

# Apollo Global Management, Inc. NYSE:APO

## FQ1 2021 Earnings Call Transcripts

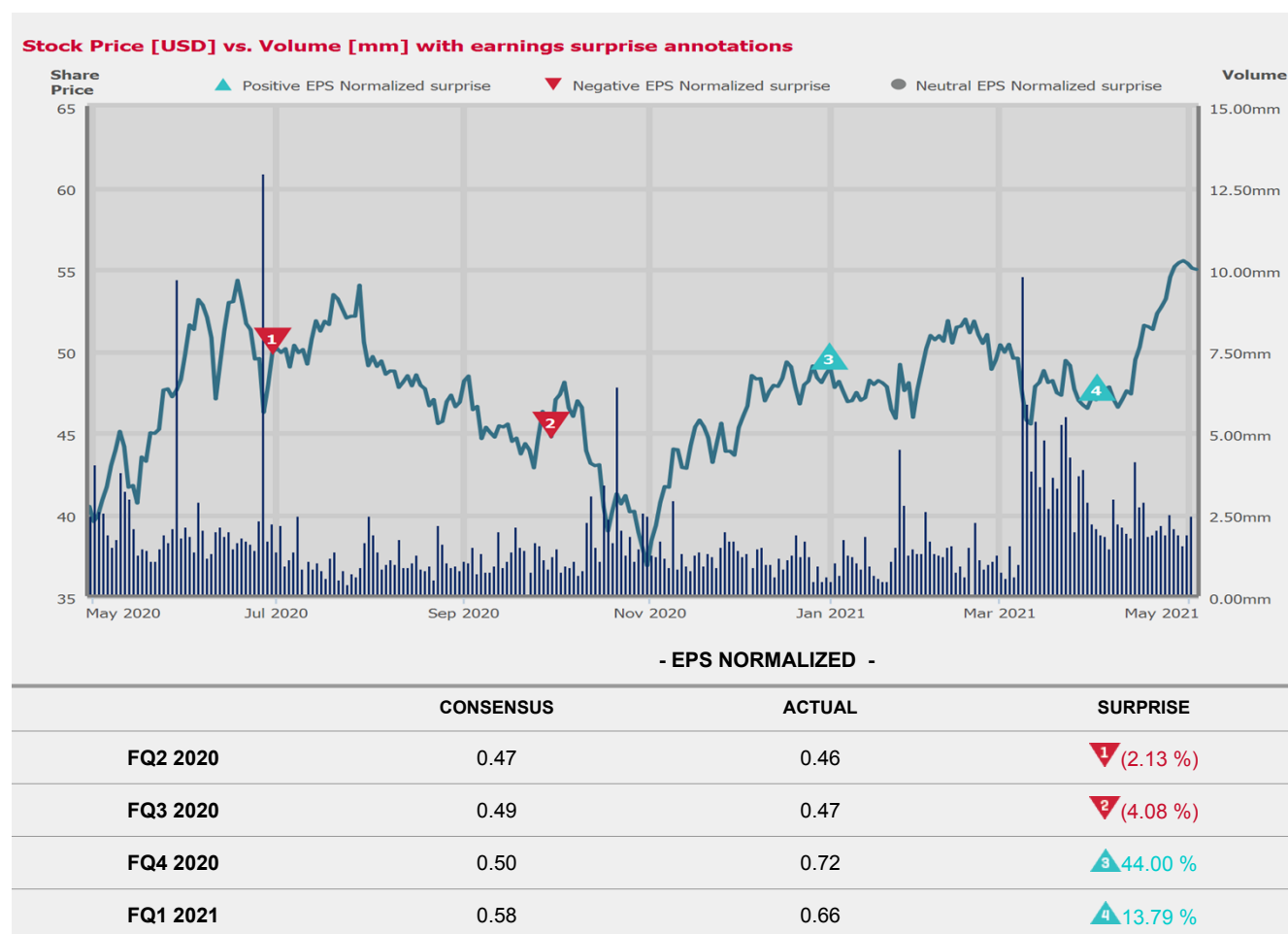
**Tuesday, May 04, 2021 12:30 PM GMT**

S&P Global Market Intelligence Estimates

	-FQ1 2021-			-FQ2 2021-	-FY 2021-	-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.58	0.66	▲ 13.79	0.67	2.89	NA
Revenue (mm)	497.25	512.94	▲ 3.16	524.35	2135.82	NA

Currency: USD

Consensus as of May-05-2021 11:28 AM GMT



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# Call Participants

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*Co-Founder, CEO & Director*

**Martin Bernard Kelly**  
*CFO & Co-COO*

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**Devin Patrick Ryan**  
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Research Division*

# Presentation

## Operator

Good morning, and welcome to Apollo Global Management's First Quarter 2021 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 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 a solicitation of an offer to purchase any interest in any Apollo Fund.

I would now like to turn the call over to Peter Mintzberg, Head of Investor Relations.

**Peter Mintzberg**  
*Head of Investor Relations*

Thanks, operator. Welcome to our first quarter 2021 earnings call. Joining me this morning are Marc Rowan, CEO and Cofounder; Scott Kleinman, Co-President; and Martin Kelly, CFO and Co-COO. I'd like to turn it over to Marc to kick off our comments for today.

**Marc Jeffrey Rowan**  
*Co-Founder, CEO & Director*

Good morning. Thank you, Peter, and welcome all. Q1 21 was a strong quarter for Apollo. Record FRE of \$287 million or \$0.65 a share, up 26% year-over-year, up 4% sequentially. Total inflows of \$13 billion -- excuse me, fund driven by \$5 billion of fundraising and \$4 billion of Athene organic growth. AUM of \$461 billion, up \$145 billion year-over-year, 46% year-over-year. And 6% -- \$6 billion quarter-over-quarter, reflecting \$13 billion of inflows, \$9 billion of positive marks on the PE portfolio, partially offset by reductions in the yield portfolios at Athene and Athora due to rising rates and changing position of the euro.

Our opportunistic businesses had a particularly strong quarter as they are positioned for a strong U.S. and European recovery. The PE portfolio, in particular, was up 22% versus an S&P of 5.8%. Scott, I know will take you through more details, including deployment and realizations and Martin will take you through the financials.

As I discussed on our last earnings call, I had some simple observations on our business and by extension, our strategy. We are in our growth business. This quarter and the year-over-year results make this abundantly clear. We provide a product that is in high demand. We provide excess returns to investors on a risk-adjusted basis. We serve a growing market, driven primarily by the need for retirement income. We serve this market directly through our Athene and Athora affiliates and indirectly, through our institutional clients, our pension funds, retirement systems, sovereign wealth funds and others. The demographics and market trends of our market, aging, indexation, low rates, need for retirement income mean that, in general, the business gets better every day.

We recognize how fortunate we are to be in a growth business. If you dig down to the next level, if you look at our largest business, our yield business, which is more than \$330 billion of our AUM, that business is not limited in its growth by capital or liabilities. It is limited in its growth by asset. And that limitation is only temporary. It is our job, and therefore, our strategy to expand our capacity to generate assets that provide interesting risk reward for this segment of the market. In our hybrid and opportunistic businesses, it is a little bit more balanced. Some of our strategies still have substantial room to expand by expanding their access to capital. Because the front end of those businesses is just so strong.

Apollo's unique value proposition is that we are exceptionally good at generating excess returns across a very broad swath of the risk-return spectrum from investment-grade to private equity. Examples of excess return across this very broad spectrum, not over one year, but over a very long period of time, I think are instructive. In private equity, our 31-year

return is 39% gross, 24% net with every core private equity fund having generated carry, an incredible track record, which puts us substantially ahead of the top quartile PE performance.

It's not any one fund. It's not size of fund. It's not any one investment cycle. It is the discipline of the franchise and what we do. And I know Scott will spend time walking you through the returns of the most recent fund and how we approach our opportunistic businesses.

In our yield business, I believe the best example of our capacity to generate excess return is manifested by examining our largest client, Athene. If you look at Athene since inception over more than the past decade, their ROE in their insurance businesses is 22%. And on a consolidated basis, 15% on average over this period of time. This is substantially in excess of any comparable company or comparable index. In the context of this background, this quarter was all about reinforcing strategy, building our front-end or capacity to generate additional assets and positioning us to grow faster.

The biggest step in the quarter was obviously our decision to enter into an agreement to merge with Athene. This transaction massively reinforces our position serving retirement income and retirees, adding almost 1 million clients, including our pension retirement transfer business, an average age in the high 60s. This transaction adds to our capacity and coordination to develop additional yield platforms through aligning Apollo and Athene. Thinking back to what we have been able to achieve with us not fully aligned, whether it is our mid-cap corporate credit business, our triple-net lease business, our aircraft finance business, our Redding Ridge structured products business, the list goes on and on. I'm excited as to what we can achieve with full alignment.

In our hybrid and opportunistic businesses, this transaction increases our ability to seed products and to seed teams and to launch new funds and simply to get to market faster. Some examples of what we've done historically include our hybrid value fund, our infrastructure fund and numerous others. The transaction also represents a significant strengthening of our connection to additional forms of distribution, including retail banks, independent broker-dealers and other wealth channels. These wealth distribution channels represent a significant source of growth for us, and we expect 2021 even prior to the closing of the transaction with Athene, to be a record year for Apollo in these channels and a source of significant future growth. The merger was not the only step we took in the quarter to reinforce our strategy. Significant progress was made in our high-grade alpha business.

Apollo has developed a unique platform to provide capital and funding to large corporations globally in the investment-grade market. Our unconstrained appetite for long-dated creative and semi-liquid solutions have allowed us to execute multibillion-dollar transactions in a short time frame as the sole counterparty to these corporations. Working with our partners, with our 400-plus investment professionals, we expect to generate \$15 billion to \$20 billion of these transactions in 2021. Also in the quarter, we announced the launch of our credit secondaries business. A new platform leveraging our insurance affiliates appetite for this asset class into a very fast-growing private credit secondaries market. This is one of the first funds in this rapidly growing space, and we plan to raise substantial additional money in the future for this strategy as we continue to build out our general partnership Solutions capabilities.

In summary, this is an investment year. We're focused on setting the business up so that it grows faster over the next 5 years, and Scott will take you through some of the investments we were making during 2021 in his prepared remarks. Away from the financials of the business and the strategy of the business, we delivered the changes in governance that we had set out in our first -- in the first conference call I had done with you. We began to implement changes to our governance to establish a simpler, more transparent corporate structure, we believe ultimately positions us to be eligible for S&P index inclusion.

In closing, the business is firing on all cylinders. We're making tremendous progress, and I'm very optimistic about growth. I want to take this moment to thank over 1,700 Apollo employees around the world. Including 59 new hires in Q1 who worked tirelessly to achieve the results we have announced today. Culturally, the senior management team is focused on positioning the firm to speak authentically about what we can achieve and what we can particularly have an impact on. We are very focused on expanding opportunity, particularly for broader segments of society that heretofore may not have had access to the same opportunities. We can do this at Apollo. We can also do this through our portfolio companies. More to come on this in the near future. Our efforts around citizenship, diversity, equity, inclusion and ESG are core to our value proposition for our people. And we continue to raise awareness and deepen education on the key issues.

In January, we received a score of 100% from the human rights campaign foundation with regard to being the best place to work for LGBTQ equality. Yesterday, we announced a significant donation to United Way India's partner Act to immediately deploy thousands of oxygen concentrations and other critical life-saving medical equipment to those in most

need. Our hearts go out to the Apollo community in India and their loved ones who are experiencing the impact of this crisis.

With that, I will now turn it over to Scott.

**Scott Weiner**

*Partner of Real Assets & Head of Commercial Real Estate Debt Business*

Thanks, Marc, and thank you all for joining us this morning. As mentioned, Apollo differentiates itself by the ability to generate excess returns across the entire risk-reward spectrum. In this quarter, we again demonstrated the strength of this proposition across our platform. When I think about the overall performance of the business, I break it down into 5 key factors: finding good investments to deploy capital, having the portfolio accrete in value, monetizing our investments, raising more capital and investing in and growing both our existing platforms as well as our new ones.

So far, in 2021, Apollo has made very good progress across all of these areas. So let me get through them one by one. Regarding deployment, our ability to find attractive returns at all points along the risk spectrum shines in an environment like the one we're in now, where valuations are seemingly high for private equity and yields are painfully thin for most credit products.

Total deployment for Q1 was \$24.9 billion. Our private equity funds deployed \$2.4 billion in capital in the quarter. Additionally, we committed to deploy a further \$3.3 billion in the quarter, driven by 2 large Fund IX investments, Michaels and the Venetian. And since quarter end, we've continued to commit to significant additional transactions. We continue to see a strong recovery in the economy, particularly in those sectors hardest hit by COVID, such as leisure, travel, gaming and specialty retail, and we continue to invest in those spaces.

Our Hybrid Value business continues to be active with over \$500 million deployed in the quarter. Strong deployment of \$19.1 billion in our credit business in the first quarter was in line with fourth quarter levels and includes strong insurance balance sheet growth on insurance inflows and pension risk transfer transactions. With spreads tight, others are going down in quality to earn returns, but we've been moving up in credit quality and finding our returns through superior asset selection and origination. This will set us up well in the future. We're preparing for, but not predicting higher rates to come. Our initiative to seek increased high-grade alpha origination transactions continues to grow and has a robust pipeline. We continue to see substantial opportunities to provide capital and funding solutions to corporations and financial institutions globally with the ability and expertise to find innovative solutions and structures.

Also, we are now fully in the European direct loan market, committing to \$1 billion in the first quarter. This is a space we weren't present a year ago. And lastly, J.C. Penney has agreed to transfer \$2.8 billion in pension obligations for roughly 30,000 participants in J.C. Penney's pension plan to Athene as part of a pension transfer transaction. Athene utilized its strategic capital vehicle, ACRA, to support the completion of this transaction.

In terms of value creation, this has been an exceptional quarter for Apollo. Marc just mentioned our very strong track record in private equity for over 31 years. We continue to show that we have an ability to find attractive returns in any market environment. We continue to believe that purchase price matters, and we will utilize our expertise to creatively source, structure and optimize assets, adding value in partnership with our growing in-house operations team of experts. This can clearly be seen in our most recent and largest fund, Fund IX. We're seeing very strong performance in this fund with the current marks up 33%, leading to an IRR of 49% gross, 26% net and a MOIC of 1.7x.

While we expect these numbers to converge over time towards historic levels, we see the results as a validation of our investment expertise and of the fact that this continues to be a very high-return business, if done in the right way. In a market characterized by indexation, correlation and volatility, Apollo's investment discipline really stands out. During the quarter, our overall private equity segment appreciated by 22% as compared to the S&P at 5.8%, driven by exceptionally strong performance across our funds, public and private holdings. Fund VIII and Fund IX appreciated by 19% and 33%, respectively, driving an increase in the net carry asset to \$3.04 per share, up from \$1.82 per share in the fourth quarter.

Importantly, Fund VIII returned to paying cash carry and the netting [ hole ] of the funds has been eliminated. Fund VIII is now marked at a multiple of invested capital of 1.8x, and we expect it to continue to grow and create value as the portfolio matures. As a reminder, Fund IX crossed into carry in the fourth quarter of last year and as of the first quarter, it is in full carry. Our Hybrid Value fund is delivering strong performance with gross IRR of 31%, 25% net and MOIC of 1.3x. We also experienced strong performance with our infrastructure equity fund in the quarter, up 15%. In credit, our Fund's aggregate portfolio returned 4% during the quarter, 1.9% above the benchmark.

Notably, our global corporate credit business generated a 3% total return in the quarter, reflecting over 80 basis points of outperformance to its benchmark. In addition, the performance of structured credit exceeded the index by approximately 400 basis points for the quarter, and our credit strategy fund generated 5% in the quarter, 150 basis points above its index. Our strong credit performance has been driven in part by the excess spread we've been able to generate for our insurance and other clients, which stems from our differentiated and expanding origination capabilities.

Regarding realizations, we saw strong monetization of our investments with \$3.7 billion of capital returned to LPs in the first quarter. The total capital returned to LPs over the last 12 months adds to \$10.4 billion. We announced several large transactions this quarter, including the highly successful IPO of Sun Country, a Fund VIII portfolio company, the merger of Tech Data, a Fund IX portfolio company with Synex, the sale of Amerihome owned by Athene and several Apollo funds to Western Alliance and NGL Energy Partners through our yield business. We have a strong pipeline and expect to continue generating strong monetization for our investors.

On fundraising, this quarter, we raised a significant amount of capital from third party investors, near the high end of the \$15 billion to \$20 billion annual range we have discussed in the past. All in all, we've made great progress with our investors over the quarter, and for the most part, they have been incredibly supportive of all the recent changes at Apollo. We have several funds raising capital in the market now and closed on \$4.8 billion in the quarter. In addition, we saw inflows of \$4.2 billion from our insurance affiliates with total inflows for the quarter of \$13.4 billion. We also see a huge opportunity to expand our distribution in the wealth management channel and are building now the capability to do that. We are confident in our fundraising targets for the year and have already raised over \$2 billion since quarter end.

Lastly, with respect to investing in our platform and growth, to echo Marc's comments, we see incredible opportunities to accelerate growth and are investing in the business. It is an exciting time to be in the asset management business. Capital flows are concentrating towards a select few players who can provide the breadth of products and services that investors are looking for. And that trend is only accelerating and creating new winners and losers. We see an enormous opportunity ahead of us, and we're planting the right seeds to take advantage of many of these growth opportunities. We're adding over 400 employees this year across all parts of our business.

We're growing our core product teams and building capabilities to scale our platform and increase our ability to generate excess returns across several areas, including infrastructure, impact investing, credit and GP secondaries, direct origination, capital markets and syndication and SPACs, just to name a few. As we build these growth engines, we're also continuing to build the enterprise solutions teams to support this growth. We're confident that this type of investment will produce at least mid-teens growth in FRE over the long term, with some fluctuations between low teens and high teens depending on investment opportunities in any given year. We believe the path forward is bright for Apollo, and we're excited to continue on this strong trajectory. I speak for the entire management team in expressing our gratitude for our deep bench of talent, who've come together to drive the success that we've experienced so far this year.

So with that, I'll turn it over to Martin.

**Martin Bernard Kelly**  
CFO & Co-COO

Great. Thanks, Scott. For the first quarter, Apollo recorded exceptional results across all relevant financial and operating metrics. Our GAAP net income to common shareholders was \$670 million or \$2.81 per share in the first quarter as compared with \$0.44 per share for the full year 2020 and \$3.71 per share for the full year 2019. We generated record FRE of \$0.65 per share on a pretax basis, up 26% year-over-year and 4% quarter-over-quarter driven by growth in management fees and an uptick in FRE performance fees related to our CLO manager. Management fees grew 3% over the prior quarter and 17% over the first quarter of 2020, driven by growth in fees for investing the assets of our insurance clients and deployment across our platform broadly.

Transaction and advisory fees were \$56 million in the quarter. Driven by Capital Solutions transactions and private equity activity. Though this represents a more normalized level than in recent quarters, it is nearly double the pre 2020 quarterly average, up 51% year-over-year and is more representative of the run rate we expect as our origination business further scales. Compensation expense was flat over the prior quarter. However, we expect this to grow over the next few quarters as we continue to invest in the growth initiatives that Scott outlined.

Noncompensation costs fell 21% over the prior quarter as a result of both seasonality and the absence of any onetime items. As a reminder, in the fourth quarter, non-comp was elevated due to costs related to the independent review. For

the first quarter, we announced a dividend of \$0.50 per share and after-tax distributable earnings of \$0.66 per share, supported by both our strong pretax FRE and net incentive earnings of \$0.10 per share. After tax distributable earnings of \$294 million were up 78% over the first quarter of 2020 and reflects the return of Fund VIII to paying cash carry.

Turning to AUM. We ended the first quarter at \$461 billion, up \$6 billion quarter-over-quarter and \$146 billion year-over-year. Inflows totaled \$13 billion for the quarter, reflecting robust fundraising of \$5 billion for numerous strategies across the platform, organic growth at Athene and growth in our CLO platform. The third-party capital raised in the quarter is an indication that our relationships with LPs remain strong, and we expect the majority of capital raise headwinds to now be behind us. For the first quarter, fee-generating AUM fell nominally due to interest rate-driven markdowns on Athene and Athora's balance sheets. However, fee-generating AUM grew 43% year-over-year supported by continued inflows and capital deployment.

The impact on management fees of the markdowns of these balance sheets is largely reflected in the first quarter numbers, and represents approximately 1% of management fees on an annualized run rate basis. While higher rates do reduce management fees on Athene's existing assets, we believe that higher rates are a net positive for Athene and Apollo given increased origination volumes and an ability to earn higher income on deployment into new assets.

Turning to incentive realizations. We recognized \$107 million of gross performance fees for the first quarter, primarily related to monetization activity in Fund VIII and our Hybrid Value fund in our private equity business. As Scott mentioned, the impairment netting hole on Fund VIII has been eliminated as of the end of the first quarter, driven principally by secondary transactions of OneMain, Veralia and Sun Country. Fund VIII has a multiple uninvested capital of 1.8 and a current gross and net IRR of 18% and 13%, respectively.

The clawback obligations of \$0.17 per share that we report in our earnings release are related to older legacy funds, including Fund V and some older credit funds and are specific to those funds and are not cross-collateralized across other funds. We do not expect these clawback amounts if materialized to become cash obligations for at least several years from now. Deployment in our drawdown funds was \$2.7 billion in the first quarter and our pipeline across the platform remains robust as we have significant equity commitments on announced transactions in our private equity business. Our broader measure of deployment, which reflects the breadth of our origination business, was again strong at \$25 billion in the first quarter. Deployment was driven by strong growth in insurance clients, including repositioning the assets acquired from Jackson, investments in our syndicated loans business as well as middle market and commercial real estate lending activity.

Our dry powder for investments across our fund complex was \$50 billion at the end of the quarter, of which \$24 billion has the potential to drive management fees upon investment. Apollo remains in a very strong liquidity position with approximately \$1.7 billion of liquidity available on our balance sheet. Our net economic balance sheet value after debt and preferred stock was approximately \$8 per share at March 31, up over \$3 quarter-over-quarter, primarily due to an increase in our total net performance fees as well as an increase in value of our investment in Venerable, our variable annuity platform related to a transaction with Equitable.

To echo Marc and Scott, we're very pleased with our first quarter earnings, driven by exceptional investment performance, growing fee earnings and continued deployment and realization activity across the platform. We look forward to further accelerating growth in our platform, including via our announced merger with Athene and creating a corporate structure which will create flexibility to allocate capital to further growth at any of our businesses or to return to shareholders.

Lastly, we understand the desire for more specifics surrounding the announced merger with Athene, including pro forma segment financials. And we look forward to providing that to you in conjunction with an Investor Day, which we currently anticipate holding in the fall.

With that, I'll turn the call back to Peter.

**Peter Mintzberg**  
*Head of Investor Relations*

That concludes our remarks for today. Operator, please open the line for questions.



# Question and Answer

## Operator

[Operator Instructions] Our first question comes from Bill Katz with Citigroup.

**William Raymond Katz**  
*Citigroup Inc., Research Division*

I was wondering if you could maybe start with maybe fleshing out a little bit of the incremental spend into the retail channel, what that might look like? And then how quickly you think you could maybe leverage some of that investments?

**Marc Jeffrey Rowan**  
*Co-Founder, CEO & Director*

Sure. So as you probably understand, the retail channel is somewhat different than the traditional institutional channel requiring additional sales force, additional product development. And that's really the crux of it, investing in that space to support both existing products as well as new products to flow through those channels. So that's really the crux of the investment.

**William Raymond Katz**  
*Citigroup Inc., Research Division*

Okay. Maybe, Marc, just a follow-up for you. I was wondering, I was intrigued by the opportunity into the investment grade. I was wondering if you could maybe flesh that a little bit. It sounds like a pretty big opportunity this year, but maybe help us understand maybe the broader opportunity set and then sort of how the economics compare to the back book?

**Marc Jeffrey Rowan**  
*Co-Founder, CEO & Director*

Well, a lot there, Bill. I'll do my best. First, if you step back and think about what we're trying to do, the yield business that we have built, you should think of as a fixed income replacement business, rather than an opportunistic credit business. We'd like that notion because what we're doing is we're trying to provide to our clients, Athena, Athora as well as our third-party clients and credit funds, 150 to 200 basis points of excess return around the high end, particularly the investment-grade end of that fixed income marketplace.

The way we do that is not by taking incremental credit risk, not by taking equity risk, we derive that return from 2 factors: one is structure and the other is the willingness to accept illiquidity. For a regular way, plain-vanilla transaction. Issuers will go to the investment-grade market, the corporate market in a very methodical, easy to access way and there is not excess return. But if you look at the end of last year and you look at the Hertz transaction, you look at the ADNOC transaction and you look at the Anheuser-Busch bottling transaction, what you see are the different issuers, all approaching different problems, all in the investment-grade end of the spectrum that required a solution. We are one of the few participants who have the size, scale and capacity to take down sizable investment-grade transactions. And so that is what we are seeking to do. I mean, the most fundamental, we want 150 to 200 basis points of excess return over the comparably traded public IG, and we're willing to provide flexibility and structure and willing to accept illiquidity.

This is a role that heretofore might have been provided by some of the largest banks or investment banks. And I think increasingly, we will get our share of this marketplace, and it represents a very attractive marketplace and fits very synergistically with all that we do in fixed income replacement, given that we cover a very large swath of the investment-grade market anyway. It's a very different business than the peer set as a result of our unique client base.

## Operator

Our next question comes from Craig Siegenthaler with Crédit Suisse.

**Craig William Siegenthaler**  
*Crédit Suisse AG, Research Division*

I had several follow-ups with -- on the merger with Athene. So my first one was, do you know how GAAP will treat the Athene management fees after the merger is closed?

**Marc Jeffrey Rowan**  
*Co-Founder, CEO & Director*

Yes. GAAP, like in everything else, will eliminate all intercompany transactions.

**Craig William Siegenthaler**  
*Crédit Suisse AG, Research Division*

Got it. Got it. And then are you going to continue to report distributable earnings after the merger closes? And will it include total earnings from Athene as life insurance free cash flow and GAAP earnings don't always match up?

**Marc Jeffrey Rowan**  
*Co-Founder, CEO & Director*

We'll give you a detailed -- we've taken our best guess at providing our view as to how we're going to report in the -- through our lens deck that is on our website and that we've previously disclosed. We anticipate that from a management view financials, we will report the way everyone else in the industry and the broader financial services industry reports, intercompany segments, which is the fair value. Management fees will be reported on the asset management side and the yield less the cost of these management fees will be reported on the insurance side. We do anticipate at this point continuing to report DE. And as you see in the -- through our lens deck, we're envisioning the addition of an additional operating line of retirement services earnings.

**Operator**

Our next question comes from Patrick Davitt with Autonomous Research.

**Patrick Davitt**  
*Autonomous Research LLP*

My question is on kind of how to think about capital return post-transaction. With Fund VIII kind of through the netting hole now, it's clear, obviously, the cash realization outlook for the kind of legacy Apollo business is looking increasingly strong. So with Athene's cash flow theoretically enough to kind of fund their growth, do you have any thoughts around the use of the excess cash likely to be generated from this very strong realization outlook on the legacy Apollo business?

**Marc Jeffrey Rowan**  
*Co-Founder, CEO & Director*

So I'm going to give you a broader answer. It's Marc. And if it doesn't suffice, you'll have a follow-up. So Apollo itself, just the asset manager is a highly cash-generative business. As you know, we have announced the reset of our dividend to initially \$1.60 per share, which we've said will grow along with the growth in the business. Just on that basis, the distributable earnings of Apollo more than covers the dividend and makes it very clear the Apollo business is very cash generative. Your starting point on Athene, I believe, to be too conservative. If you look back in history, Athene has actually distributed an immense amount of capital.

They've just not distributed it as dividends, they've done it in terms of buybacks. They've distributed -- I don't have my notes in front of me, but call it \$1.25 billion-plus or minus over a period of time. So now you have to step back and think about how Athene produces cash on a go-forward basis. Athene, as you've said, yes, it finances its own growth. But it also starts in a different place. It does not start at 0. Athene starts with \$5.2 billion of excess equity capital, which is approximately \$3.8 billion of excess equity on Athene's balance sheet, plus \$1.7 billion in a just-in-time LP-driven side-by-side funding vehicle called ADIP. In addition, Athene has less than 15% debt to cap, whereas its AA peers would have about 25% debt to cap, again, approximately another \$2.5 billion.

So Athene starts with about \$7.5 billion, \$8 billion of excess deployable capital. And what you're also watching is a maturation of the structure. The business rolling off Athene is generally a business that is rolling off that was financed 100% with Athene's capital. That's how Athene began life. The business going on the books is generally going on the books, particularly the inorganic and PRT business, but likely over time, the totality of Athene's business will be approximately 1/3 Athene's capital and 2/3 ADIP capital.

What we have tried to do is balance is to take what heretofore may have been a capital-intensive business, make it less capital-intensive through the introduction of third-party capital, which, as an aside, the ADIP 1 investors should be very happy. I'll leave it there. And you should anticipate that we will be very focused on ADIP 2 to support this growth. And so

it is my expectation that we will get excess capital from the Athene leg of the business and excess capital from the Apollo leg of the business against an announced \$1.6 dividend.

I think for Investor Day, we will do our best to go through this in detail, but suffice it to say that capital allocation is one of the things that is fully within our control and is something we should be judged on. And we are all very large shareholders. But what it does is it creates options. And that option is to reinvest in the business, adding additional capacity, and/or buy back stock. And we will look at that and now have the flexibility to do that every quarter and every year.

**Operator**

Our next question comes from Glenn Schorr with Evercore.

**Glenn Paul Schorr**

*Evercore ISI Institutional Equities, Research Division*

I would love to learn a little bit more about your thoughts on the credit secondaries market overall. I'm curious if you're seeing the same reasons for the development that you saw on the private equity side another, meaning LP seeking liquidity for the same reason? Is it the same kind of bid-ask spread? Do you see similar trends of that addressable market any color there would be great. Like I'm trying to see how big this can get in your mind over the next, say 5 years?

**Scott M. Kleinman**

*Co-President & Director*

Yes, sure, sure. So I think you're basically exactly right. The growth in credit funds over the last 5, 6, 7 years has really been meteoric, as you all know. And the reality is, CIOs, funds, pension funds are ultimately needing liquidity as they balance their portfolios just the way this occurred for the private equity business 10, 15 years ago. The real secret sauce, if you will, in a secondaries business is having the knowledge of the underlying investments to be able to move rapidly and thoughtfully around making investment decisions.

And because Apollo is the largest alternative credit lender, we have views and visibility on essentially every credit product, every underlying security in the market. And so our ability, our library of knowledge to be able to smartly access this market is really unparalleled. The -- there's really no one of scale in this space right now, but we can already start to see the demand from pension funds, others who hold these credit funds to be able to seek liquidity. So we think this is a massively scalable market where we have real first-mover advantage and real expertise to allow us to be the category killer in the space.

**Glenn Paul Schorr**

*Evercore ISI Institutional Equities, Research Division*

Maybe just 1 follow-up. Traditionally, and some other verticals, you might have a Fund 1, raise money, put it to work, show some performance, then wait and then start to raise Fund 2. Theoretically, given what you just laid out, this money could get put to work relatively quickly and we could see another funds relatively quickly. Does that scare you off? Or is that okay?

**Scott M. Kleinman**

*Co-President & Director*

No. I think directionally, that's right. Remember, when we think about this, this type of business is very applicable for some of our existing insurance clients and otherwise. So it gives us the ability to scale rapidly and opportunistically, but you're right. The third-party demand should be pretty enormous and would expect to see this business scale faster than, like, say, a PE-type fund.

**Operator**

Our next question comes from Alex Blostein with Goldman Sachs.

**Alexander Blostein**

*Goldman Sachs Group, Inc., Research Division*

I was hoping we could spend a minute on your guys' sort of bigger picture growth and management fee outlook over the next couple of years. So it sounds like there's a number of new initiatives in the business. Some of them are kind of being

accelerated potentially by the Athene deal. You talked about wealth management, a couple of other platforms. Can you give us a sense of kind of excluding or not sort of relying on insurance-related partnerships and just really thinking about third-party investor base, how -- what sort of the sustainable management fee growth you expect to see over the next, call it, 3 years as you go through this investment cycle?

**Marc Jeffrey Rowan**  
*Co-Founder, CEO & Director*

So Alex, it's Marc. I'll give you the broader overview, and then I'll turn it to Martin. So I think we've said broadly first, we will update our targets at our next Investor Day. But the way at least some of us think about the business, the yield business, we think we can double over the next 5 years. That's circa \$350 billion today. I think that will be a \$700 billion-plus business, and I'll come back to why and how.

The opportunistic business and the hybrid business is about \$110 billion, \$115 billion. And at least at first blush, I personally think they will be 50% larger over the next 5 years. So now to dig down, and then I will turn it over to Martin for a bit. If you look at the strategy we've chosen in yield, it's, in many ways, a different strategy than our comparable peer set. We've chosen, as I alluded to on an earlier question, fixed income replacement. This was driven by the need to serve our insurance affiliates. It also -- if you look at roughly the \$350 billion of AUM, about 60% of that is driven by the insurance affiliates, and 40% is driven by third-party clients and credit funds.

I have no reason to expect that to change all that much as the business doubles, but let me get into what I mean by doubling the business. If you dig down in the \$350 billion, my best guess is it's \$125 billion to \$150 billion of alpha with the remainder beta. For us to double that business, we need to double \$125 billion of alpha. That is a large number, but it does not appear daunting to me because a lot of it is focused on platforms, providing repeatable origination. So to give you a sense of scale, we originated \$17 billion of credit in the first quarter. We're on a pace to do circa \$75 billion, \$80 billion for the year, and that's up from last year, where we did \$47 billion of credit origination for the year. So we kind of seem to have the building blocks in place.

On the opportunistic side, I laid out the larger returns. Scott laid out some of the more specific returns. And we've made a lot of progress with announced private equity transactions. I would expect that next year, we'll be in the market for Fund XI -- X, excuse me. Scott is correcting me. And we are in the process of scaling a number of other strategies where we see origination capacity in excess of funds that we currently have, Asian real estate on our Asia instruction product business, infrastructure, social impact. So all in all, I see really interesting ways to grow the business. Some of this, and you've asked for excluding insurance affiliates, I don't really think of the business in that context. Because increasingly, what our limited partners and third-party investors like on the yield side of our business is the ability to co-invest side-by-side with Athena and Athora, same time, same price same risk. We present ourselves to the market as an asset manager who is not only interested in fee, but is interested in the underlying asset and therefore, full alignment.

On the opportunistic and the hybrid side of the business, we are also in the same position, although not to the same degree. Whereas we might be 60% of the yield from affiliates. On the yield side of our business, we're probably -- I'll use back of the envelope, 15% to 30% of the business on the hybrid and opportunistic side of the business. Again, these are accelerants to growing because limited partners and other third-party investors like that we have skin in the game and we eat our own cooking, whatever your best analogy is.

When we have previously come to talk to you, we speak to this business as a business that is roughly a 15% annual growth business in years like this. My gut tells me, FRE will be double digits, but below 15% as this is an investment year. And in years, once we've made the investment, it will be beyond 15%, but that's kind of the metric we hold ourselves to subject to update at Investor Day. The things we are doing are generally designed to help us get beyond that. Martin, anything you want to add?

**Martin Bernard Kelly**  
*CFO & Co-COO*

No, Marc. The only thing I'd add is, so translating that into the components of FRE management fee growth should be teens in line with what we've produced. We see no reason that, that won't continue in the future. We are very focused on growing our origination businesses and growing our transaction fees, as you've seen, and we expect that to continue. And then we make decisions about investing in the platform. And so that translates into low double digits to high teens FRE growth year-to-year. And Marc sort of indicated what we expect this year, but looking forward, we're confident that we'll

be able to produce every dollar growth consistent with what we've produced in the past regardless of the channel that it comes from.

**Operator**

Our next question comes from Devin Ryan with JMP Securities.

**Devin Patrick Ryan**

*JMP Securities LLC, Research Division*

I want to come back to the conversation on the retail channel and the opportunity as you guys lean in there more, it sounds like. And maybe just to talk a little bit about you are on some of the product development that you referenced, what we should be expecting over the next few quarters? And it seemed like this is a good landscape for innovation. And so love to just maybe give some updated thoughts around how you're thinking about the addressable market for Apollo in this channel relative to the institutional channel longer term?

**Scott M. Kleinman**

*Co-President & Director*

Sure. So I would say, obviously, when we look at Apollo's product platform, certainly, yield products are going to be the place we lead into the into the global wealth channel. And that -- we're already making inroads there. I think it's still early days to see sort of substantial move the line item type results, but really, we look at this over a 2-, 3-, 4-year investment period, whereby that time frame, you'll see meaningful progress there. But in the meantime, it's about taking products we have, getting it through the retail channel and continuing to develop and tailor products that we learn or more specifically targeting those components.

**Marc Jeffrey Rowan**

*Co-Founder, CEO & Director*

Maybe -- It's Marc. I'll add, and I'll step back. Look, there is a trend toward the -- what we say is democratization of finance. That trend was more pronounced under Republican administration, it likely will be less pronounced under a Democratic administration. But nonetheless, it is a trend and it's a trend we expect to continue. We see increased sophistication in the retail and the high net worth channels. And so if you step back and you look at from our point of view, we have, for a very long time been a distributor of opportunistic product to the high net worth channel through private equity and a number of the other funds.

What you will see us do in that channel is continued to do what we've been doing, to build it out, to redouble our efforts. We have made significant hires in these areas, and we intend to follow through. And I would think on balance, you will see greater fundraising coming out of this channel this year, next year and in the future. And I do think that this is a trend when we look back over the next 5 or 10 years, we will see retail high net worth as a larger percentage of total opportunistic fundraise than it has been over the past decade.

Then I go to completely to the other end of the spectrum. And let's talk about Athene. So Athene is now the #1 underwriter of retail annuities in the U.S. It is a substantial footprint. The footprint includes independent broker-dealer. It includes bank. It includes other forms of distribution that I would say are more retail and less high net worth. They have made the investments in systems and infrastructure necessary to support a complex product set, and insurance is a complex product set.

Even if these -- this product set is all income-based. What Scott has focused on is in between the 2, I believe and that Scott believes and Jim believes and the whole team believes that we have the opportunity to continue to package our yield-oriented products in ways that can go through the high net worth and the retail channels. And the investments there have also been made in people and teams and will continue to be made. You will see us launch at the second half of this year, at least 2 products through this channel that are yield-based.

Again, when we look back over the next 5 or 10 years and compare it to the past decade, we will see continued democratization of finance. Our job, I believe, is to come at this channel with our unique value proposition, which is not simply to sell as much as we can. It is to focus on what I believe the franchise does extraordinarily well, which is excess return at every point along the risk-reward curve from private equity down to investment grade. The product set that we ultimately expand in high net worth in retail is a product set we can have our own designs, but it is ultimately up to the channel and the end consumer.

As to which of those products are more applicable. And it's our job to make them available and make our capabilities available and to support them with the requisite infrastructure, be it technology infrastructure or people in wholesale infrastructure to do. This should not be unknown. Others in our industry have done it. Others have, quite frankly, been there first and are bigger. And there's plenty of road map for us to follow, for us to use this as an accelerant to what we otherwise are doing, and it seems very logical and obvious to us.

**Operator**

Our next question comes from Ken Worthington with JPMorgan.

**Kenneth Brooks Worthington**

*JPMorgan Chase & Co, Research Division*

The total AUM in Athora stepped down from 4Q to 1Q in the non-sub-advised area. And you mentioned in the prepared remarks that rates had a negative impact on an Athene and Athora this quarter. The step down of the Athora assets was more than 10%. Is it possible to get a bit more color here on if it was just rates or if there were other factors as well?

**Scott M. Kleinman**

*Co-President & Director*

No, Ken, it was -- that's a long-duration portfolio. So it's more sensitive to a rate backup. And so it was a combination of rates and the euro given that most of the portfolios in Europe. But as I said, like the impact was pretty muted. It's all in the numbers for the quarter. And then when you get away from that, net-net, higher rates are better for the platform, both in terms of investing assets and originating through the insurance platforms. The other thing I'd say is assets and liabilities are matched. So equity in both those businesses continue to grow through the quarter. When you report assets, you're just looking at 1/2 of the equation.

**Operator**

Our next question comes from Chris Harris with Wells Fargo.

**Christopher Meo Harris**

*Wells Fargo Securities, LLC, Research Division*

Can you guys give us an update on your views on consolidation opportunities in insurance? And I'm wondering how you think higher rates might impact that outlook?

**Marc Jeffrey Rowan**

*Co-Founder, CEO & Director*

So I'll do my best. It's Marc. So in general, as Martin said, higher rates are better for our business. First, we have an investment portfolio that has a decent amount of floaters in it on the Athene balance sheet. And second, higher rates can also help in pricing of new business, including company to company, new business. So -- but I don't actually think that rates themselves have a material impact on the ability or willingness of people to transact.

What we are watching is, in my opinion, a realignment of the guaranteed or, as we say, in the U.S. annuity-led insurance business. You're seeing companies, particularly companies who may not have the ability to create asset alpha, which is ultimately what drives the business. Sell large blocks of business. They sell this through reinsurance. They sell this through company sales. And for the most part, it is being sold to people who have the capacity to generate alpha amongst assets that are appropriate for insurance company balance sheets, which tend to be investment-grade or quality investment-grade assets. I see no let-up in that trend, and I think this rotation out of guaranteed yield and into mortality, P&C and fee-for-service. In both the U.S. and Western Europe is healthy. Our business, in my opinion, will not be limited in growth by our ability to source liabilities only by prudence with respect to returns. And here, I will give you a little more color.

Athene last year when they announced their fourth quarter, they gave some indication as to the profitability of the retail business they were generating. Typically, they have done between 15% and 20% cash-on-cash unlevered for new retail annuity business. Last year was at the higher end of that range. They will report on Friday, and we'll give some notion of the profitability of business in the first quarter. If we are return maximizers or we are trying to build a long-term sustainable business. We should want to garner the lowest cost of funds, and therefore, the highest level of repeat profitability for a

decade for our retirement services business. Our ability to generate profitability at retail, which is the lowest risk, most repeatable, most franchise in nature.

Does put a floor on our willingness as to what we're prepared to pay for large blocks of annuities. It's not just about growth. It's about sustainable, profitable growth. And not simply growing the business for the sake of growing the business. So the message I would convey, there are immense blocks of business that will trade hands. The blocks of business in the U.S. are well known. The blocks of business in Europe, in my opinion, are larger and less well known. And very few people have the platform that we have to be able to consolidate those blocks of business. In any one quarter, you can see blocks trade or not trade, but we will continue to be focused on underwriting profitable new business rather than new business.

**Operator**

Our next question comes from Mike Carrier with Bank of America.

**Michael Roger Carrier**  
*BofA Securities, Research Division*

Apollo has had a lot of change over the past 6 months. And with that, roles and responsibilities can shift around since Josh wasn't on the call, Leon, no longer in the mix. Just can you provide an update on leadership and responsibilities like across segments and with LPs? And then any additional expected changes ahead.

**Marc Jeffrey Rowan**  
*Co-Founder, CEO & Director*

I'll -- it's Marc. I'll lead off. Always uncomfortable to talk about myself, but we'll do our best. So I am the CEO of the business. The lanes I have picked out for myself, our strategy, culture, which includes compensation, communication, urgent strategic initiatives, and dealing with problems. I am fortunate to be able to rely on an incredibly talented group led by Jim Zelter and Scott Kleinman, who run the day-to-day of the Apollo business. They, in turn, have their own next-generation that makes their job easier. At retirement services, at pro forma for consolidation, you have a business that is led by Jim Belardi, Bill Wheeler, Marty Klein, Grant Kvalheim, all of whom have been there a long period of time, and I've worked with on a day-to-day basis.

If you step back and really think about the business, there's been a lot of external change, but I try not to lose sight that we actually grew the business by \$145 billion in a year. Most of the change that's taken place has actually taken place within the business. And what is external is mostly noise for us. This is now my 31st year at Apollo, my 36th year in business. I grew up in the opportunistic side of the business. For 20 of those years, and I have grown up on the retirement services on the yield side of the business for the last decade-plus. This is not a new job. It's very clear what we need to do. We're very focused on what it is that we define the firm. We define the firm as providing excess return at every point along the risk-reward spectrum that we choose to participate in. We have really good tailwinds, whether it's demographics, market structure or otherwise.

We have a strategy that is focused on the 3 business segments I've outlined. Opportunistic, which I think this group on the phone understands the best, hybrid, which is the middle between opportunistic and yield and then yield, yield is by far and away the largest segment of our business. And the fastest-growing segment of our business. And we have chosen a strategy that plays to our strengths, fixed income replacement. This is a trend that is -- it makes our business in many ways, totally different than our peer set. First, it is an easier business to scale just by the nature of its business. Second, 60% of that scaling to date has been through our affiliates. Third, we present ourselves in the market in a unique way as aligned with our partners because we take \$0.50, \$0.60 of every trade same time, same price.

So for the most part, we go about our business and we execute. Yes, we have had changes in roles. Josh is less involved in compensation, which seems like a natural given that I'm now the CEO. Josh is an active and productive and senior member of the Apollo team. He's on the Board. He's on the Executive Committee. He chairs our transaction committee, which reviews our largest opportunistic deals. We get up for business every day, and we execute the plan.

**Operator**

Our next question comes from Robert Lee with KBW.

**Robert Andrew Lee**

*Keefe, Bruyette, & Woods, Inc., Research Division*

I guess it may seem a bit odd question just given -- so you are to have so many new initiatives going on with the expanding origination platforms and credit secondaries business. But can you talk a little bit more broadly, may be on a regional basis. And a lot of your peers have been pretty vocal and aggressive about their expansion into Asia -- in Asia Pac, in particular, some acquisition, mostly organic. That's not an area where you have a presence but haven't spoken about as much. Can you maybe just update us on how you're thinking of down the road kind of you reach your global and your regional footprint and the opportunities there?

**Marc Jeffrey Rowan**

*Co-Founder, CEO & Director*

Okay. I'll take a shot at it. It's Marc, and then I'll hand it to Scott. So when you step back and you look at our business, there's no denying that our business is primarily focused on the U.S. and Western Europe, with a little bit in Australia and a little bit in Japan. That is the outline of our business. And within the context of our strategy and what I've outlined of doubling our yield business and a 50% increase in our opportunistic business. I believe we can accomplish that within our geographies. Having said that, we have been active in the broader Asian market for a long period of time, but we have not elected to move large opportunistic funds into those marketplaces. The unique calling card that I believe that we have leverages the strength of the firm to provide capital where there is excess return. For me, I believe that excess return to be primarily in yield and in structured products. And you should expect us to use the things that we do best to differentiate ourselves in markets that are not short of capital and function quite differently than the U.S. and Western European marketplaces.

**Scott M. Kleinman**

*Co-President & Director*

Look, I would agree with Marc. The -- while historically, Asia has not been a huge target area for Apollo because we've been able to pursue all the growth we want and find the market opportunities we're looking for in North America and Western Europe. We're not blind to the opportunity set. We are starting to make small inroads, as Marc said, in places like Japan and Australia. But I would expect to see more over time, but on a measured basis. It's not something that we feel like we have to jump in tomorrow. But it is obviously a big dynamic market and one which, over time, we will continue to incrementally grow into.

**Operator**

Our next question comes from Michael Cyprys with Morgan Stanley.

**Michael J. Cyprys**

*Morgan Stanley, Research Division*

Just a question on as insurance becomes a more meaningful business for you guys. Investors may want to better appreciate maybe potential balance sheet risk. Just can you talk about how you think about and assess balance sheet risk on the insurance side as that comes over with the theme, what metrics? Will you be tracking? And if there is a problem or issue with one area of the portfolio. How might we see that from the outside, as I don't think gets mark-to-market or at least through the P&L, at least. And what sort of sensitivities or scenario analysis do you look at that you might be able to share with us on the outside?

**Marc Jeffrey Rowan**

*Co-Founder, CEO & Director*

Okay. So first, for the retirement services business, the issue and the risk has always been on the asset side. That is where I believe investors should focus. That is where we have focused. There's very little volatility around, I'll call, traditional measures of insurance type risk like mortality and longevity or unexpected optionality on the part of policyholders. It is primarily an asset risk game. We have grown up, and the entire firm has grown up with Athene by a relatively simple philosophy.

Retirement services, insurance companies are a terrible place to take credit risk. They're a terrible place to take equity risk, but they are ideally situated to take some amount of liquidity risk since most of their liabilities are illiquid and structure risk. And that is what you find on the Athene balance sheet. So we've now been through 12 years. There's 12 years of metrics. There's not -- whatever cycles have taken place in those 12 years, we have written out.



And you can look at our portfolio, and I would encourage you to benchmark it, not against other annuity companies, take the highest quality, best thought of peer group, and I gave some of this in the -- through our lens deck, take prove, take met, take principal. And you will see whether it's a measure of losses of capital buffer, of use of leverage, or anything else, we have outperformed the AA benchmarks. We have always been -- Apollo has always been the residual equity holder of the risks that we take.

Initially, we were a 35% equity holder, some \$2.5 billion of value. And now we are going to be a 100% equity holder. The risk mentality mindset has not changed. So now I focus down into the specifics of your question. We do put out extensive credit decks. If you go back and you look at the period just after the lockdowns in the U.S. You will see an extensive deck on our CLO portfolio. You will see on extensive deck on our CRE portfolio. You will see one on energy. You will see one on aircraft lending. And we will continue to do this. The granularity of information that we put out, there's nothing else like it in the insurance industry that I am aware of.

This is how we run and monitor the business. We report on a quarterly basis, impairments. Whether they run through the P&L or not. So you will get that updated information. But I assure you, this is where the magic happens. If you get this wrong, it is a big negative. If you get this right, it provides competitive advantage. What we seek to do in retirement services across the entirety of the portfolio is to earn 40 basis points across a portfolio, better than the comparable publicly traded investment-grade option set -- or opportunity set. It's not 200 more, it's 40 more. And it is primarily a fixed income investment-grade portfolio that benefits from stepping back from the fully liquid markets.

**Scott M. Kleinman**  
*Co-President & Director*

The only thing I'd add, Mike, is just as a reminder, Apollo today, manages 100% of the left side of Athene's balance sheet, right? So there is an Apollo professional who knows every single thing is tied to every line item on the Athene asset balance sheet. So the same care and feeding we provide across our entire credit business is already being done with respect to Athene. And so the actual closing of the merger, nothing changes in that respect.

**Marc Jeffrey Rowan**  
*Co-Founder, CEO & Director*

I believe we are coming to our last question in the pipeline.

**Operator**

Our last question comes from Gerry O'Hara with Jefferies.

**Gerald Edward O'Hara**  
*Jefferies LLC, Research Division*

And perhaps just to mix it up a little bit. Maybe you can give us an update on just the real estate segment. I think historically, there's been some frustration around the growth trajectory of that business. And Marc, maybe you can kind of give us a sense of how you see this segment going forward, where there's still an appetite for inorganic growth? Or just what your kind of general thoughts are on real estate?

**Marc Jeffrey Rowan**  
*Co-Founder, CEO & Director*

Okay. So I'll start, and then I will pass it to Scott and Martin, if they have anything to add. But I'm going to start with something that will be surprising. We have an immense real estate business. By -- Martin will give you a better exact number, but we're \$50 billion of real assets. They're just not located in one place. A lot of it is located in lending. A lot of it is located in our European Principal finance business. And then in our net lease business. And then in our U.S. opportunistic business and in our Asian and Indian, opportunistic and structured products business. It's harder to find as one line item. But it also goes back to philosophy about how we think about the business. We think about the business in 3 buckets. Opportunistic, hybrid and yield. Real assets cuts across all 3 of those buckets. You will find real estate across all 3 buckets.

I will say reflectively, we are sizable, but not immense in opportunistic real estate. That is primarily a function of our own risk reward in view of the marketplace and skill-set. You will find us really large in hybrid and in yield across real estate, which is a function of our risk reward and our skill set. I would expect real assets broadly defined to continue to be an

incredibly important part of what we do. I think you will see real assets mixed in 2 platforms, which we call yield and yield. You will see it in our hybrid business. You will see it on our structured products business. And you will see it to a lesser extent in our opportunistic business.

And we have absolutely no qualms about being acquisitive in this area, and I would expect that we will be acquisitive in this area. And I think one of the things that we will do on Investor Day is drop-down below the broad line items of yield and hybrid and opportunistic and provide the requisite pie charts, which allow people to see just how big this real assets business is. And how big the origination businesses are and otherwise because I think it will surprise people that we've just come at this in a different way than others. But the fact that we're coming at it differently shouldn't surprise anyone.

**Scott M. Kleinman**  
*Co-President & Director*

Yes. The only thing I would add, I mean, Marc summed it up well. I mean, we see the opportunity set as actually really great in this space. And when we do sort of break out the detail for you, you'll see -- this business will more than double in the time frame that we're talking about, the 5-year time frame. And so there's just -- we're seeing it in the opportunity set that each of these businesses that Marc talked about are the investment opportunities that they're approaching right now. And so the ability for scaling is enormous, and it's a place that we're focused on. So I would expect to see that as we continue to report over the coming quarters and years.

**Marc Jeffrey Rowan**  
*Co-Founder, CEO & Director*

I want to thank you all for attending. I'm glad we were able to take everyone's questions. I know we were 14 minutes over deadline, and we try and be hyper punctual. So we will take feedback as to whether the extension is something you want to see us continue to do in the future and enjoy your day.

**Operator**  
This concludes our call. Thank you for joining us today.

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