S&P Global
Market Intelligence

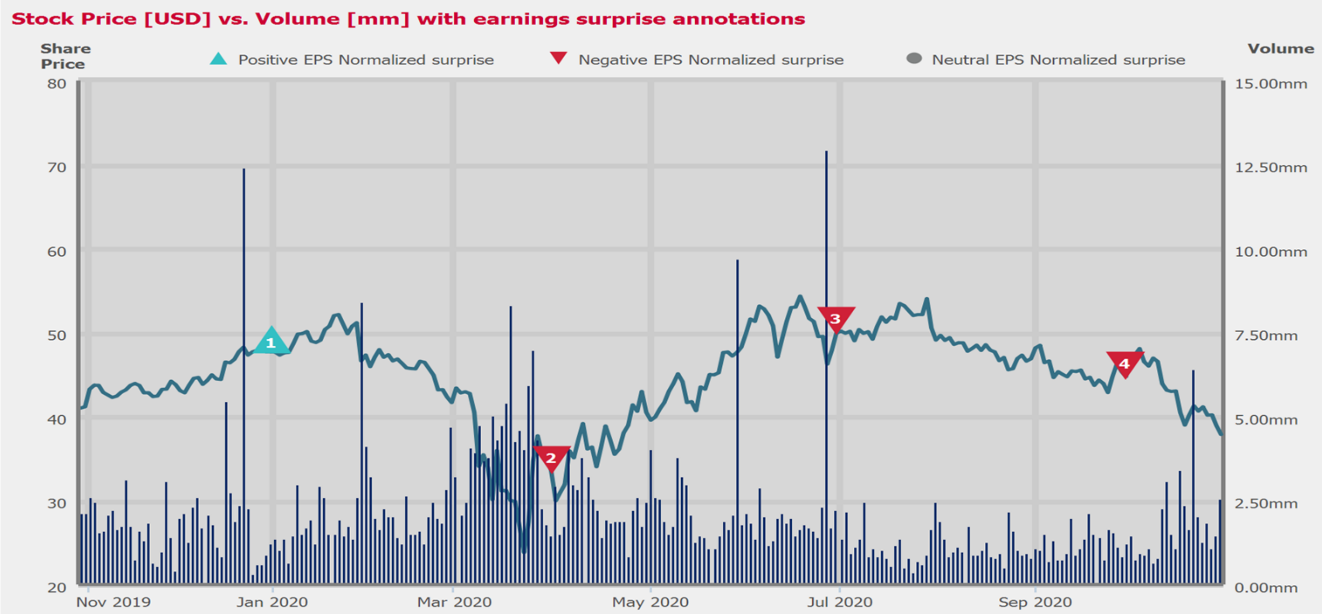
Apollo Global Management, Inc. NYSE:APO
FQ3 2020 Earnings Call Transcripts

Thursday, October 29, 2020 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2020-			-FQ4 2020-	-FY 2020-	-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.49	0.47	(4.08 %)	0.48	1.78	NA
Revenue (mm)	467.10	501.02	7.26	493.14	1902.35	NA

Currency: USD
Consensus as of Oct-30-2020 11:35 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2019	0.73	1.10	1 50.68 %
FQ1 2020	0.48	0.37	2 (22.92 %)
FQ2 2020	0.47	0.46	3 (2.13 %)
FQ3 2020	0.49	0.47	4 (4.08 %)

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EXECUTIVES

Gary Stein;Head of Investor Relations

James Charles Zelter
Co-President, Managing Partner & Chief Investment Officer of Credit

Joshua J. Harris
Co-Founder, Senior MD & Director

Leon David Black
Founder, Chairman & CEO

Marc Jeffrey Rowan
Co-Founder, Senior MD & Director

Martin Bernard Kelly
CFO & Co-COO

Scott M. Kleinman
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ANALYSTS

Alexander Blostein
Goldman Sachs Group, Inc., Research Division

Christopher Meo Harris
Wells Fargo Securities, LLC, Research Division

Craig William Siegenthaler
Crédit Suisse AG, Research Division

Devin Patrick Ryan
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Glenn Paul Schorr
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Michael J. Cyprys
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Michael Roger Carrier
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Patrick Davitt
Autonomous Research LLP

Robert Andrew Lee
Keefe, Bruyette, & Woods, Inc., Research Division

William Raymond Katz
Citigroup Inc., Research Division

Presentation

Operator

Good morning, and welcome to Apollo Global Management's Third Quarter 2020 Earnings Conference Call. [Operator Instructions] 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 financial 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 a 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;Head of Investor Relations

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; pretax 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'll open today's call with comments on our business and 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 the 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 Jeffrey Epstein's horrific acts and despicable conduct. Following Leon's statement, Martin, 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.

Joshua J. Harris
Co-Founder, Senior MD & Director

Thanks, Gary. I clearly echo your sentiments on behalf of our firm and believe the complex committee review is an important step. Thank you all for joining our third quarter earnings call. I hope we continue to find you in 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 overvalued public markets, global investor demand for private market opportunities remains strong. Notwithstanding high valuations, 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, Apollo continued to demonstrate the strength of our platform. For the 9 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 inflows 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 5 years or more from inception. We believe 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 has 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, which Apollo helped 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 the sector, providing a broad set of capabilities across U.S. 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 the 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 and 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 SPAC. 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 a number of first closes, including Hybrid Value 2 and Accord 4 and our new infrastructure opportunity 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-person management committee; and our leadership advisory form 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 and 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 Bernard Kelly
CFO & Co-COO

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. And in quarters of more meaningful transaction fees, the dividend can be substantially higher even without the benefit of performance fees. We generated FRE of $0.63 per share on a pretax basis for the quarter, driven by growth in management fees and some higher 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 businesses described by Josh and deployment across the platform broadly.

Transaction and advisory fees were $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 infrastructure, our hybrid capital business and our FIG platform as well as in technology and various business support functions across the fund. 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 the significant investments we are making across the Apollo platform. Specifically, we've invested over $100 million over the last 2 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 will return 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 on Fund VIII had 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 $433 billion, reflecting 5% growth quarter-over-quarter and 34% growth year-over-year. Inflows totaled $13 billion for the quarter, reflecting organic growth at Athene 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's stimulus actions. During the third quarter, deployment in our drawdown funds was layered 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 breadth 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 modestly ahead of last year as the components of our yield business continued to expand. Additional disclosure around this expanded view of deployment is available in our earnings release in total and for each segment.

Moving on to 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 1.5x. 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 results in an 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, a 2001 vintage fund, 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 experienced any impairments beyond those recognized in the second quarter.

In credit, our fund's 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 140 basis points year-to-date through September 30. Higher bond performance exceeded the BofA 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. Energy continued 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 $1.05 per share, supported by this 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 in permanent capital vehicles and over 90% of our AUM in permanent capital vehicles or funds with 5 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 expect that some investors may look to pause new 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 our 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, $82 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 David Black
Founder, Chairman & CEO

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 3 decades on the 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 partners and I spent 30 years building and is also causing deep pain for my family. Knowing all that I have learned in the past 2 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 estate planning, tax structuring of art entities and philanthropic advice. His work extended over a period of 6 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's advice was vetted by leading law firms, accounting firms and other professional advisers. 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 the time, Epstein was advising prominent clients on estate tax matters and his network of relationships included luminaries I respected and admired, including several heads of state, heads of prominent families in finance, a U.S. 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 returned to his previous financial advisory activities and once again began working and associating with many prominent individuals, spanning the worlds 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 respected, 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 facts about Epstein's sickening and repulsive conduct, which I learned in late 2018, more than a year after I stopped working with them, 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 3 independent directors retain outside counsel to conduct a thorough review of and 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 fortitude 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;Head of Investor Relations
Thanks, operator. That concludes our prepared remarks for today. Can you please open up the lines for questions?

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Craig Siegenthaler with Crédit Suisse.

Craig William Siegenthaler
Crédit Suisse AG, Research Division

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 PSERS, but I did not see any comments from your larger strategic investors.

Joshua J. Harris
Co-Founder, Senior MD & Director

Yes. So it's Josh. I'll start, and then I'll turn it over to Jim and Scott. But basically, we have incredibly long and durable relationships with our clients, 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 -- we're moving forward with our clients and focused on kind of the strategies that I discussed. Jim or Scott, anything to add or...

James Charles Zelter
Co-President, Managing Partner & Chief Investment Officer of Credit

I would just add, listen, we're fortunate, Scott, as Josh said, we've got thousands of global clients, and we've been in active dialogue. They are continuing to draw down 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.

Glenn Paul Schorr
Evercore ISI Institutional Equities, Research Division

I thought Leon's comments were loud and clear, and I appreciate that. And this 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 got to let them do their thing. But are we talking about a couple of months? Are we talking about all of the next 12 months? What kind of process does that need to go through? And do -- what is the outcome that LPs are waiting to hear? And do you expect -- if the process echoes Leon's comments that we're back on the same growth plan you've been on the new capital raising front?

Martin Bernard Kelly
CFO & Co-COO

Sure, Glenn, it's Martin. So the process is being run by the Conflicts Committee, and there are independent directors on that committee. There's 3 independents, and they have a fiduciary obligation to shareholders. And so they are running that process, that review. That will involve e-mail reviews, interviews with people and so on. The timing is a little clear. I think there's a hope that it can be completed by the end of the year, but that has the usual asterisk around it based on how the review proceeds. So in the meantime, we're continuing to be actively engaged with LPs. And we've had -- we've had some capital closed just this week. We expect more capital to close 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.

Robert Andrew Lee
Keefe, Bruyette, & Woods, Inc., Research Division

Great. I guess, not to belabor too much, but in addition to fundraising, and I'm not -- I don't know why it would, but is this affecting -- just 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, it's maybe making it more difficult to engage?

Joshua J. Harris
Co-Founder, Senior MD & Director

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.

Scott M. Kleinman
Co-President

No, yes. I'll -- this is Scott. I'll just reply. Now 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.

Alexander Blostein
Goldman Sachs Group, Inc., Research Division

I 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 a slowdown in new commitments to your guided 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.

James Charles Zelter
Co-President, Managing Partner & Chief Investment Officer of Credit

Sure. So yes, 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's 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's really no scope for what you were trying to -- what you were describing.

Operator

Our next question comes from Ken Worthington with JPMorgan.

Kenneth Brooks Worthington
JPMorgan Chase & Co, Research Division

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 taking carry going forward on future funds?

Martin Bernard Kelly
CFO & Co-COO

Sure, Ken. So I made some reference to this in my comments. Carry or clawback is calculated, and it's 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 VIII is clearly in carry, it has $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 investments that may not do as well. And in effect, there's been a slight over distribution of carry from other successful investments earlier in the fund. These things tend to have a very long life to them. And so I referenced Fund V, which is 20 years old. So -- and clawback is only payable when the fund is finally closed. When the last asset is sold and the fund is liquidated, that's when clawback is due. And we can choose to find clawback either through a reduction in the 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 dynamic that we manage and we're accustomed to.

Operator

Our next question comes from William Katz with Citigroup.

William Raymond Katz
Citigroup Inc., Research Division

Just a 2-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?

Martin Bernard Kelly
CFO & Co-COO

Sure. So I referenced about $100 million of spend over 2 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 1/3, investing and growing our opportunistic businesses; 1/3 into growing our yield businesses; and 1/3 into growing the support functions around the firm for those businesses and for other 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, what any bill might look like, and there's so many potential components to it. If tax rates increase, if corporate tax rates increase, then, 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.

Christopher Meo Harris
Wells Fargo Securities, LLC, Research Division

With Marc Rowan on the call, I was wondering if he could maybe take a minute or 2 and talk about his decision to take a semi-sabbatical. And I asked the question because there's been some investor speculation about whether that decision was at all related to the Epstein matter.

Marc Jeffrey Rowan
Co-Founder, Senior MD & Director

Sure. It's 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 worked that hard since I was a 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's 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.

Patrick Davitt
Autonomous Research LLP

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, right? It would not include performance fees?

Martin Bernard Kelly
CFO & Co-COO

Right. That's FRE management fees. Management fees.

Patrick Davitt
Autonomous Research LLP

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

Martin Bernard Kelly
CFO & Co-COO

Yes. They're, again, distinct from each other. So 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 a net carry of $0.74 a share to distribute. The impairment is not more than a 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 rightsize them for losses that we've taken. But ultimately, it's the sequencing versus the quantum of carry that's affected by them. 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, then we'll be sort of in full distribution mode.

Operator

Our next question comes from Devin Ryan with JMP Securities.

Devin Patrick Ryan
JMP Securities LLC, Research Division

Just a question on investing philosophy. Obviously, over time, Apollo has established a great track record as being a leading value investor. And clearly, it feels like the public markets at least are much more focused on growth than the value industries and have kind of been 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 into 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 a haves and have nots world where a lot of value -- there's broad value for good reason.

Joshua J. Harris
Co-Founder, Senior MD & Director

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 of return and alpha for our clients. Clearly, as we're not tone deaf to the opportunities in growth, and so there's certainly -- we are reorienting a little bit around like what is Apollo, how does Apollo 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 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 we're deeply, deeply in dialogue with and 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.

Michael J. Cyprys
Morgan Stanley, Research Division

Go back to the origination platforms and some of the investments you're making in the business there. I was hoping 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 and platforms? And how that might work in terms of feeding direct origination into your business and for clients that they are separate companies or maybe less attached? How do you see that sort of playing out?

James Charles Zelter
Co-President, Managing Partner & Chief Investment Officer of Credit

Mike, it's Jim. We've talked for a while on this theme over the last several years. We talked about at 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 mid-cap, whether it's large-cap origination, whether it's what we're doing in aircraft, commercial mortgage and resi mortgages, PK aviation, those are all businesses and platforms that really are -- enable us to source, analyze and execute for our insurance clients, our third-party clients together. And as we pointed out last year, there's no one manner in which they're structured.

Some make 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's no one way to do it. We certainly will expect to continue. We've been, as Josh sort of alluded to, there's 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, that's really the -- for us, it's the 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 you're referring to, Amerihome, has had a phenomenal successful run. We thought with where valuations were and the long-term aspirations and who owns that equity, that we thought a public listing made sense. Certainly, the marketplace had a 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.

Michael Roger Carrier
BofA Merrill Lynch, Research Division

Martin, just 2 clarifications. So you mentioned the 7% to 9% 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 something in terms of the business, whether it's higher yield, like any revenues? Just wondering in terms of why you guys maybe focused on that.

Martin Bernard Kelly
CFO & Co-COO

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 takes account of organic growth in Athene as well as deployment activity using our existing dry powder. So that's what -- and it assumes transaction fees at a level similar to this year, given our emphasis on the large corporate lending business and the fees that, that's generating. So that's sort of the context behind that number. It obviously doesn't take any credit for incremental capital raising from here.

Joshua J. Harris
Co-Founder, Senior MD & Director

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

Martin Bernard Kelly
CFO & Co-COO

Yes. And look, the second question is, we view it as a, I guess, in deployment, as we've typically disclosed it, is specific to drawdown funds. And the non-drawdown fund part of that business is increasing. It's really where we're seeing most of the growth. And so we see 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'll continue to report that and speak to it going forward.

Operator

Our last question comes from the line of Robert Lee with KBW.

Robert Andrew Lee
Keefe, Bruyette, & Woods, Inc., Research Division

I did have a question on transaction and advisory fees. I mean, the -- I know you had a lot of activity that supported it. They were up. They were pretty good last quarter. Can you maybe talk a little bit about how -- underneath that, how much of that is just being driven more as you kind of ramp up your kind of -- some of your capital allocation businesses versus just straight up deployment? Just trying to get a sense of how we should think of that line item migrating going forward.

Martin Bernard Kelly
CFO & Co-COO

Yes, 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 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 very large transactions and speak to a whole transaction with our capital and then syndicate it to investors that want to take a piece of it to be important and important to our growth. So the fees this quarter related more to that than sort of classic co-invest capital.

Joshua J. Harris
Co-Founder, Senior MD & Director

But as we ramp up origination, whether it be Apollo's strategic partners or our large-cap origination engine or otherwise, we would expect that those fees would be -- those fees will 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.

Gary Stein;Head of Investor Relations

Great. Thanks, operator, and thanks, 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.