Q3 2020 Earnings Call

Company Participants

- Gary Stein, Head of Investor Relations
- James Zelter, Co-President, Chief Investment Officer, Credit
- Josh Harris, Co-Founder
- Leon D. Black, Chairman of the Board, Chief Executive Officer
- Marc Rowan, Co-Founder and Senior Managing Director
- Martin B. Kelly, Chief Financial Officer, Co-Chief Operating Officer
- Scott Kleinman, Co-President & Lead Partner, Private Equity

Other Participants

- Alexander Blostein, Analyst
- Bill Katz, Analyst
- Chris Harris, Analyst
- Craig Siegenthaler, Analyst
- Devin Ryan, Analyst
- Glenn Schorr, Analyst
- Ken Worthington, Analyst
- Michael Carrier, Analyst
- Michael Cyprys, Analyst
- Patrick Davitt, Analyst
- Robert Lee, Analyst

Presentation

Operator

Good morning, and welcome to Apollo Global Management's Third Quarter 2020 Earnings Conference Call. During today's presentation, all callers will be placed in a listen-only mode and following management's prepared remarks, the conference call will be opened for questions. This conference call is being recorded. This call may include forward-looking statements and projections, which do not guarantee future events or performance. Please refer to Apollo's most recent SEC filings, including the 8-K Apollo filed this morning for risk factors related to these statements.

Apollo will be discussing certain non-GAAP measures on this call, which management believes are relevant in assessing the financial performance of the business. These non-GAAP measures are reconciled to GAAP figures in Apollo's earnings presentation, which is available on the Company's website. Also, note that nothing on this call constitutes an offer to sell or solicitation of an offer to purchase any interest in Apollo fund.

I would now like to turn the call over to Gary Stein, Head of Investor Relations.

Gary Stein {BIO 1911026 <GO>}

Great. Thanks, operator. Welcome to our third quarter 2020 earnings call. We hope you and your families are doing well in these challenging times. Joining me this morning are Leon Black, Chairman and Chief Executive Officer; Josh Harris, Co-Founder; and Martin Kelly, Chief Financial Officer and Co-Chief Operating Officer. In addition, Marc Rowan, Co-Founder; and Jim Zelter and Scott Kleinman, our Co-Presidents will be available for Q&A on this morning's call. Earlier this morning, we reported distributable earnings of $0.47 per common share. Pre-tax fee related earnings or FRE of $0.63 per share and we declared a cash dividend of $0.51 per share for the third quarter.

We will open today's call with comments on our business in our quarterly earnings from Josh Harris and Martin Kelly, and then we'll move to a personal statement from Leon Black regarding his relationship with Jeffrey Epstein. Leon's remarks will be the extent to which this matter will be discussed in light of review -- the independent review currently underway. As we have continuously stated, Apollo never did any business with Jeffrey Epstein. We as a firm are appalled by by Jeffrey Epstein horrific acts and despicable conduct. Following Leon's statement Martin and Josh, Marc, Jim and Scott will be available to answer questions about our business and performance this quarter.

With that, I'll turn things over to Josh.

Josh Harris {BIO 1444168 <GO>}

Thanks, Gary. I clearly echo your sentiments on behalf of our firm, and believe the conflicts committee review is an important step. Thank you all for joining our third quarter earnings call. I hope we continue to find you in and good health. And to our employees thank you very much for another quarter of hard work and dedication, which has resulted in strong results for our clients and shareholders.

Starting with the investing environment, the equity markets remain ahead of fundamentals. The swift pace of economic recovery that we saw in the second quarter and into the third quarter has more recently slowed. As a result of low rates and the over-value public markets. Global investor demand for private market opportunities remains strong.

Notwithstanding high valuation, Apollo continues to source attractive risk return investments for our clients through selective market opportunities in credit private equity and real assets. In the third quarter, Paul continue to demonstrate the strength of our platform. For the nine months ended September 30, we achieved AUM growth of 31%, FRE revenue growth of 17% and FRE growth of 16% -- revenue growth of 17% and FRE growth of 16%.

For the third quarter AUM increased to $433 billion and we reported FRE of $0.63 per share, a record for Apollo. Year-to-date asset under management growth of $102 billion was largely due to growth of our insurance clients through strategic acquisitions and strong organic growth. Specifically insurance accounted for $82 billion in in flows year-to-date, the large majority of which is fee-generating immediately. Athene and Athora have now reached $238 billion and permanent capital vehicles now represent 60% of our asset base, while over 90% of our assets under management are either permanent in nature or has a contractual life of five years or more from inception

We believe that this long dated capital base gives us an advantage on the capital deployment side and provides resiliency for our FRE in all market environments. While increasingly our peers are focusing on insurance, we continue to believe that our platform as a number of advantages that make us the premier player in the space. Our insurance affiliates are well capitalized. Having raised over $18.5 billion of equity capital, which allows them to target large and transformative transactions. Just this week it was announced that Venerable to Apollo [ph] help create will buy a variable annuity block from equitable that has total assets of approximately $35 billion, roughly doubling the size of Venerable. While this transaction has limited direct impact to Apollo's financial results, it speaks to our expertise across insurance segments.

As we consider the big themes of investing over the last several years, financials, particularly insurance is a key focus of our firm and as such we have approximately 150 investment professionals focused on this sector providing a broad set of capabilities across US and European spread, variable, property and casualty, and life settlements. Additionally, as we sit at the crossroads of providing yield for our investors and capital solutions for companies in need of liquidity, we have developed extensive asset management capabilities, including a large and growing direct origination business. This expertise spans middle market and large cap origination and a number of asset based lending categories that benefit our insurance and third-party clients.

One example of our leading origination platform is a sizable transaction we completed this quarter with the Abu Dhabi National Oil Company or ADNOC in which Apollo sourced, structured and executed investment for our clients in a $5.5 billion real estate portfolio. This was an investment grade transaction that was placed with our insurance in third-party clients looking for long-term yield -- long term and high quality yield. Given the sustained low rate environment, the size and strength of our asset management and origination capabilities, current organic growth trends and our acquisition capabilities, we expect continued growth in these insurance platforms.

In addition to the strong growth we've seen in insurance, we've made progress in a number of other business initiatives. This year we launched a $12 billion large cap direct origination strategy, announced our impact investing platform and listed Apollo strategic growth capital stack. Additionally, we've continued to grow our existing strategies such as Accord, Hybrid Value, infrastructure and our total return strategy to name a few. In terms of third party fundraising, we closed on $3.9 billion of third-party capital in the quarter, highlighted by number of first closes including Hybrid Value 2, an Accord IV and our new infrastructure opportunities strategy. These and other strategies have resulted in a strong year-to-date third party fundraising of $18.4 billion through the end of the third quarter

Looking forward, we expect that third-party fundraising will slow over the near term as some investors await the findings of the review, which Leon will discuss. Martin will also provide additional color on the potential impact to revenues. Before I turn the call over to Martin, I would like to reiterate my appreciation for those responsible for our strong earnings, our employees, led by our impressive global leadership team including Co-Presidents Jim Zelter and Scott Kleinman, who are here with me today, our 14% Management Committee and our leadership advisory forum of 60 Senior Global Professionals. With each day that passes, I am increasingly impressed by the commitment and the collaboration of our Apollo team towards one another in our business. Thank you again for all of your hard work.

With that I will hand the call over to Martin to cover some financial highlights of the quarter in greater detail.

Martin B. Kelly {BIO 15261625 <GO>}

Thanks, Josh. I'd like to echo Josh's appreciation for all our employees, whose continuing hard work is very much appreciated by our senior management team. For the third quarter, we announced a dividend of $0.51 per share fully supported by our after-tax FRE. Our reliable FRE stream supports a dividend at a level above our stated minimum of $0.40 per quarter. Any quarters of more meaningful transaction fees, the dividend can be substantially higher, even without the benefit of our performance fees.

We generated FRE of $0.63 per share on a pre-tax basis for the quarter, driven by growth in management fees and some high transaction fees. Management fees were up 6% over the prior quarter and 13% over the third quarter of 2019, driven by growth in fees for investing the assets of our insurance clients, growth in new business as described by Josh and deployment across the platform broadly.

Transaction and advisory fees of $72 million for the quarter driven by capital solutions transactions and private equity activity. The increase in compensation costs reflects our continued investment in building our capabilities across the areas of growth that Josh highlighted, including in infrastructure, our Hybrid capital business and our and our FIG platform as well as in technology and various business support functions across the firm.

Our FRE margin for the third quarter was 55% in line with our year-to-date margin and with our full year 2019 margin. We continue to anticipate that for the full year 2020, our margin will remain in the range of mid 50s reflecting low double-digit revenue growth balanced against theaw significant investments we are making across the Apollo platform. Specifically, we have invested over $100 million over the last two years in establishing new businesses, growing existing businesses and building technology and support teams around those businesses, all while maintaining our industry-leading FRE margins.

Turning to incentive realizations, we continue to experience very low realized performance fees in the third quarter as gains from monetization activity in Fund VIII were returned to LPs as a result of the impairments recognized in the first half of 2020. At the end of the third quarter, the netting hole and Fund VIII has been reduced to $650 million from $1.1 billion. We expect the gross realized performance fees will be negligible over the remainder of 2020 and the early part of '21. As portfolio companies manage the impacts of COVID on their operations and the return of LP capital in Fund VIII is prioritized.

Turning to AUM, we ended the third quarter at $423 billion, reflecting 5% growth quarter-over-quarter and 34% growth year-over-year. Inflows totaled $13 billion for the quarter reflecting organic growth of the team as well as fundraising for a number of strategies including Accord, Hybrid Value and infrastructure. For the third quarter, fee-generating AUM grew by 2% quarter-over-quarter and 38% year-over-year to $336 billion, supported by inflows and capital deployment.

Turning to deployment, investment activity across the platform returned to more normalized levels this quarter consistent with the continued recovery in the markets following the Fed stimulus actions. During the third quarter, deployment in our drawdown funds was at $2 billion compared to our average pace of $4 billion to $5 billion per quarter. However, our pipeline across the platform remains robust with a number of transactions in what we believe to be the later stages of our underwriting process.

During the first and second quarters of this year, we provided information on our gross buying activity across the platform. The purpose of this metric was to provide an indication of the breadth of our activities -- activity levels in a volatile market. Recognizing the evolution and growth of our platform beyond our drawdown funds and to provide an indication of our net investing and origination activity, we are introducing an expanded deployment measure to supplement our historical equity drawdown deployment measure. In addition to equity deployment in drawdown funds, this metric includes all net purchases and originations across our businesses, including on behalf of our insurance clients, Evergreen Funds, managed accounts and across our yield platforms.

In the third quarter, this expanded deployment measure was $21 billion and on a year-to-date basis, it was $65 billion. This measure is trending [ph] modestly ahead of last year as the components of our yield business continue to expand. Additional disclosure around this expanded view of deployment is available in our earnings release in total and for each segment.

Moving onto investment performance during the third quarter, our private equity funds portfolio appreciated by 8% due to strong performance across our funds public and private holdings. Fund VIII appreciated by 10%, driving an increase in the net carry assets of $0.76 per share. Fund VIII is now marked at a multiple of invested capital of 1.5 times. It's important to note that the Fund VIII is in full carry and the net carry asset is fully realizable at current marks. The impairment hole [ph] results in acceleration of proceeds to the fund LPs, but does not change the value of the net carry asset. It is also important to note that the clawback is independent of Fund VIII, and primarily related to legacy funds, which we expect to monetize over multiple years. Fund V, for example, at 2001 vintage funds is still open and has clawback.

On a year-to-date basis through the end of the third quarter, our private equity funds portfolio is down by only 5%, which compares favorably to the performance of the S&P

Value Index down 13%. The portfolio remains in good shape overall despite the challenging economic environment and we remain confident in our platform's ability to generate meaningful realized returns over time. We have not experience any impairments beyond those recognized in the second quarter. In credit, our funds aggregate portfolio appreciated by 3.7% during the quarter. Notably, on a year-to-date basis, our global corporate credit business has generated a 2.4% total return, reflecting 300 basis points of outperformance to its benchmark.

In addition, the performance of loans in our credit portfolio exceeded the S&P Leveraged Loan Index by 40 basis points year-to-date through September 30. Higher bond performance exceeded the BoA Merrill High-Yield Index by over 800 basis points for the same period. And our Credit Strategies Fund continues to perform very well, it is up 18% for the year through September 30. In real assets, our overall return for the quarter was 3.4% driven by broad appreciation across the portfolio and as you continue to have a de minimis effects on our portfolio performance in both private equity and credit this quarter.

Our net economic balance sheet value at the end of the third quarter after debt and preferred equity financing obligations was approximately $3.26 per share, growing meaningfully from the prior quarter. Our net performance fee receivable increased to $1.5 per share, supported by the strong performance across the platform. Apollo remains at a very strong liquidity position, with approximately $1.8 billion of liquidity available on our balance sheet. Our dry powder for investments across the fund complex was $46 billion at the end of the quarter, reflecting fundraising activity during the quarter offset by capital deployment.

Let me spend a moment on the durability of our AUM in light of the current review and any impact on fundraising. We believe our AUM is durable and consequently our FRE is resilient. With 60% of our AUM and permanent capital vehicles and over 90% of our AUM in permanent capital vehicles or funds with five years or longer from inception, our revenue base is less susceptible to redemption.

Only 3% of our AUM is able to be redeemed from funds that we manage within a 24-month period. And managed accounts are customized and have a variety of redemption features. Despite our progress in fundraising, which Josh commented on earlier, we expected some investors may look to poised to investments to new commitments to Apollo over the near term, at least until the independent review being conducted by the conflicts committee has been completed. To put out fundraising in context, our typical third-party capital raising has been in the range of $15 billion to $20 billion on an annual basis and has been $18.4 billion year-to-date through September 30. With a further significant contribution from organic growth and strategic transactions from our insurance clients, (inaudible) billion to date in 2020.

Even in what we believe to be the very unlikely event of no third party fundraising through 2021, but as a way to bookend, the potential impact, the combined effects of annualization of our robust growth in 2020, expected ongoing organic growth and redeployment of assets for our insurance clients at current fee rates and ongoing deployment of dry powder across the platform will result in revenue growth in the range of 7% to 9% in 2021, assuming redemptions in transaction fees at levels consistent with 2020.

With that, I'll now turn the call to Leon.

Leon D. Black {BIO 1444117 <GO>}

Good morning, everyone. This is Leon Black. I hope you and your families are safe, healthy and doing well despite these extraordinary and difficult times. As I have noted before this is Apollo's 31st year of doing business. And I am extremely proud of our team and everything we have accomplished over the past three decades on a foundation of excellence, performance and integrity. I want to begin today by addressing my prior business relationship with Jeffrey Epstein. By nature I am a private person and it runs counter to my nature to speak publicly about personal matters. This has been true ever since living through the press coverage of my father's suicide 45 years ago. But this matter is now affecting Apollo, which my partner and I spent 30 years building and is also causing deep pain for my family.

Knowing all that I have learned in the past two years about Epstein's reprehensible and despicable conduct, I deeply regret having had any involvement with him. With the benefit of hindsight, working with him was a horrible mistake on my part. I am not seeking to excuse that decision, but I do believe it may be helpful to convey some relevant facts. First and most important, Apollo never did any business with Epstein. Neither Epstein nor any company controlled by him, ever invested in any funds managed by Apollo. Second, as I stated in July 2019, Epstein did provide professional services to my family partnership and related family entities, involving a state planning, tax, structuring of art entities and philanthropic advice. His work extended over a period of six years from 2012 to 2017 and I paid him millions of dollars annually for that work. There exists substantial documentary support for the services provided. All of Epstein advice was vetted by the leading law firms, accounting firms and other professional advisors. Let me be clear, there has never been an allegation by anyone that I engaged in any wrongdoing, because I did not. And any suggestion of blackmail or any other connection to Epstein's reprehensible conduct is categorically untrue.

Third, I would like to provide some chronological context regarding my decision to do business with Epstein. I first met Epstein around 1996. At that time Epstein was advising prominent clients on a state tax matters and his network of relationships included luminaries I respected and admired including several heads of state, heads of prominent families and finance, a US Treasury Secretary, accomplished business leaders, Nobel Laureates, acclaimed academicians and noted philanthropists. Epstein had just been named a trustee of Rockefeller University. He was also a member of both the Council on Foreign Relations and the trilateral commission. I was not aware of Epstein's criminal conduct until it was publicly reported that Epstein was being investigated by Florida State and Federal prosecutors and law enforcement officials, beginning in late 2006.

In 2009 after being released from jail, Epstein return to his previous financial advisory activities and once again began working and associating with many prominent individuals, spanning the world's of finance, academia, science, technology, philanthropy, business and government. The distinguished reputations of these individuals gave me misplaced comfort in retaining Epstein's services in 2012 for my personal estate planning tax structuring and philanthropic advice. Like many other people I respect it. I decided to give Epstein a second chance. This was a terrible mistake. I wish I could go back in time and change that decision, but I cannot. Had I known any of the fact about Epstein's sickening and repulsive conduct, which I learned in late 2018 more than the year after I stopped working with him, I never would have had anything to do with him.

I understand and appreciate that concerns remain, for that reason at last week's Apollo Board meeting I requested that the Board's conflicts committee comprised of three independent directors retain outside counsel to conduct a thorough review of an independently confirm the information I have conveyed about my prior professional dealings with Epstein. I strongly believe that such an independent review is in the best interest of Apollo, our employees, our shareholders and our LPs. I look forward to the results of the independent review. I believe it will assure all of our stakeholders that they have the relevant facts and demonstrate that everything I have said about my relationship with Epstein is accurate and truthful. The review is now underway and I am cooperating fully. Out of respect for that process, I do not intend to provide any further details today or respond to questions concerning the matters under review by the conflicts committee and its counsel. I look forward to the committee completing its work and releasing its conclusions expeditiously.

Finally, I too would like to add my support for Apollo's 1,500 employees who worked tirelessly to achieve the best possible returns on behalf of all our valued investors. I am extremely proud of the extraordinary breadth and depth of talent we have built at the firm, which I believe is the best in the industry. I also greatly appreciate the (inaudible), they have demonstrated over the past few weeks.

With that, I thank you for your patience and we'll now turn it over to our senior leadership team for questions-and-answers to discuss our strong quarterly earnings.

Gary Stein {BIO 1911026 <GO>}

Thanks. Thanks, operator, that concludes our prepared remark of the day. Can you please open up the lines for questions.

Questions And Answers

Operator

(Operator Instructions) Our first question comes from the line of Craig Siegenthaler with Credit Suisse. Your line is now open.

Q - Craig Siegenthaler {BIO 15021209 <GO>}

For my question, I wanted to hear your perspective on how Apollo's clients have been reacting to the press reports, including the New York Times article, that focused on Leon's relationship with Jeffrey Epstein. And we saw comments from Cambridge and (inaudible), but I did not see any comments from your larger strategic investors? Thank you.

A - Josh Harris {BIO 1444168 <GO>}

Yeah. So it's Josh. I'll start and then I'll turn it over to Jim and Scott. Basically we have incredibly long and durable with our clients to like spanning over 30 years and we've delivered for our clients. We're deeply in contact with them. And obviously, they're awaiting the results of the review that Leon discussed. And so, but right now we are moving forward with our clients and focused on kind of the -- strategy is that I discussed. Jim nd Scott, anything to add or --

A - James Zelter {BIO 1908625 <GO>}

Yeah. I would just add. We're fortunate -- as Josh that we've got thousands of global clients and we've been in active dialog. They are continuing to drawdown capital and allocate capital to us. We've been very active. And they support and embrace the process

Operator

Our next question comes from the line of Glenn Schorr with Evercore ISI. Your line is now open.

Q - Glenn Schorr {BIO 1881019 <GO>}

Thank you. And I thought Leon comments were loud and clear and I appreciate that and there will not be a follow-up question for him on anything, I respect that. However, I do have one for you guys on Apollo, just operationally. What kind of process, I know you've got to let them do their thing, but are we talking about a couple of months or are talking about all of the next 12 months? What kind of process that could need to go through and do -- what is the outcome that LPs are waiting to hear? And do you expect if the process that echos Leon's comments that we're back on the same growth plan you've been on the new capital rates front? Thanks.

A - Martin B. Kelly {BIO 15261625 <GO>}

Sure, Glenn. So, the process is being run by the conflicts committee and there are independent directors on that committee, those three independents and they have a fiduciary obligation to shareholders. And so they are running that process, that review that will involves email reviews, interviews with people and so on. The timing is a little clear. I think there is a hope that it can be completed by the end of the year. But that has the usual asterisks around it based on how the review proceeds. So -- in the meantime, we are continuing to be actively engaged with LPs and we've had some capital closed just this week. We expect more capital to close in -- in the near term. And so we're highly engaged with LPs and we're letting that review take its course as an independent process and we'll await the results.

Operator

Our next question comes from Robert Lee with KBW. Your line is now open.

Q - Robert Lee {BIO 1495505 <GO>}

Great, thank you for taking my questions. I guess, not to belabor too much, but -- in addition of fundraising and I don't know why it was this is affecting -- all kind of the opportunities that you see out there for different kinds of deployment in some markets where maybe in a more competitive environment. Maybe making it more difficult to engage?

A - Josh Harris {BIO 1444168 <GO>}

It's really not. Basically, we have a very active pipeline across private equity real assets, infrastructure and credit. I mean Scott or Jim, if you want to add any color. Go for it.

A - Scott Kleinman {BIO 2322865 <GO>}

No. Yeah -- I'll -- this is Scott. I'll just reply. Our teams are as busy as they really have been. So this is to answer your question pretty clearly, no.

Operator

Our next question comes from Alex Blostein with Goldman Sachs. Your line is now open.

Q - Alexander Blostein {BIO 15412167 <GO>}

Good morning and appreciate everybody's comments here. Two things, I was hoping to get a little bit more clarity on. I guess one, understanding that there could be slowdown in new commitments to your guidance strategies. Do you think current situation could impact any of the potential insurance transactions that could be down on behalf of your insurance partners? So I guess that's one. And two, are there any conditions where LPs could choose to pull their commitments from funds that have already been committed to? So in other words not obviously permanent capital ones, but the more longer-dated ones like private equity, et cetera? Thank you.

A - Josh Harris {BIO 1444168 <GO>}

Sure sir. Yeah, to answer the first question on the insurance side. The pipeline there for everything from PRT, block positions to larger transactions is extremely busy. So I think there is a lot going on there and that will continue. As far as your second question around capital being able to be to be pulled, the answer is no. As Martin said in his comments only 3% of our capital can be withdrawn in the next 24 months. So there is really no scope for what you were trying to -- what you were describing.

Operator

Our next question comes from Ken Worthington with JPMorgan. Your line is now open.

Q - Ken Worthington {BIO 3303320 <GO>}

Hi, good morning. Maybe on clawback. The clawback payable this quarter was essentially flat. Can you give us more details in terms of the path forward to climb out of clawback?

And does clawback impact the way you think about take and carry going forward on future funds? Thanks.

A - Josh Harris {BIO 1444168 <GO>}

Sure, Ken. So I made some reference to this in my comments. Carry or clawback is calculated and it is one or the other at the fund level. And so a fund that's in carry does not have any clawback associated with it. So fund Fund VIII is clearly in carry at $0.76 of net carry on the balance sheet. The clawback is related to legacy funds, more than half the clawback is Fund VII and then the rest of it is a variety of other funds. And it's not uncommon to have clawback towards the back end of a fund, when you have the last -- the last investments that may not do as well. And in effect, there's been a slight over distribution of carry from from other successful investments earlier in the fund.

These things tend to have a very long life to them and so I referenced Fund 5, which is 20 years old. So -- and clawback is only payable when the fund is finally closed. When the loss as it is sold and the fund is liquidated that's when clawback is due. And we can choose to fund callback either through a reduction in distribution or off the balance sheet. So it has a very, very long tail to it and I don't see -- it's not uncommon, so I don't see it affecting carry structures and how we take carry on future funds. And it's just a -- it's just a dynamic that we manage and we're accustomed to.

Operator

Our next question comes from William Katz with Citigroup. Your line is now open.

Q - Bill Katz {BIO 1542109 <GO>}

Okay, thank you very much. Just a two-part question this morning. Martin, you had mentioned that you qualified sort of how you're spending this year. I was wondering if you could talk a little bit about the investment cycle into next year and maybe the FRE margins on that? And then maybe a broader question around and who knows about this next week, but carried interest, tax, if that were to actually rise, what if any impact it might have on earnings? Thank you.

A - Martin B. Kelly {BIO 15261625 <GO>}

Sure. So I referenced, about $100 million of spend over two years. We've been in a period of time when we've been investing in the platform and we've talked about that a fair amount. Roughly speaking that breaks down into a third investing in growing our opportunistic businesses, a third into growing our yield businesses and a third into growing the support functions around the firm for those businesses and further reasons. So I would not anticipate the pace of investment that we've been on continuing at those levels, although we're continuing to look at opportunities in front of us and invest, where we see areas for growth.

And then on the tax point, it's hard to know at this stage what the bill or any bill might look like and there so many potential components to it. If tax rates increase -- if corporate tax rates increase and of course that will increase our overall tax rate at the company level.

An increase in taxes on carry doesn't affect the firm's earnings and we don't see that affecting comp and comp structures as we look forward.

Operator

Our next question comes from Chris Harris with Wells Fargo. Your line is now open.

Q - Chris Harris {BIO 7312638 <GO>}

Thanks guys. With Marc Rowan on the call. I was wondering if he could may be take a minute or two and talk about his decision to take the semi sabbatical and I would ask the question because there has been some investor speculation about whether that decision was it all related to the Epstein matter?

A - Marc Rowan {BIO 1457142 <GO>}

Sure. This is Marc. I'm happy to take that. So firm grew in the insurance business, which I spend most of my time in -- more than $80 billion literally in the second quarter. I have never work that hard since I was young associate more than 30 years ago. And so I decided to take a semi sabbatical. So far it's been more semi than sabbatical. But there is an amazing team that's there. And as you saw from the pace of activity, we haven't missed a beat in the insurance business in terms of anticipation of any events, absolutely not.

Operator

Our next question comes from Patrick Davitt with Autonomous Research. Your line is now open.

Q - Patrick Davitt {BIO 15433277 <GO>}

Thanks. One quick follow-up from the call and then another question on the netting hole. The 7% to 9% revenue growth, you gave that's management fee growth rate, it will not include performance fees?

A - Martin B. Kelly {BIO 15261625 <GO>}

Right. That's -- it's FRE management fees.

Q - Patrick Davitt {BIO 15433277 <GO>}

And then a quick follow-up on the clawback, I think you said the netting hole was reduced, but the clawback remained the same. Could you help me understand the disconnect there?

A - Martin B. Kelly {BIO 15261625 <GO>}

Yeah, they are again distinct from each other. So the -- the carry -- the carry asset, let's just focus on Fund VIII. The carry asset on Fund VIII is based on current marks on the portfolio and if we sold everything today at the prices that we mark assets at, then we would have net carry of $0.74 a share to distribute. The impairment is not more than the timing impact. It results in a diversion of the next sales of assets and the next profits that come out of that to LPs, to sort of right size them for losses that we've taken.

But ultimately it's the sequencing versus the quantum of carry that affected by that. It's completely independent of the clawback. The clawback is not related to Fund VIII, but the impairment is and we'll work our way through the impairment as we've been doing and as you saw in Q3. And once we clear that, there will be sort of in full distribution mode.

Operator

Our next question comes from Devin Ryan with JMP Securities. Your line is now open.

Q - Devin Ryan {BIO 5863151 <GO>}

Great. Good morning. Just a question on investing philosophy. Obviously over time Apollo's established a great track record as being a leading value investor. And clearly, it feels like the public markets least are much more focused on growth than value industries in that kind of rewarding that, the pandemic has only I think accelerated that structural shift and shifts in the economy. So I'm curious whether this plays at all, how you guys are thinking philosophically about the construction of funds in the intermediate term, meaning, whether you would potentially lean more towards growth areas just given that the economy is kind of being turned into has and have nots world where a lot of value is by value for good reason?

A - Josh Harris {BIO 1444168 <GO>}

So we've set up our platform with 550 plus investors that are focused on creating idiosyncratic opportunities outside the public markets that have at discounts that create excess return on behalf for our clients. Clearly, as we're not tone deaf to the opportunities and growth. And so there is certainly -- we are reorienting a little bit around like what is Apollo's -- how does Apollo they play growth? And the way we're going to play growth is very similar to how we approach everything else, which is there are definitely going to be, those companies that are growing that might be a little higher multiple, that need capital, that might be for whatever reason kind of discounted, maybe it's a portfolio of assets. Maybe it's us recognizing value that others don't see.

And then on the credit side clearly we increasingly whether it'd be Airbnb or Expedia, or there are just a number of growth companies that need kind of credit and capital and Hybrid Value type capital that were deeply -- deeply in dialog with in providing capital structure solutions for. And so I think for sure we are affected by the world and the market and we do see that as a huge opportunity for us.

Operator

Our next question comes from Michael Cyprys with Morgan Stanley. Your line is now open.

Q - Michael Cyprys {BIO 16672489 <GO>}

Go back to the origination platforms and some of the investments you're making in the business there, I hope you can elaborate on that a little bit? And then we saw some headlines that you may be taking one of the platforms public through an IPO. I guess just maybe bigger picture, if you could just talk to, what the long-term aspirations are with these plans, with these portfolios platforms and how that might work in terms of feeding direct origination into your business and for clients. They are separate companies or maybe less attached, how do you see that sort of playing out?

A - James Zelter {BIO 1908625 <GO>}

Hey, Mike, it's Jim. We've talked for a while on this theme over the last several years. We talked about Investor Day last year, about the evolving backdrop of lending and what's going on in the markets. And Josh alluded to the ADNOC transaction today. Obviously, the value question is sometimes pointed at our opportunistic business, but it really permeates the entirety of our business to $425 billion. So in credit as you pointed out there's a variety of areas where origination, whether it's midcap, whether it's large cap origination, whether it's what we're doing an aircraft, our commercial mortgage and resi mortgages, PK Aviation, those are all businesses and platforms that really enable us to source, analyze and execute for our insurance clients, our third-party clients together.

And as we pointed out last year there is no one manner in which they are restructured. Some makes sense to be owned by the insurance affiliates because those are going to create flow for those vehicles really primarily, some have a much broader application. So from our view is that there is no one way to do it, we certainly will expect to continue. We've been -- as Josh already alluded to, there is a variety of large transactions in our pipeline that we can't announce now, but as you can see whether it was the Aeromexico dip or very similar situations like that in credit or in other areas that are critical to our growth, really -- really for us it's a critical area.

In terms of the name, you mentioned about one of our companies, sometimes it makes sense for us to take on third-party equity funding. The company referring to AmeriHome has had a phenomenal successful run. We thought, where the valuations were and the long-term aspirations and who owns that equity, we thought a public listing made sense. Certainly the marketplace had different view of it as of this week. But again, it's been very successful, contributed a lot of earnings and assets to us and we continue to think this is a big priority for us.

Operator

Our next question comes from Mike Carrier with Bank of America. Your line is now open.

Q - Michael Carrier {BIO 7543391 <GO>}

All right. Good morning and thanks for taking the question. Martin, just two clarifications. You mentioned the 79% revenue growth next year, I just wanted some context on what that included? And then on the new metric on overall deployment, I think you mentioned the $21 billion. Is that driving you something in terms of the business, whether it's higher yield like any revenues, just wondering in terms of why you guys maybe focus on that? Thanks.

A - Martin B. Kelly {BIO 15261625 <GO>}

Sure, Mike. So let's start with the first question. The 7% to 9% is a combination of a number of different things. One is annualizing growth in the platform across the whole platform this year including the insurance transactions and everything else. It takes account of what we see as wind downs next year based on what we anticipate selling. It actually kind of organic growth in (inaudible) as well as deployment activity using our existing dry powder. So that's what and I assume this transaction fees at a level similar to this year, given our emphasis on the large corporate lending business in the phase of that's generating. So that's sort of the context behind behind that number. It obviously doesn't take any credit for incremental capital raising from here.

A - Josh Harris {BIO 1444168 <GO>}

Which we think is unlikely, but we wanted to give the sensitivity to everyone.

A - Martin B. Kelly {BIO 15261625 <GO>}

Yeah. And look at the second question is, we view it as a -- I guess in the deployment as we -- as we've typically disclosed is specific to drawdown funds. And the non-drawdown funds part of our business is increasing. It's really where we're seeing less of the growth. And so we see this -- this additional metric as an important measure of the growth of our business across the whole platform including our origination platforms, including our business for our insurance clients and our third-party clients and including the drawdown funds. So it's a, we think a more encompassing measure of the true activity levels across the platform and we will continue to to report that and speak to it going forward.

Operator

Our last question comes from the line of Robert Lee with KBW. Your line is now open.

Q - Robert Lee {BIO 1495505 <GO>}

Great, thanks for taking my my follow-up. I did have a question on the transaction and advisory fees. I mean the -- I know you had a lot of activities, it's part of they were up -- they previewed last quarter. Can you maybe talk a little bit about underneath that -- how much of that just been driven more as you kind of ramp up you're kind of your capital allocation businesses versus just spree of deployments? Just trying to get a sense how we should think of that line item migrating going forward?

A - Josh Harris {BIO 1444168 <GO>}

Yeah. Rob, it's a mix. Actually, so last quarter there was a big fee and it was related to closing some co-invest capital on a large PE transaction. And they occur from time to time as we -- as we close big transactions. This quarter, it was more related to the lending business, which Jim has spoken to. But that's an important growth area for us. We view the ability to originate a very large transactions and speak to a whole transaction with that capital and then syndicate it to investors that want to take a piece of it to be -- important and important to our growth. And so that the fees this quarter related more to that than sort of classic co-invest capital.

A - Martin B. Kelly {BIO 15261625 <GO>}

But as we ramp that origination, whether it'd be Apollo strategic partners or our large cap origination engine or otherwise, we would expect that -- that, those fees would -- those fees would grow over time and they are, and become more predictable and sustainable

Operator

That concludes today's question-and-answer session. I'd like to turn the call back to Gary Stein for closing remarks.

A - Gary Stein {BIO 1911026 <GO>}

Great. Thanks, operator, and thanks to everyone for joining us this morning. As we said earlier, we hope you and your families all remain safe and healthy.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.