketing for the third vintage in the European Principal Finance Fund series, which is primarily focused on buying portfolios of assets and businesses from financial institutions in Europe. Its predecessor is a 2012 Vintage Fund which received $3.5 billion in total commitments.

We've also launched the fundraising process for the third vintage fund in the Financial Credit Investment Fund series, a credit drawdown product which focuses on insurance linked securities. Its predecessor is a 2013 Vintage fund which received $1.6 billion in commitments.

And lastly we're continuing to grow our emerging markets corporate debt focused strategy, which is now nearing $1.5 billion. We believe that this strategy is well-positioned for future growth in an addressable market that is as large as the US high-yield market.

Before I turn the call over to Martin, I would like to reiterate our focus on enhancing the significant and predictable free cash flow generated by our management business. As we've discussed in the past, we believe that our current fee generating assets under management and expense base, with those two, we can generate approximately $0.25 or more of after tax cash flow per share on a quarterly basis.

Over time through continued growth of our AUM, as well as our ongoing efforts to enhance our already strong margins, we expect the 0.25 of cash per share each quarter to continue to grow. The after tax cash flow from our management business is important since it is a reliable source of cash quarter in and quarter out regardless of whether we have any significant realizations from the funds we manage, as was the case in this quarter where we had none. Now, I will turn the call over to Martin for some additional comments.

Martin Kelly - *Apollo Global Management LLC - CFO*

Thanks, Josh, and good morning again, everyone. Starting with our cash distribution, the $0.25 we declared today was driven by the relative cash flow stability of the management business as Josh has highlighted, and reflects our commitment to distribute substantially all of the cash flow generated each quarter except for what may be deemed necessary or appropriate to run and grow the business. For comparability purposes, I will speak to the quarter's economic earnings excluding the impact of last quarter's legal reserve.

We earned $82 million of economic income in our management business during the first quarter, down from $96 million in the fourth quarter as adjusted. The decrease was driven by lower management business revenues, largely transaction fees, and sequentially higher expenses, largely compensation, which normalized from a relatively low level in the fourth quarter and reflected the impact of headcount growth year-over-year.

Turning to the incentive business, the economic loss during the quarter was largely the result of an unrealized decrease in the valuation of Athene, which was driven by the depreciation of publicly traded comparable companies in the life insurance sector. Recall that as Athene approaches its goal of becoming a public company, its quarterly valuation will reflect market changes in peer valuations absent any other company-specific drivers. The 11% reduction in Athene's valuation quarter-over-quarter resulted in a $67 million unrealized loss within other income as well as a $56 million unrealized net carried interest loss from AAA and related accounts resulting in an aggregate drag on first quarter E&I of approximately $0.30 per share. It is worth noting that we're seeing an upward trend in the public comps quarter to date with mid single-digit average appreciation.

In private equity, our core funds appreciated modestly during the first quarter due to 2% appreciation in private holdings and positive marks on public debt positions, partially offset by 6% depreciation in public equity portfolio company holdings. It's important to note that these overall performance measures represent a blend of differing trends among our flagship funds. Fund VI was down 5% in the quarter. Fund VII was also down 5%. And Fund VIII was up 9%. Each of these Funds is in a different stage in their lifecycle.

Fund VI is a 2006 vintage Fund with approximately $3 billion of unrealized investments in the ground, 75% of which is public securities. There are about six material investments remaining, the largest of which is Norwegian Cruise Lines, representing 40% of the Fund's remaining value. Fund VII is a 2008 vintage Fund with more than $4 billion of unrealized investments in the ground and 28% represented by public securities suggesting the seasoning process is ongoing. There are about 12 investments remaining, the largest of which is McGraw Hill Education which has an S-1 on file.

Fund VIII is a 2013 vintage Fund that is actively deploying capital and performing well in the 2.5 years since inception. There were about 16 investments in the Fund at the end of March, and that figure continues to grow with the recent activity that Josh mentioned. Since Fund VIII is not yet in a carry earning position, the Fund's positive performance during the quarter is not yet being reflected in the income statement. However, the Fund's net IRR is now in positive territory and only needs to appreciate by another 5% for the fund to begin accrue and carry.

In credit, the investment performance of the Funds we manage was positive during the quarter, up 1.1% on a gross basis and up 0.9% on a net basis. Excluding the non subadvised assets of Athene. Given the choppy market backdrop during the first half of the quarter and the stress observed in certain sectors, we are pleased with the overall performance of the business in producing positive returns across Fund categories.

During the quarter, $6.1 billion of credit AUM moved back into a carry generating position, bringing the amount of carry generating AUM in credit to $23 billion at the end of the first quarter. The shift was primarily driven by positive performance in credit hedge fund assets and CLOs.

Lastly on the incentive business, there was a discretionary incentive full compensation accrual in the quarter of $18.5 million within realized profit sharing expense, which drove an elevated profit share ratio in the quarter. As a reminder, the firm takes a long-term view with respect to the discretionary components of incentive compensation and we'll monitor its overall level relative to the firm's incentive-based earnings over an extended period of time.

On our prior earnings call, we explained the rational behind our decision to adopt a share repurchase plan. During the first quarter, we repurchased 2.6 million shares with approximately $35 million of capital. This included 1.6 million shares through net share settlement of employee equity awards and one million shares repurchased in open market transactions.

We continue to believe that share repurchases offer a complimentary approach to returning capital to our shareholders that will enhance long-term value. We will look to continue making progress on the plan on an opportunistic basis over time. We expect the timing and amount of additional repurchases will depend on a variety of factors including market conditions and other potential uses of capital.

Lastly, I would like to just flag a couple of AUM-related movements that we expect in the near to medium-term. Due to the previously announced pending transaction in which ARI, the commercial mortgage REIT that we manage, will acquire AMTG, the residential mortgage REIT we manage, we expect the sale of mortgage assets and securities at AMTG will result in a decline in total AUM of approximately $3 billion when the transaction closes, likely in the third quarter.

Because most of the reduction relates to non-fee paying leverage, we expect fee generating AUM to decline by only $300 million. In addition, due to the recent pickup in PE deployment and strong demand by our Fund investors to participate in that activity in a greater way, we expect co-invest inflows to benefit AUM by approximately $2.5 billion in the second quarter. And with that, we'll turn the call back to the operator and open up the line for any questions.

QUESTIONS AND ANSWERS

Martin Kelly - *Apollo Global Management LLC - CFO*

(Operator Instructions)

Our first question comes from the line of Mike Carrier of Bank of America.

Mike Carrier - *BofA Merrill Lynch - Analyst*

Thanks, guys. Josh, just first on the deployment that you guys did in the quarter and then the outlook. I may be separating it on the private equity side versus some of the distressed stuff you saw in credit. But just wanted to get your take. When you look at the private equity side, you mentioned ADT, then your Fresh Market, you mentioned the 6 times type of multiple across like Fund VIII. Just wanted to get a sense, are you still able to put capital to work at those levels?

And then on the distressed side, I know it was a short period of time in the quarter, but you guys were pretty active in terms of deploying capital. What's the outlook on maybe the fundamentals that drive some of these stress situations? Because obviously some markets have rebounded pretty quickly, but I just wanted to get your take on the fundamentals that were driving some of those opportunities?

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

Good questions. First of all, we are continuing to put money to work at 6 times cash flow. It's actually -- I look at it and am quite impressed with our team. They continue to find stuff. You can do the math on ADT. It was public company. Actually, we merged with it our Company but that would be under 6. But on average, we're in that 6 times -- everyone here knows what an Apollo deal is. It's something where we trade complexity and aggravation for rate of return and purchase price. So we roll up our sleeves. It could certainly be merging two companies together. It could certainly be a buildup. It could certainly be a corporate carve-out. It could certainly be a distress for control situation.

So we are really bucking the market trends where the average multiple now is over 11 times if you look at the last quarter. And we've deployed -- we're ahead of pace and I don't think we're buying poor companies. ADT is a huge franchise business. Fresh markets is a great supermarket retailer. We announced another deal in the industrial space on Monday, two crane companies that are both big companies.

I'm feeling very good about our ability to be highly differentiated in private equity, and the gross returns are starting to go up in Fund VIII. Obviously takes you a little while because of the J curve to get into carry, but we're heading there very quickly. It's exciting to be able to do it in this environment, which is amongst the tougher environments or maybe even the toughest I've ever lived in, in terms of private equity. So the team is doing quite well. We're putting capital to work in good and interesting situations.

In terms of the second part of your question, just distressed. The distressed market got really interesting for about three days. And it bounced. November, December, January, February, the markets were pulling back and we were buying almost two handfuls of distressed names. But the reality is that the markets turned relatively quickly. And at this point, I think the math is, I just did research on this, there's kind of $120 billion of bonds trading below $0.80, and there's $60 billion in stress debt on the sidelines, and 80% of those are natural resource and energy.

So outside the natural resource and energy space, we've had somewhat of a V in terms of the markets going down and then coming right back up. But the only thing I will say is, and we did, I think the firm did quite well at investing in what was a relatively short window. But the reality is, it was just getting interesting in size and the markets are relatively a liquid and people were just starting to get to the point where they were selling chunks of debt that really mattered, then the market turned around.

So we're going to continue to plod away in distressed. But stuff can change really quickly as we saw in the November to February time period. Literally, things were going to -- things were getting pretty ugly. So if you look at the macro outlook out there, we could talk about that, but the reality is I think there's a fair amount of volatility at the L risk and things could turnaround. So I think stay tuned, but we're just going to be ready to take advantage of whatever the market gives us.

Mike Carrier - *BofA Merrill Lynch - Analyst*

Okay, thanks. And then just a quick follow-up. On the Athene relationship and the growth outlook there, just given the Department of Labor, the fiduciary rule, just wanted to get your guys' sense on the growth outlook and how you see that business proceeding forward, just given some of the constraints with the rule?

Martin Kelly - *Apollo Global Management LLC - CFO*

Thanks for the question. We know the Department of Labor rule is a big topic on investors' minds across financial services. I would say at this point, like other companies in the space, Athene is assessing the potential impact of the rule and they haven't really said anything publicly about it yet.

From our standpoint, we think it wouldn't be appropriate for us to comment on how the rule may impact them. We think it would be better to wait for them to comment. I would say stay tuned for their next public investor update call where I'm sure they will discuss this topic. But I would say broadly speaking, we still remain very excited about Athene doing a lot of interesting things across a number of different sectors and exploring a lot of different opportunities. I think we still see meaningful growth opportunities there.

Mike Carrier - *BofA Merrill Lynch - Analyst*

Okay, thanks a lot.

Operator

Our next question comes from the line of Devin Ryan of JMP Securities.

Devin Ryan - *JMP Securities - Analyst*

Thanks. Good morning. Just love to get an update on the health of the financing market today relative to the start of the year. I know you guys had noted that it was effectively shut down. Just curious how it is today and how that's influencing your backlog of opportunities? Also on the backlog, the size of the ADT deal as you guys highlighted, is that an aberration or could we see some other large deals like that in terms of what you guys are looking at.

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

So just taking them in order, the financing markets are back. They're back in all their glory. Literally, again, things were relatively shut down for a few months, and now we concluded a number of transactions based on having a rough expectation -- an expectation of a relatively rough financing market and pricing that in.

And then sometimes having a little luck is good because the deals -- we priced Fresh Market, we priced ADT. Obviously, we still have a pipeline of deals to go into the market, but all of the deals are getting done ahead of our expectations when we did the deals. And so the financing markets -- the high yield market was down 5, now it's up 6. It was down 5 last year. It's been up 6 or so in the first four months. So there still is a bit of a bifurcation but really even CCCs are rallying.

The good times are rolling again at least for this month, but you can't really predict what will happen given the relatively muted financial fundamentals of the economy, but very aggressive monetary technicals out there in the world. There's a battle between fundamentals and technicals. One month fundamentals wins, then another month technicals win. You just have to be on your toes to navigate what's a very challenging environment. What was your second question? Do you mind repeating that?

Devin Ryan - *JMP Securities - Analyst*

The size of the backlog and just within that, is ADT an aberration in terms of the absolute size of that deal?

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

Yes, ADT I would say is an aberration. It's pretty hard to -- so if you think about it, it was a $15 billion deal, but there's a whole bunch of debt that we rolled, based on its terms, and then we went outside the financing markets and tapped into Coke Industries in a large LP to privately place some of the debt, and then we had an existing company that had some debt on its own that didn't have to be replaced. When you look at it all, like we really only raised $3 billion plus of debt capital. Obviously we brought $4 billion to $5 billion of equity capital to the table.

And so that's really the governor. The governor is that the bridge market, the ability to get committed transactions really taps out. In some months it's three -- it was very hard to get $3 billion of bridge commitments there. When you start to put a normal equity cushion under that, you get to $5 billion.

And so unless things change, it gets a little harder to do deals above that level unless you're bringing -- unless it's a special situation and you bring lots of equity to the table. You're rolling debt. You have to be very creative. It's not 100% the case. You will see the odd large deal. But if you think in terms of $5 billion being where the financial markets, the capacity to absorb bridge facilities taps outs, or $3 billion, excuse me, $3 billion to $4 billion that gives you a sense of how big the deals can be.

Devin Ryan - *JMP Securities - Analyst*

Got it. I'll leave it there. Thanks, guys.

Operator

Our next question comes from the line of Glenn Schorr of Evercore.

Glenn Schorr - *Evercore ISI - Analyst*

Thanks very much. Curious, in private equity performance if you've done any attribution analysis? When you look at the last 12 months being down a little bit, it is a bummer but I'm curious if you have looked at that performance ex-energy just to see how the performance has been outside the energy complex?

Martin Kelly - *Apollo Global Management LLC - CFO*

Yes, we have done the analysis on that, Glenn. It's Martin. Energy was a clear headwind in the last half of last year. And in PE, in the first quarter actually, it was a very slight tailwind. And that was given the construction of the assets we had and factors specific to them, like reserve estimates as well as where the comps moved. And so I think the non-energy piece has for sure outperformed the energy piece over an LTM for a period of time. If you then dig into it more, it's not surprising that the privates are creating value as they mature across the board, and then the publics are sort of up and down with the markets.

I think the good news, though, is if you dig into what happened in the quarter, with VI and VII both being down but VIII being up and on the road to getting into carry, there is a path forward to getting Fund VIII into carrying and producing cash. Now, that's obviously going to depend on the new investments creating value. So, it will take a bit of time. But the newer companies in the broke across the board are performing nicely, and having some mark-ups.

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

To put it in context, VI was a $10 billion Fund that we close to doubled, and there's $3 billion left. So you're talking about round numbers, $3 billion out of $20 billion that's left. VII was a $15 billion fund that we more than doubled, so call it between $35 billion and $40 billion, and you're talking about $4 billion left. And so really this is like the tail of a very large dog. You get some idiosyncratic performance. It has nothing to do with -- you're dealing with the positions that are left.

The good news is, we've invested $9 billion of $18 billion -- divested or committed $9 billion of $18 billion in VIII. And VIII is like really looks really strong relative to the early returns in VIII. And you can look at the gross. I think we published the gross returns. I don't want to throw them out. They're very high. In a pretty difficult -- they're well north of the equity markets. Well north. And so VIII is coming, and, yes, we're dealing with what we have left in VI and VII, and Martin mentioned it, Norwegian cruise lines trades up, it trades down, it trades sideways so we get some volatility. It is a bummer in some sense, but in another sense, all that became dividends over the past couple of years. So we and hopefully a lot of people on the call have reaped the benefit of it.

Glenn Schorr - *Evercore ISI - Analyst*

I get that. Just one quick follow-up to Mike's question. I know you can't say much on Athene, I heard you loud and clear. But am I reading it right, that the big issue for them is the inclusion of six index annuities inside the BIC because that was part of Athene's bread and butter? That's the way I read it. I'm just not sure how that impacts their organic growth?

Martin Kelly - *Apollo Global Management LLC - CFO*

I think that's really where they're assessing what the impact is, you're right. It was the inclusion of fixed index annuities, which really came as a surprise to the industry that late inclusion. And so they're just absorbing that and assessing what it all means.

Glenn Schorr - *Evercore ISI - Analyst*

I appreciate it. Thank you.

Operator

Our next question comes from the line of Ken Worthington of JPMorgan.

Ken Worthington - *JPMorgan - Analyst*

Hello. Good morning. Just Fund VIII, the negative 6% IRR to a positive 4%. Obviously you're in the J curve so we would expect big swings. But it was a pretty lousy quarter. Anything you can help us on in terms of the big swing in IRRs? Which positions maybe happen to be doing quite well or which may not? But really focus on what's working in the fund?

Martin Kelly - *Apollo Global Management LLC - CFO*

Sure. There was actually some pretty decent mark-ups across the book, including on a particular energy position that we earned that we had marked down a lot in Q4 and had some reserve fines and some comp increases during the quarter. So that was a factor. But I would say really across the book, the portfolio, if you look at the underlying revenues and EBITDAs, they're performing well. There's really nothing in that portfolio that we're concerned about and it was a mark-up across the book. The 4% that you mentioned is 18% gross and so we have 5% to get to carry. We have 8% to get through catch-up carry as we look forward. Obviously adjusted for the recent money that's been put into the fund.

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

I hate to -- I don't want to oversimplify, but when you're buying at 6% and the market is trading at 11%, you make a decent amount of money on the buy. You just do. Then when the companies perform, it starts to impact the valuation.

Ken Worthington - *JPMorgan - Analyst*

Great. And then maybe continuing on performance. In credit, in the permanent capital vehicles, I think there's $16 billion or so where you disclosed you need about a 19% return to get back to carry. Which feels like a big assumption. But maybe walk through what you think needs to happen to get back that 19% return and maybe why the deficit got so big in the first place? Is it exposure to certain sectors which have hurt? Color there would be great too. Thanks.

Martin Kelly - *Apollo Global Management LLC - CFO*

Ken, your question is on the permanent capital vehicles, not the drawdown funds, right?

Ken Worthington - *JPMorgan - Analyst*

Yes, let me see if I can get to the page. Permanent capital vehicles ex-Athene, non -- no, I'm sorry. The $16 billion of credit. Slide 8.

Martin Kelly - *Apollo Global Management LLC - CFO*

Okay. So that will include a series of drawdown style funds plus the BEC, plus the REITs. And reflects -- it's the yield year end of the credit spectrum as we define it and reflects the last two or three quarters that we've lived through in terms of March. Some of that has come back in Q1. Some of it came back a bit further in April.

But it represents the lowest sort of tranche debt pieces that we buy which got hit pretty hard in Q4 and the early part of Q1. Also within that is about $8 billion in CLO AUM, and that's actually a somewhat mixed story. It contains new CLOs that are just seasoning and will take time to get to carry, but it also includes some older CLOs that are burning off.

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

There's $23 billion in carry. On the $16 billion, it's out of carry. I would say that energy and natural resources haven't helped that and so we would need a rebound -- I think those sectors have been the bigger drag on that, and we would need a bit of a rebound there. But make your own assumptions. There's $23 billion in, there's $16 billion that we have some work to do.

I think it could happen, but there's no question that we have some work to do. And then we're kind of originating lots of new opportunistic accounts. When we talk about in the press release whatever that $700 million or $800 million of new managed account money, that's likely to be -- you're starting at day one. So it's not in carry, but it's kind of right there.

Ken Worthington - *JPMorgan - Analyst*

Great. I appreciate the additional color. Thanks.

Operator

Our next question comes from the line of Alex Blostein of Goldman Sachs.

Alex Blostein - *Goldman Sachs - Analyst*

Just one more on Athene I guess. I understand you guys can't really get into the future and how the business will roll out. But help us understand how much of their product is in qualified accounts today as well as how much of sales over the last couple of years has come from qualified accounts?

Martin Kelly - *Apollo Global Management LLC - CFO*

Unfortunately, I don't want to seem like we're ducking questions here but it's just not something that they've disclosed publicly. As you know they're on path towards filing their S-1 towards their IPO and you can expect there will be disclosure included in their filings that I think will help answer some of the questions you're asking. But again, I don't think we should be the ones to disclose that before they have a chance to put it in the context of their full business.

Alex Blostein - *Goldman Sachs - Analyst*

Understood. Fair enough. Onto Apollo's business I guess. When you guys talk about the fundraising opportunities and clearly the pace of deployment is extremely robust this quarter. Does that accelerate any of the fundraising opportunities you see over the next 12 months or so? I know you highlighted the $2.5 billion co-invest that is supposed to come in next quarter or this quarter, second quarter. Talk to us about the fee rates on that $2.5 billion and also how we should think about the fundraising outlook for the next 12 months?

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

The fee rates -- I don't think we really disclose what we charge co-investors, but it's certainly not going to be like private equity style incentive fees. But I'll leave the specifics -- it's deal by deal. The fundraising outlook in the next 12 months is good. I think you guys have seen the pace we're running at. I think we expect to continue to run at that pace.

Alex Blostein - *Goldman Sachs - Analyst*

I guess what I'm trying to get to, the $0.25 a quarter in management fee business earnings, how much runway does it have over the next, call it, 12 months? Is it -- should we be expecting a $0.30 number or is it going to stay in current run rate?

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

I appreciate what you're asking but we don't really give forward guidance. I think by talking about it in the script we feel pretty comfortable with that as a minimum.

Alex Blostein - *Goldman Sachs - Analyst*

Got it. Thanks.

Operator

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

Patrick Davitt - *Autonomous Research LLP - Analyst*

This is the first quarter where there was a pretty big disconnect in the broader fee portfolio performance and the carry number that you reported. And it sounds like part of that is because of how well Fund VIII did relative to the other PE funds. But also this AAA mark? Was it more of the Fund VIII disconnect or the negative mark on the AAA stuff? And what exactly is driving that negative mark? Because I don't remember that being called out as aggressively as you did this quarter.

Martin Kelly - *Apollo Global Management LLC - CFO*

It's related to the AAA carry. Let me go through the pieces. So Fund VIII is out of carry, so it has no impact on our reported earnings. Fund VI and VII were both down 5%, and between the two of them after profit share costs, it created an A&I loss of about $35 million. So the rest is attributed to AAA.

The arrangements, the carry arrangements we have with AAA are complex. There's several of them. They have different hurdle rates and participation rates. And they don't apply to all of the assets in AAA. So it's not a linear relationship with the price that we value. But collectively during the quarter, it had about a $55 million negative impact to the PE carry.

Patrick Davitt - *Autonomous Research LLP - Analyst*

But it is related to the mark on Athene, not some assets in the portfolio? Is that what you're saying?

Martin Kelly - *Apollo Global Management LLC - CFO*

It's related exclusively to the mark on Athene. It's just the way that it's derived comes through a couple of different structures.

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

That's why we thought it would be helpful to give that -- sum it all up and simplify and say that given an 11% decline in the comp set, that had essentially an approximate $0.30, $0.31 hit to our numbers across the PE and credit segments.

Patrick Davitt - *Autonomous Research LLP - Analyst*

That's very helpful. Thanks. Just as a quick follow-up. The escrow footnote, and I apologize if you have answered this on past calls, why is it that there's $111 million of net profit sharing in escrow but you would only get $12.5 million into the GP in the event of liquidation? Or am I reading that incorrectly?

Martin Kelly - *Apollo Global Management LLC - CFO*

I think that is driven by Fund VI. So Fund VI's escrow is now below 100%. It's 89%. And there's some cash sitting in the escrow account that was trapped when assets were sold last year. So if everything were sold at the March 31 marks, then a lot of that cash sitting in escrow would go back to the LPs instead of coming back to Apollo.

Patrick Davitt - *Autonomous Research LLP - Analyst*

So if it were over 100%, the two number would match?

Martin Kelly - *Apollo Global Management LLC - CFO*

That's right.

Patrick Davitt - *Autonomous Research LLP - Analyst*

Perfect. Thank you.

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

The only other point, this point keeps coming up. There is -- and again, you guys can do your own projections on Fund VIII. We obviously don't give forward-looking statements, but there's about -- by the time that all the stuff closes that we've signed up, there's roughly $9 billion of carry eligible AUM out there when Fund VIII crosses its hurdle. And so, I don't know, presuming things keep going okay, help is on the way.

Patrick Davitt - *Autonomous Research LLP - Analyst*

Makes sense. Thanks.

Operator

Our next question comes from the line of Brian Bedell of Deutsche Bank.

Brian Bedell - *Deutsche Bank - Analyst*

Josh, a question for you on the credit cycle in terms of the investment strategy in the credit business. Obviously, we've seen these very wide volatility of spreads. Does it drive you to be more opportunistic in taking advantage of short-term movements? Maybe if you can just -- I know it's always hard to predict, but whether the next credit cycle will be more episodic in that nature versus more of a longer term draw down in the cycle that would lead to you longer term periods?

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

So just taking the first one first, it does. I think that you have to be really good at your craft to make money. So what we do is we tend to get all of our ducks in a row, we file lots of credit, and then when they hit our price targets, we buy them. It's actually even harder from the point of view that the liquidity in the market is actually much lower. And so things gap down but they don't really trade very much other than here and there.

It's now become a much more institutional market. So things will gap down from a price point of view and it will be hard to buy, then it will gap back up. But yes, you have to literally be there and ready for the kind of days when it may get negative. You have to be more opportunistic. When things trade up like crazy you have to be willing to sell. So you just have to be managing the volatility a lot more aggressively than in the past.

In terms of the future credit cycle, it's just so hard to say. I think that when you look at it, I think there will be -- I just think there will be more volatility in the sense that the traditional people that dampen volatility, which were the banks, they just have less capital up. So now when things gap, it's firms like ours that are stepping in and so we need to get paid for it. There's more volatility down and then there's probably more volatility back up, presuming that the monetary policy that exists out there, it creates this bid for everything at some level, because people need to put money on it, not us. And so -- but it's hard to know.

I think at some point, if it were to get more negative, yes, then I think there would be -- at this point, 35% of the fixed income market is daily liquidity vehicles. If it were to break to the point where retail started pulling out of those vehicles, then -- and people got really negative there would be -- it could be an extended down. But, it's so hard to predict based on what's going on.

Brian Bedell - *Deutsche Bank - Analyst*

Right. It sounds like you can certainly be more opportunistic than you were in prior cycles potentially given the lack of liquidity in the markets.

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

Yes.

Brian Bedell - *Deutsche Bank - Analyst*

Then just maybe switching gears. Maybe talk a little bit deeper about MidCap and the long-term strategy. You're up to $6 billion now. The performance is tracking well. Do you have a long-term view of how large that could be and the capacity for them to deploy capital?

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

We haven't really thrown out a number but it could be quite large. This is in the sweet spot. This is middle market lending to corporate America in multiple segments. So certainly we've seen GE and all the big banks get out of that sector. The likes of CIT and Heller and others are now no longer as -- either they're gone or they're not as significant. There's just a huge opportunity because companies need capital. And so, MidCap could get much larger than it is today. And you're able to look at how quickly we've grown it to $6 billion, and we're going to hope to continue to move it along. But we haven't thrown out a specific size of it. But it's a very large market.

Brian Bedell - *Deutsche Bank - Analyst*

Do you think you could keep that pace up, the pace going from $0 to $6 billion, or that's too tough to say right now?

Martin Kelly - *Apollo Global Management LLC - CFO*

I think the benefit of the GE transaction is it diversified the industries that the MidCap's lending to. So the organic origination volumes are now broader across -- healthcare is now less than -- healthcare broadly defines down less than half of the book and will continue to shrink. They've also done a couple of capital raises which allow them to take bigger positions and then syndicate it down. So we have net growth ambitions which are quite accretive over time considering syndications and runoff of the book.

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

The reason it's hard to answer the question, there's also chunky stuff out there to buy such as GE. But I think the organic growth, I think we should be able to continue the organic growth consistently with what you've seen. Then we're going to keep trying to find the GE-type transactions to do.

Brian Bedell - *Deutsche Bank - Analyst*

That's great color. I appreciate it.

Operator

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

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

Thanks. Hey, guys. Hey, another one on Athene. Can you guys let us know where you have that position marked maybe on a price to book basis and how that mark compares to some of the comps you guys look at?

Martin Kelly - *Apollo Global Management LLC - CFO*

Sure, Chris. So we go through a process of looking at public comps that span both large cap and small mid-cap companies that operate in the same space, and then we fit Athene's ROE to the comp set and derive a multiple. And then given that it's private and there will be a lock-up post-IPO, we apply a discount to the public comps. When you do all of that, you get to a book value multiple, a GAAP book value multiple, which is just slightly more than 1 times. 1.02 times at March 31.

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

That was down from 1.18 times the quarter before. So it's just really reflecting the fact that the comps were down so sharply during the quarter.

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

Got you. Okay. And another follow-up on the outlook for the management business. It sounds like you guys are pretty optimistic on the fee outlook. Really just wanting to know how we should be thinking about expense growth for this year, whether we should be expecting a decent amount of operating leverage as you guys perhaps grow the management fee line?

Martin Kelly - *Apollo Global Management LLC - CFO*

We do expect leverage to improve. I think on the non-comp side, the numbers have come down in the last year or two. I think what you're seeing now is as best we can tell is steady state on comp with one exception being placement fees, which are lumpier and more difficult to predict.

On the comp side, last year, our headcount grew by about 12% and that was a build-out across our investment teams and infrastructure to support all that. We have much more modest headcount growth plans this year given that we're significantly done with the build-out. So I would expect comp -- we're only one quarter into a year. Lots can play out. But I would expect comps from here to be sort of flat to where it was in Q1, which coincidentally, was where it was in the middle part of last year as well.

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

Helpful. Thanks, guys.

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

Strategically, we're looking hard at equating comp and revenue growth at a maximum. And trying to get some operating leverage. Obviously, if there are special situations and so forth, and people that you really want, you're willing to -- you have to be flexible. But we're now much more focused on keeping these things in line and generating some operating leverage.

Operator

Our next question comes from the line of Gerald O'Hara of Jefferies.

Gerald O'Hara - *Jefferies & Co. - Analyst*

Just another on fundraising. It sounds like the environment has been relatively good or the outlook is relatively strong. You mentioned a Special Situations Fund that you are taking to market and I was curious if you perhaps could provide a little color on the sizing or scale where you think you might be able to take that fund?

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

Clearly there are opportunities that are private equity-like, but maybe are longer dated than a private equity fund, maybe they're assets, maybe they're buying a swath of liabilities at a discount along with assets and maybe they're minority investments. So in terms of sizing, I don't think it's going to be -- I don't think we're expecting this to be a massive number in Fund I, but we're expecting to be able to spend it quickly and then go back for more. And so, I don't know. That's the way I would leave it.

Gerald O'Hara - *Jefferies & Co. - Analyst*

Fair enough. One more on -- it's been a little while. Maybe if you could give us an update on where the retail offering stand? It's still probably pretty early stages and whatnot, but maybe just early demand or interest or growth prospects within that platform? Thank you.

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

Yes, I would say that we continue to focus on retail, and we're building out -- we're committed as a firm to making investments and expanding our coverage of retail, our sales people. We've been spending a lot of time on it. And it does represent 12%-ish of our investor AUM.

You've seep some of the work we've done with some of the sub advised accounts. But it's early days. We're just hiring people now. I expect it to be an impact over time. I can't point to large jumps in AUM. Obviously, had we completed the transaction that we walked away from, it would have been a significant move forward. But now we're just building it organically. It's going to take some time.

Gerald O'Hara - *Jefferies & Co. - Analyst*

Great. Thank you.

Operator

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

Mike Cyprys - *Morgan Stanley - Analyst*

Good morning. Thanks for taking the question. Just following up on Fund VIII, currently 50% committed or deployed, just seems like the pace of deployment here has really accelerated. I think you mentioned some other investors wanted to get in as well on the co-invest. Just curious how you're thinking about the time frame for a successor fund raise, a Fund IX, and if next year would be a reasonable timeframe in what you're thinking about in terms of size?

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

The way I would answer that is, it's difficult to predict. But if you just look at it, we've done -- just trend it yourself. We've done 50% in 2.5 years, so that's 20% a year. Generally, as a general matter, you tend to hit the road when you're greater than 70% deployed or committed. That would put us a year out-ish, but it's hard to predict, and so next year, end of next year, seems like at least a way to think about it.

In terms of size, because of our track record, which is 500 to 1,000 basis points higher than everyone else's in the large cap space, pretty consistently. We can -- we typically have been able to raise the amount of capital that we can deploy and so we're deploying Fund VIII. It's working fine. And so I'll leave it at that. I don't know how to really answer it.

We tend to take that amount of capital that we can spend wisely. And so we look at our pace. And investors look at our pace, and we've done this fund in and fund out, and so they tend to support would we're doing. We'll have to make that evaluation at that time, but that should give you a sense at least.

Mike Cyprys - *Morgan Stanley - Analyst*

Great. Thanks. Just to follow-up on the management business, it sounded like you may have been increasing your guidance there, but I just wanted to make sure I heard you right. I think in the past you quoted $0.25 a quarter from the management business on a pretax basis in terms of what you think you could do, but I thought I heard you say earlier now in terms of what you're expecting that the $0.25 is now after tax. If you could help me with that?

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

First of all, we don't give guidance so we're certainly not increasing our guidance, just to be very clear about that. Look, my opening remarks said $0.25 after tax. So that's in the script.

Mike Cyprys - *Morgan Stanley - Analyst*

And so that's what we should think about going forward, in terms of what you should be able to hit from here?

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

Yes.

Mike Cyprys - *Morgan Stanley - Analyst*

I think in the past you had spoken about that on a pretax basis. Just thinking between the two comments, to me I would take that as an increase.

Joshua Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

I'm just reading it, it says we can generate approximately $0.25 or more of after-tax cash flow per share on a quarterly basis.

Mike Cyprys - *Morgan Stanley - Analyst*

Got it. Thanks. Just wanted to make sure I heard you right.

Operator

Thank you. That concludes the Q&A portion of today's call. I will now return the floor over to Gary Stein for any additional or closing remarks.

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

Thanks, Operator. Thanks everyone for taking the time to join us on the call today. As we said, please feel free to follow up with Noah or myself with any questions.

Operator

Thank you, ladies and gentlemen. This does conclude today's call. You may now disconnect.
