S&P Global
Market Intelligence

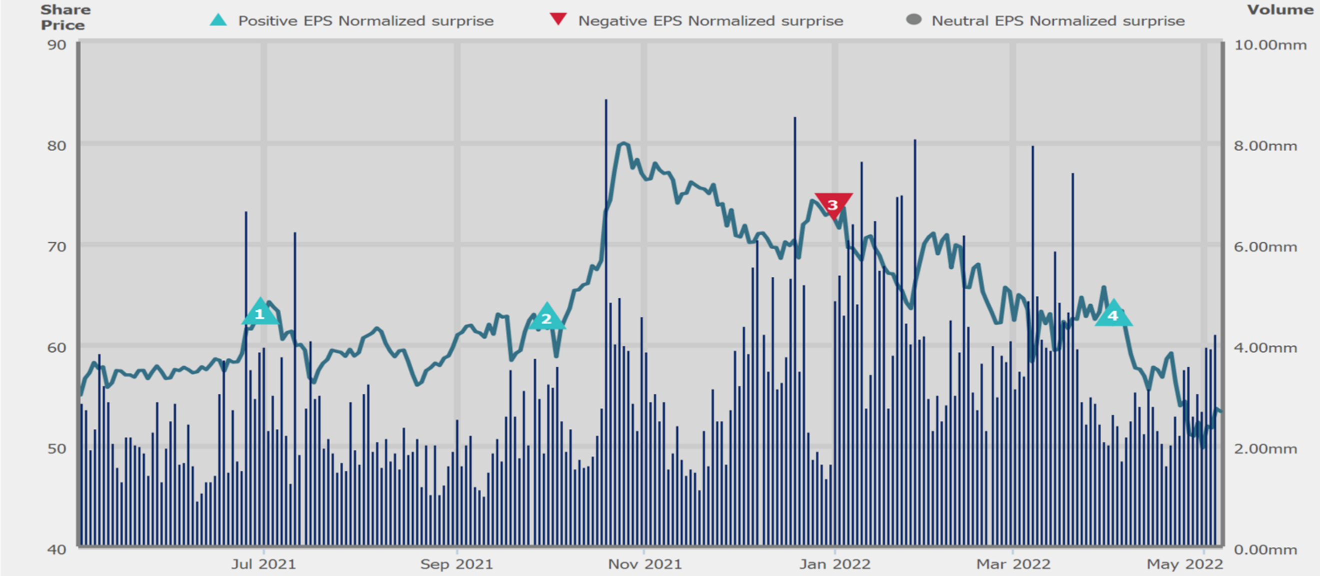
Apollo Global Management, Inc. NYSE:APO
FQ1 2022 Earnings Call Transcripts

Thursday, May 05, 2022 12:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2022-			-FQ2 2022-	-FY 2022-	-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.04	1.52	46.15	1.21	5.55	NA
Revenue (mm)	576.82	583.70	1.19	603.48	2519.60	NA

Currency: USD
Consensus as of May-06-2022 9:42 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2021	0.71	1.14	60.56 %
FQ3 2021	1.10	1.71	55.45 %
FQ4 2021	1.09	1.05	(3.67 %)
FQ1 2022	1.04	1.52	46.15 %

Table of Contents

Call Participants

EXECUTIVES

Marc Jeffrey Rowan
Co-Founder, CEO & Director

Martin Bernard Kelly
Chief Financial Officer

Noah Gunn
Managing Director & Global Head of Investor Relations

Scott M. Kleinman
Co-President & Director

ANALYSTS

Adam Quincy Beatty
UBS Investment Bank, Research Division

Alexander Blostein
Goldman Sachs Group, Inc., Research Division

Brian J. Mckenna
JMP Securities LLC, Research Division

Christoph M. Kotowski
Oppenheimer & Co. Inc., Research Division

Finian Patrick O'Shea
Wells Fargo Securities, LLC, Research Division

Gerald Edward O'Hara
Jefferies LLC, Research Division

Glenn Paul Schorr
Evercore ISI Institutional Equities, Research Division

Patrick Davitt
Autonomous Research LLP

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

Rufus Hone
BMO Capital Markets Equity Research

Unknown Analyst

Presentation

Operator

Good morning, and welcome to Apollo Global Management's First Quarter 2022 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 also 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 an interest in any Apollo fund.

I would now like to turn the call over to Noah Gunn, Global Head of Investor Relations.

Noah Gunn
Managing Director & Global Head of Investor Relations

Thanks, operator, and welcome again to our call this morning. Earlier today, we published our new earnings release and financial supplement on the Investor Relations portion of our website. We will also post a financial supplement on the Athene Investor Relations website in the coming days, which provides historically disclosed information on Athene's balance sheet and investment portfolio. Additionally, we plan on publishing a new quarterly investor presentation on our website in the near future.

As you can see, our first quarter results reflect our post-merger financial construction, illustrating the strong combined earnings power of Apollo and Athene. For the first quarter, we reported fee-related earnings of $310 million or $0.52 per share and spread-related earnings of $670 million or $1.12 per share. These 2 earnings streams combined to total $980 million in the first quarter or $1.63 per share, as the business demonstrated strength and resilience amid a period of macro volatility. We also reported normalized spread-related earnings of $488 million or $0.81 per share to provide a supplemental view of this important and valuable earnings stream.

As we move into a new era of financial reporting post-merger, we noted in a recent 8-K filing that we were going to rename our primary non-GAAP metric from distributable earnings to adjusted net income. This naming convention better aligns with our dividend policy as well as the broader financial services universe. This change had no impact on our historical financial results or construction of what has historically been DE.

For the first quarter, we reported adjusted net income totaling $915 million or $1.52 per share.

Joining me this morning to discuss our strong results in further detail are Marc Rowan, CEO; Scott Kleinman, Co-President; and Martin Kelly, CFO. Given that we published a new package for you this morning, and our prepared remarks may run a bit longer, we will do our best to be as efficient with your time as possible and look forward to answering all your questions.

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

Marc Jeffrey Rowan
Co-Founder, CEO & Director

Thank you, Noah, and good morning to all. Needless to say, we are pleased with the first quarter results. As you know, during the quarter, we completed the merger with Athene. In a period of great volatility, the merger proceeded seamlessly as did the closing of the financial statements.

As Noah mentioned, the first quarter results showcased the combined earnings power of the business, the trends that we're seeing in the marketplace, specifically rates up and volatility historically have been very good for our business, particularly as it relates to spread-related earnings, which is biased to the upside with rising rates, as I'm sure Martin will detail in his remarks.

FRE, SRE, spread-related earnings and robust inflows position us to meet or exceed our 2022 financial targets in the aggregate and each of the pieces. Martin again will take you through that in detail in his section.

As I like to think about the strength of the alternatives business, the purpose of the alternatives business is to produce excess return per unit of risk. For us, purchase price matters as an investment philosophy permeates everything we do. Pricing and valuation are important for return generation really for the first time in about 14 years. As you see in the results, our PE portfolio was up 8% versus minus 5% for the S&P 500 and minus 9% for the NASDAQ. The era of being able to achieve results on the back of declining rates and increasing liquidity, I believe to be at an end, separating alpha from beta.

Our approach on purchase price matters is resonating with clients in this macro backdrop. Purchase price matters is not only a tool that we think about in the equity business. As I suggested, it permeates everything we do. In our hybrid business by giving away a portion of the upside and protecting the downside, we express purchase price matters. In our yield business, our yield business is primarily driven by senior secured, top of the capital structure, investment grade and floating rate. Purchase price matters even in the yield business.

We begin 2022 with tangible progress against the 3 goals, 3 bets essentially that we've made to power the company over the next 5 years: origination, retail and capital solutions. In origination, volume for Q1 was some $22 billion and run rating at $100 billion. Recall that our 5-year target is to push that on a run rate basis to $150 billion. We completed acquisitions in the quarter of PACE, Foundation and Newfi. These are platforms, platforms you should think of as permanent origination. In our industry, we spend a lot of time talking about permanent capital. Permanent origination is just as important as permanent capital. We positioned ourselves as a scaled solutions provider, executing deals with speed and certainty.

Two that I'd like to mention for the quarter: Aldar, a $1.4 billion commitment, it's one of the largest foreign direct investments in Abu Dhabi's private sector, investment grade primarily; SoftBank, some $5.1 billion, investment grade. These are the kinds of transactions in the originated marketplace that allow us to provide our balance sheet and our clients excess return per unit of risk, even against the backdrop of a volatile market.

Let me turn to capital solutions next. Capital solutions had a pretty good quarter even against the backdrop of market volatility. We are well positioned to deliver on the 2022 growth targets, notwithstanding what's happened in the first quarter. The Q2 pipeline is incredibly strong and very encouraging. As you know, we announced the strategic partnership with Mubadala to capitalize on these origination activities, augmenting the volume of origination and syndication activity we can now execute. Again, a very good start for the year, and I expect that we will meet or exceed the targets we have in Capital solutions. Again, recall in our 5-year plan that we've projected $500 million of revenues over the 5-year period or, I should say, at the end of the 5-year period.

Let me turn to global wealth. Judging by the reporting coming out of the earnings season for the alternatives peer group, what's happening in global wealth seems to be of interest to the analyst community and to the marketplace, and it should be. We made meaningful progress against global wealth and our objectives in Q1. We added 125 dedicated employees, bringing our total employment in global wealth to 145, I believe, to be the second largest global wealth team amongst alternative peers.

Team alone is not going to define success. Here, the acquisition of Griffin, which will be completed in all facets in the second quarter, it's an incredibly exciting partnership. We're off to a very good start, and we expect to see significant progress.

Apollo Debt Solutions, our private BDC, continues to enjoy fundraising traction. And we expect to expand and internationalize distribution over the year and the quarters as we continue to deploy, and we see strong demand across a variety of wealth channels, particularly RIAs.

Let me spend a minute and talk about how we see the global wealth market. First, I think I need to back up and I need to find what we believe to be an alternative. An alternative to us is simply an alternative to publicly traded stocks and bonds. That definition encompasses an incredibly large marketplace versus a definition historically that where alternatives have been thought of as private equity and a variety of very opportunistic products. We like those products. Those products are the foundation of our business, but the market for alternatives is broader than perhaps we even imagined.

I believe you will see the global wealth market develop along 2 lines over the coming years. One will be against the backdrop of traditional definitions of alternatives. Think of that as private funds. Think of that as BDCs. Think of that as

REITs. In many instances, these products have been in the marketplace for decades but, for the first time, are being offered to clients at institutional fee scales and with ease of access through technologically augmented implementation and with a much better understanding at the end-client of the purpose and of the value behind these products. And needless to say, clients really like them. We've seen tremendous take-up of alternatives using that definition over the past few years.

But I believe that there is a broader market. And the broader market really will help clients deal with what I would say is their traditional portfolios. To the extent a high net worth client might have been following a 40-60 portfolio or a traditional, I believe that they will struggle in the coming years with volatility in rates, indexation in markets, volatility of equity to meet their retirement needs.

You will see us focus on the next generation of products later this year. We intend to launch the first of a generation of products specifically created for this marketplace. We're focused not just on alternatives but on equity replacement. I could see a day in the not-too-distant future when a client's portfolio is not 10% or 15% alternatives but is 50% alternatives, alternatives under the definition of an alternative to publicly traded stocks and bonds. We believe that alternatives exist from AA to equity. And our job is to bring those products to market and offer clients excess return per unit of risk. Most clients can afford to take some amount of liquidity risk across their portfolio. The product set that we envision is large and scalable and coming soon.

Culturally, this has been an amazing quarter. What we're doing, what we're saying is resonating in the professional services marketplace. This is incredibly critical to attract and retain talent. For the first quarter, we hired 185 new Apollo employees. Turnover is down. Satisfaction is up.

To close, the optionality in our business is huge. We've made meaningful progress on our strategic growth initiatives in a relatively short amount of time, and we have exciting -- some exciting developments in capitalizing on white space opportunities in front of us.

I will now turn the call over to Scott to provide you with some detail on these developments and also cover key drivers of our Q1 results.

Scott M. Kleinman
Co-President & Director

Thanks, Marc. Our business is built to withstand and even thrive in times of macro volatility and market disruption. This was most clearly demonstrated by our strong first quarter investment performance, which is underpinned by purchase price discipline and downside protection as well as a focus on investments in companies with strong cash flow generation.

As Marc mentioned, our overall private equity portfolio outperformed the S&P 500 by 12% in the first quarter, and our long-term track record remains very strong across our flagship strategies. Fund IX appreciated 15% during the quarter, which was substantially all driven by EBITDA growth. Similarly, on a life-to-date basis, approximately 90% of the value creation achieved by Fund IX has been from EBITDA growth. As of quarter end, Fund IX's inception-to-date performance is a stellar gross IRR of 52% and 34% net, showcasing the significant alpha we're capable of generating for our clients.

As it relates to Fund X fundraising, we continue to feel very confident in meeting our $25 billion target. Despite some congestion in the private equity fundraising market others have cited as well as the impact of the denominator effect on LP appetite for additional private equity exposure, we're still seeing solid support from our existing LP base and new commitments from an array of investors, including the global wealth community. We believe our differentiated strategy and strong investment performance are setting us apart in this current volatile market backdrop.

Additionally, yield strategies held up very well during the quarter amid higher rates and wider credit spreads with direct origination and corporate credit strategies outperforming their benchmark indices by 350 basis points and 70 basis points, respectively. This outperformance was driven by both higher allocation to floating rate securities as well as superior individual credit selection. We continue to believe the yield-oriented funds we manage are well positioned for a sustained period of higher interest rates.

We apply the same discipline -- excuse me, the same emphasis on price discipline, downside protection and excess return generation in managing Athene's investment portfolio. Our ability to produce excess spread comes from moving out the liquidity spectrum, not taking incremental credit risk. As evidence of our focus on underwriting and credit quality, it's worth noting that Athene's historical credit losses have only amounted to 7 basis points over the last 5 years. Additionally, 95% of Athene's fixed income portfolio is invested in investment-grade securities. During the first quarter, we remained active in deploying Athene's balance sheet cash into attractive investments with the weighted average yield on total fixed income purchases exceeding the BBB corporate bond index.

Recall that we benefit from a structurally low cost of funds given that we built Athene's business during a decade of historically low rates. The assets supporting these funds are generally matched from day 1, allowing us to lock in attractive spreads. We've allocated a portion of these assets to floating rate investments that will benefit from rising interest rates, as Martin will discuss later.

Additionally, we've constructed a differentiated alternatives portfolio, comprising 6% of Athene's assets. In the market environment we saw in the first quarter, with equity market volatility, rising rates and inflation, Athene's limited exposure to public equities and sizable allocation to strategic asset origination and retirement services platforms as well as diversified credit, real estate and natural resource investments drove meaningful outperformance. In particular, we expect Athene's investments in origination platforms to increase in value in a rising rate environment coupled with tighter liquidity conditions.

Switching to deployment. Periods of dislocation and volatility also provide opportunity to put capital to work, and our low cost of capital allows us the flexibility to be responsive and opportunistic in our deployment activity. With equity valuations normalizing and borrowing rates rising, we're engaging in an increasing amount of strategic dialogue with companies, looking for ways to fund their growth via creative capital solutions. We're also seeing opportunities arise from liquidity-driven dislocations, particularly in leverage finance and the convertible bond market.

Total gross deployment, which is a measure of our aggregate investing activity, totaled $48 billion in the first quarter, which included $6 billion from drawdown deployment. Following the quieter fourth quarter, we were active in making new commitments for Fund IX, including our pending investments in Tenneco, Novolex and Ingenico, to name a few. At the end of March, Fund IX was 90% committed or invested. We have $2 billion to $3 billion of dry powder left to deploy from Fund IX before we would need to commence the investment period for Fund X.

Origination activity, as Marc mentioned, represents the alpha-generating investments we source across our debt business. Strength in the first quarter origination volume was driven by more traditional origination activity such as commercial real estate, debt lending and CLO debt. This was complemented by origination activity for platforms, including our scaled middle-market direct lending business and more recent additions, such as Wheels Donlen and Newfi.

In terms of capital raising, inflows of $31 billion in the first quarter were robust and diversified, bringing our total inflows over the last 12 months to $91 billion. Inflows from asset management totaling $19 billion in the first quarter included $12 billion from broad-based fundraising activities in several strategies, including Accord V total return, Apollo Debt Solutions, Hybrid Value and our new capital markets partnership, among several others. Inflows from retirement services totaled approximately $12 billion in the first quarter, the second highest quarter of organic inflows Athene has generated to date. The business continues to source attractive profitable growth that has the dual benefit of growing fee and spread-related earnings.

It's worth highlighting that we now have raised over $7 billion of AUM for high-grade alpha managed accounts, the underlying clients of which are third-party insurance companies which we believe validates the alpha-generating strategy we employ for Athene on a day-to-day basis. Based on our strong first quarter fundraising results, we feel comfortable meeting or exceeding our previously communicated $80 billion organic inflow guidance for 2022.

Importantly, inflows from our global wealth platform accounted for more than 10% of asset management fundraising in the quarter, double our historic average. As Marc alluded to, we're building a tailored product suite across the risk-reward spectrum that is purposely designed for this market and expect to launch 1 to 2 new retail products every quarter over the next 18 to 24 months. This includes our nontraded direct real estate income vehicle, Apollo Realty Income Solutions, or ARRIS, which publicly filed a registration statement with the SEC in April. We're also seeing significant institutional overlap with products that were designed for the global wealth market which we believe could drive upside to our fundraising targets this year.

As Marc mentioned, we're seeing momentum in several of our newer and scaling strategies, including total return, credit secondaries, Apollo Debt Solutions as well as our third-party insurance business. As these initiatives trend favorably, we're also continuing to invest in several growth opportunities and bring in outside talent and resources, where appropriate, in order to capture the white space opportunities around our core capabilities. These adjacencies will seek to expand our product set where we believe we have a competitive edge and could drive meaningful upside to our long-term growth trajectory.

During the first quarter, we announced the launch of a comprehensive sustainable investing platform focused on financing and investing in global energy transition. We view the energy transition opportunity as a cross-platform endeavor, harnessing the talent of investment professionals, not only from our equity platform but across our yield, hybrid, infrastructure and natural resource franchises. Our platform is targeting to deploy $50 billion in clean energy and climate capital over the next 5 years, with the opportunity to deploy over $100 billion by 2030. While these figures may seem large, it's really only a drop in the bucket. By comparison, we expect financing the decarbonization of industry to require approximately $5 trillion per year in capital investment over the next 20 years.

To advance these goals, we're planning on raising dedicated capital vehicles. We're in the process of marketing a climate finance fund and expect to launch an energy transition equity vehicle later this year.

Expanding and broadening our secondaries platform is another one of our strategic priorities given the scalability of the business and large growing opportunity set. The ecosystem we're targeting is broad and dynamic and extends beyond the traditional definition of LP secondaries. We're building out a comprehensive tool kit, including continuation vehicles, GP and fund financing as well as credit secondaries to address the needs of this market holistically. We're focused on adding talent and scale to these newer initiatives and have recently made strategic hires with experience in the equity secondaries market to augment our existing talent and capabilities. Given the progress we've made so far, you'll begin to see us raising and deploying significant amounts of capital across this platform in new and nontraditional ways.

In Asia, we continue to see massive untapped potential to bring our yield and hybrid strategies to this market, particularly in Japan, Australia and India. One of our most seasoned senior colleagues is leading our expansion into Asia, and we're also hiring talent on the ground. Our leadership team is increasingly engaged with insurance companies, banks and pension plans across the region who are interested in our retirement service solutions and fixed income replacement capabilities.

And lastly, as I mentioned at Investor Day, we see significant white space opportunities from bringing together the broader Apollo platform with best-in-class sector expertise in areas where we don't have a historic footprint, particularly as we enter what we expect to be a period of extended market volatility. As always, we approach all new opportunities with the purchase price matters mentality and believe adding specialized intellectual capital across our yield, hybrid and equity strategies will bring new capabilities to the broader Apollo ecosystem.

We're beginning to partner with leading high-quality companies possessing these capabilities that will be accretive across the platform. By way of example, as you saw with our investment in Motive last year, we chose to partner with them due to their fintech expertise to explore investment opportunities and potential new capabilities that we otherwise would not have pursued. We've been working on a number of exciting things and expect to announce several partnerships in the coming months in areas such as life science, software and hard tech.

With that, I'll turn the call over to Martin, who will discuss our financial results in detail.

Martin Bernard Kelly
Chief Financial Officer

Great. Thanks, Scott. Our first quarter results represent a really solid foundation for our next chapter as a large and more profitable one Apollo.

Following our merger with Athene, our earnings power is greatly enhanced. The durable and recurring nature of fee- and spread-related earnings is a powerful and highly valuable combination that we believe will be increasingly appreciated as we execute on the attractive financial plan we presented last October.

For the first quarter, we reported fee-related earnings of $310 million or $0.52 per share, which increased modestly year-over-year, reflecting higher revenues and increased costs associated with investing in our business for growth, as both Marc and Scott mentioned. Importantly, fee-related revenues from perpetual capital represents over 50% of our total fee revenue, providing enhanced durability and compounding growth potential of this valuable earnings stream.

Management fees increased 11% year-over-year, driven by robust and broad-based inflows from retirement services, institutional and retail clients as well as strong deployment activity in funds that earn management fees on invested capital. While the quarter included some catch-up fees and yield, we expect further management fee growth for our yield strategies over 2022, driven by our focus on origination of differentiated assets through our platforms.

We held the final close for our Griffin acquisition last week, which adds [2] interval funds totaling approximately $6.5 billion of fee-generating AUM. Griffin has continued to see growth in total sales from its real estate and credit funds since the acquisition was signed last December.

First quarter advisory and transaction fees of $64 million increased 16% year-over-year, though faced some sequential pressure from overall capital markets activity in the first quarter, as Marc mentioned.

Capital solutions activity has picked up so far in the second quarter, with transaction fees run rating at a higher level compared to the first quarter.

Turning to fee-related expenses. The year-over-year increase reflects our continued investment in talent and the previously communicated rebasing of our noncompensation cost structure in 2022, following the expansion of our global team and including higher occupancy and technology costs necessary to support the firm's next leg of growth. We expect to continue growing into a higher run rate expense level as we progress throughout the year, consistent with the trends we outlined at our Investor Day. With that said, we expect to generate positive operating leverage as we enter 2023 as the pace of expense growth slows.

Moving to our retirement services segment. We generated spread-related earnings of $670 million in the first quarter or $1.12 per share, driven by a net investment spread of 186 basis points and translating to a net spread of 148 basis points. Our SRE reflects the impact of purchase accounting, whereby we were required to mark-to-market the assets and liabilities on Athene's balance sheet at the date of the merger close. This resulted in a rebasing of our fixed income investment yield cost of funds and financing costs. The net onetime impact to our net investment spread was a 2-basis point benefit in the quarter.

The primary driver of our particularly strong SRE results was an elevated asset yield and specifically, the portion derived from alternative investment income. 94% of Athene's investment portfolio is invested in fixed income securities, and our SRE includes the effective yield on these assets. The remaining 6% of Athene's portfolio is comprised of differentiated downside-protected alternative investments, which are marked on a quarterly basis.

In the first quarter, income generated from these alternative investments was above the long-term trend of 12%, producing an annualized return of 17%. Recall that the construction of this portfolio is strategic origination and retirement services platforms as well as Apollo Fund investments, principally equity and hybrid. Since the vast majority of this portfolio is not tied to public equities or technology specifically, it's not surprising to see our performance relative to the public equity markets. You can see the high-level composition of the portfolio on Page 15 within our earnings presentation.

Within this portfolio, performance from strategic origination platforms was particularly strong and generated an 11% annualized return. These businesses have spread-based characteristics and, as Scott mentioned, benefit from a rising rate environment. As we've been emphasizing, proprietary and recurring asset origination is an extremely important differentiator for us. We hold these investments in these origination vehicles through Athene, which provides a capital-efficient structure, attractive returning assets for Athene's investment portfolio and frees up capital at the holding company level for other strategic growth investments.

Strategic investments in other retirement services businesses also performed well. These are also typically spread-based businesses that generally benefit in a rising rate environment and include investments such as Athora, Venerable, Challenger and FWD. These investments generated a 17% annualized return during the first quarter.

And lastly, the performance of investments in Apollo and other managed funds was the largest source of strength, generating a 19% return for the quarter. Every sub-asset class component of the fund investments contributed to the result with real estate outperforming amid inflationary trends and complemented by appreciation in private equity and natural resources funds.

Given the typical quarterly fluctuations in Athene's alternative returns, we also present normalized SRE, assuming a constant return of 11%, slightly below Athene's long-term average of 12%. We also normalize for certain notable items generally related to adjustments to long-term liability assumptions, which can vary favorably or unfavorably from period to period. We do not recognize these items as recurring income until it's clear they are becoming a trend. Assuming normalized alternative returns of 11% and reducing for certain notable items, SRE would have been $488 million in the first quarter, translating to a normalized net spread of 108 basis points on a net basis.

As Scott mentioned, our earnings benefit from rising rates, given that Athene has invested in $37 billion of floating rate securities and only has $11 billion of floating rate liabilities. Approximately 60% of the net floating rate exposure is tied to 3-month LIBOR, with the remainder split between 1 month and other basis. Due to the timing of resets relative to the timing of rising spot rates, we experienced only a modest earnings benefit from higher short-term rates in the first quarter.

In dollar terms, we expect every 25 basis point parallel shift in the curve to drive an additional $30 million to $40 million of annual SRE. If the forward curve materializes as of April 30, we see approximately $0.30 per share of upside to SRE in 2022 specific to a benefit from higher rates.

Our retirement services business creates a locked-in liability costs other than relatively small reserve adjustments for changes in expected behavior at the tail end of the contracts. For GAAP reporting, we are required to recognize the interest rate and credit spread changes on assets supporting reinsurance contracts, but we are not permitted to recognize similar changes on the associated liabilities.

Our reported GAAP loss in the first quarter was driven by interest rate-driven unrealized investment losses on fixed income securities held through reinsurance. For comparability and consistency, our SRE metric adjusts for this specific treatment on reinsured assets.

Lastly, moving to our principal investing segment. We reported principal investing income of $187 million in the first quarter or $0.31 per share. Realized performance fee generation was relatively late in the quarter in view of turbulent markets. Our current 2 flagship private equity funds, Funds VIII and IX, remain primed to monetize their portfolios when we feel the market backdrop is opportune to harvest.

Realized investment income included $206 million from realized gains on the transfer of the majority of Apollo's GP investments. This portfolio was transferred to Athene in the first quarter, and we expect will soon be transferred to a fund managed by Apollo, including third-party capital, to support fundraising in a new strategy. We note that we are now presenting HoldCo and other financing costs as a separate line item on our income statement outside PII. We estimate that PII in 2022 will align with our multiyear forecast of approximately $1 per share on average, excluding interest and financing costs, over the next 5 years.

Now turning to capital. We spent $325 million in the quarter to repurchase shares to offset dilution with respect to employee share deliveries, in line with our plan to immunize our share count from equity-based compensation. Given the recent dislocation in our stock, we are actively evaluating opportunistic share repurchases as part of our announced share repurchase program, while continuing to balance investing in interesting investments that should accelerate our growth profile over the long term.

We utilized approximately $150 million of capital from the holding company on strategic investments in the first quarter, primarily for our investment in case. Athene ended the quarter in a strong capital position with $7.3 billion of deployable capital, including $3.3 billion of excess equity capital, $2.9 billion of untapped debt capacity and $1.1 billion of dry powder in the [aided] CCAR.

At the end of the first quarter, our net balance sheet value was $2.5 billion or $4.22 per share, which included cash and equivalents of $2.2 billion. In line with our fixed dividend policy, we declared a dividend of $0.40 per share in the first quarter.

So to wrap up and to echo Marc, our first quarter results set us up very well for a strong year of growth. We're excited to share the progress we continue to make in executing our long-term strategic plan in the coming quarters.
And with that, I'll turn the call back to the operator for Q&A.

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Glenn Schorr from Evercore ISI.

Glenn Paul Schorr
Evercore ISI Institutional Equities, Research Division

I just want to touch on one of the last things you mentioned and get the big picture. I just need a little more color to fully understand it. The big picture of what you're moving in the $5 billion of Apollo -- from Apollo balance sheet to Athene to funds, what's happening? And what does that do for you at the highest level?

Martin Bernard Kelly
Chief Financial Officer

So Glenn, it's Martin. We're -- it's not $5 billion. It's much less than that. It's a portion of the existing GP investments. You'll notice that the balance sheet went down significantly. Most of that drop is related to the merger. The investment we had in Athene obviously goes away on consummation of the merger. So what we are moving is a majority of the GP stakes that we own in funds that we manage. And they're moving to a vehicle which we expect will occur in the second quarter to support a third-party capital raising initiatives.

Operator

Our next question comes from the line of Finian O'Shea from WFS.

Finian Patrick O'Shea
Wells Fargo Securities, LLC, Research Division

Can you talk a bit about how the -- how rising interest rates is impacting the outlook for high-grade origination?

Marc Jeffrey Rowan
Co-Founder, CEO & Director

Look, it's Marc. I'll start with the balance sheet, and then we'll talk about origination. So as Scott mentioned in the call, when Athene or, quite frankly, any other retirement services company assumes the liability, it matches it with assets, and we so-called ALM matching. There is a portion of that that needs to be reinvested over a period of time, representing the profit on the contract. When people talk about ALM matching, they're talking about matching an asset and a liability, but profit, to some extent, is unhedged. And therefore, if you are putting assets on the books in a rate environment that are higher than the rate environment when you assume the liability, that is generally a positive. In addition, what we've seen is benefit from floating rate.

Now your specific question as it relates to origination, generally, what we have seen is the newly underwritten product is being underwritten in the context of higher rates, and yet our funding costs on these platforms are relatively sticky. So we've seen expanding margins across the platform. To the extent rising rates -- and just to give you a sense in the -- through, I guess, the last week, the investment-grade market was off 17%. It's made people gun shy, and we've seen this across most public credit markets. To the extent there is dislocation in public credit markets, we are a better more secure, more definite source of capital. All of those things benefit. On average, we are better off with rising rates.

Scott M. Kleinman
Co-President & Director

I would just chime in that, yes, as Marc said, the origination teams are as busy as they've ever been. So the rising rate environment, the tightening of the liquidity environment is making things even more attractive.

Martin Bernard Kelly
Chief Financial Officer

Right. With further benefits of Athene with the floating rate assets and higher rates increases, the origination of annuity product. So it's a benefit around the whole system.

Operator

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

Alexander Blostein
Goldman Sachs Group, Inc., Research Division

Also maybe a little bit of a bigger picture question around just capital allocation priorities here. The stock has been under considerable pressure here relative to kind of either the insurance comp set or the asset management comp set. You guys are generating substantial amount of capital and have lots of excess capital. I heard both Marc and Scott talk also about different kind of new investment opportunities and, I guess, it sounds like acquisitions maybe on the asset management side or on the origination side. I guess, how do you weigh those inorganic opportunities against the buyback of the share prices?

Marc Jeffrey Rowan
Co-Founder, CEO & Director

Look, let's do it at the highest level. And just to give you the -- it's Marc, by the way, context from an Investor Day. We said at Investor Day that we expect to generate $15 billion of excess capital over the next 5 years, $5 billion to support what we'll call the base dividend, $5 billion for investment in the business and $5 billion that we would use opportunistically either to invest or for buybacks or for dividends. I think Martin said it best. Given where the stock is, we expect to use a portion of that to buy back stock. The stock is very attractive from our point of view. Now one needs to actually generate the $5 billion to be able to spend it. But one can argue that probably the highest and best use of our excess capital is our own stock.

Operator

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

Unknown Analyst

It's [Truman] here standing in for Michael. I just wanted to ask a quick question about getting an update on retail and get an update on the resources you're deploying in the channel today and how you anticipate those resources and headcount expanding from here. I know you talked about the folks that come across from Griffin. So how do you expect that to trend from here?

Martin Bernard Kelly
Chief Financial Officer

Yes, sure. Look, as Marc mentioned in his comments, we've seen over the last year, headcount go from about 25 to about 145. That gives us a really strong footing for both our high net worth as well as RIA channels to be able to support that as well as the product development capabilities. You heard Marc talk a bunch about the new products that we are going to be bringing. All of those things, right, the pipes, the product and the technology, are critical to being successful in the retail and global wealth channel.

From here, we will continue to grow as appropriate. I think the rate of change will come down meaningfully. But there's still more ground to cover. As we're learning, there's always more ground to cover in the retail channel. But couldn't be more excited about where things are headed. And I would expect quarter after quarter, you're going to see new product announcements from Apollo and the scale of capital raising continuing to ramp in that channel.

Operator

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

Patrick Davitt
Autonomous Research LLP

A follow-up on that. You said 1 to 2 products a quarter over the next 12 to 18 months. Should we take that to mean there's an expectation that these new products will have immediate distribution placement in wirehouses, et cetera? Or should we expect the usual lag to getting those products placed?

Marc Jeffrey Rowan

Co-Founder, CEO & Director

Look, I think you're going to see the products that have immediate distribution placements. Some will be directly into wirehouses. Some will be directly to RIA. And I think -- the thing I want to make sure I communicate is a view that we're really -- we view this as really the first inning. What's happened to date across the entirety of our industry has been the repurposing of existing products for this channel at institutional fees.

The next phase of this is products created specifically for this marketplace that deal with the unique needs of this marketplace. Diversification, no J curve, no double fees, no capital calls, semi-liquid, full alignment, that's where we believe this market is going. And again, I'll come back, we have, as alternative managers often talked about our business in historical context where we are in the small alternative bucket, REIT, private equity and a number of things like it.

At our Investor Day, we sought to broaden that definition to show you that we view alternatives, particularly in the yield marketplace, to include investment grade. I believe the way we should -- we think about the product and the way we communicate the product is investors have had a relatively benign experience over the past decade against the backdrop of money printing, which has existed since 2008 and falling rates.

On a go-forward basis, to the extent the market does not look like that. I believe that there -- investors will be challenged, and we'll be revisiting in wholesale, the notion of a 60-40, 40-60 portfolio. Our ambition is not to just serve a traditional alternatives bucket, it is to serve stable value, investment-grade, total return, opportunistic, REIT, BDC, hedge and equity and to offer a complete alternatives ecosystem guided by the notion of excess return per unit of risk.

Operator

Our next question comes from the line of Robert A. Lee from Keefe, Bruyette, & Woods.

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

Maybe the first one is just going to the alternative investment portfolio. So -- and just maybe digging a little bit deeper with about 46% of the assets there being in some type of platform, whether it's the retirement services or origination platforms, is it reasonable to think of the SRE from those or the earnings from those platforms as being actually pretty or pretty stable quarter-to-quarter over time, so that there's actually a pretty healthy kind of -- you always have a pretty healthy stable base of revenues that are throwing off at least by that 46% allocation?

Scott M. Kleinman
Co-President & Director

Yes. That's exactly the point. These platforms are businesses that are producing origination flow for the underlying retirement services, fixed income portfolio. And then the equity of those platforms are what's in the alternatives portfolio. As those businesses continue to grow, as we continue to invest in those platforms, you're seeing just pretty stable scaling earnings growth in those platforms. You can see some of the trends we've highlighted for you on Page 16 of the earnings slides.

Operator

Our next question comes from the line of Rufus Hone from Bank of Montreal.

Rufus Hone
BMO Capital Markets Equity Research

I wanted to come back to the global wealth business, and it sounds like you expect a pretty meaningful inflection in the rate of growth there over the next, call it, 2 to 3 years. And with a lot of new product launches in the pipeline, will most of these be in the broader retail alts definition you mentioned? Or will it be in the more traditional retails bucket? Or that's slightly more competition like private BDCs and private REITs and so on? And do you expect this will primarily still be a high net worth market in 3 to 5 years? Or do you think the market opens up more substantially over time?

Marc Jeffrey Rowan
Co-Founder, CEO & Director

So it's Marc. I'll start, and then I'll hand it to Scott. So all I can say is, yes. I know that's not clarity. But recall how -- in Investor Day how we based our business. We've set out a 5-year plan, which includes raising a total of -- having total AUM of roughly $50 billion at retail over the 5-year period. I believe that target is a very conservative target, and I am optimistic on our chances to be able to exceed that.

How the market develops, I think we have to have some bit of humility in looking forward. Product launches are notoriously complicated. And we will see broad market acceptance. If you ask us for opinion, I think the market will be in the short term high net worth. It will be balanced between -- or the competing traditional definition of alternatives as well as newer definition of alternatives. And it is our job to differentiate our product from a competitive marketplace around the way we offer these products, the creativity with which we offer these products, the alignment that we will have with retail investors around these products. And as Scott mentioned, purchase price matters.

To the extent we have a vision of alternatives, making up a much larger portion of a portfolio, that will necessarily include the expanded definition of alternatives. And consumers, be they high net worth or mass affluent or otherwise, will need to feel that they are making secure choices and not buying just volatility.

Scott M. Kleinman
Co-President & Director

Yes. No, I would just add what Marc was alluding to, right? As this market develops, of course, it's going to start with the traditional definition of retail products that are truly institutional quality products but offered to retail in a more attractive fashion. But we have something that others don't have, which is the combination of Apollo and Athene bring together balance sheet and alignment, product development capabilities that are extremely suited to the retail environment. And those are the type of products that you're going to be seeing in the short to medium term as well as some of the more traditional retail products. So I hate to repeat Marc, but the answer is yes. It's an all-of-the-above answer.

Operator

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

Gerald Edward O'Hara
Jefferies LLC, Research Division

I think Martin actually touched on it a little bit within the SRE construct, but perhaps you can help us unpack a little of the kind of thematic drivers of the almost 8% private equity carrying value returned in the quarter, obviously quite strong. I just would like to hear a little bit about how that came to be.

Scott M. Kleinman
Co-President & Director

Yes. Yes. Look, this goes back to purchase price matters, right? Our PE business has built its portfolio along the lines of acquiring good cash-flowing businesses where we can drive real tangible value to those businesses through earnings growth, through cost savings, through cash flow. And so -- and not really dependent on rising valuations to get out at meaningfully higher values than where you entered. So in Q1, we saw exactly that, notwithstanding inflation that is very real in the economy, wage inflation and materials inflation, logistics inflation, the underlying strength of the underlying businesses allowed for price increases to continue to offset that inflation and continue to grow output.

So I mean, that's the fundamental strategy that Apollo has been pursuing for the last decade. It hasn't been sexy over the last decade. But certainly, as we enter this new economic regime change where you can't just rely on declining or 0% rates to allow you to exit at ever-increasing multiples, this is exactly the type of performance I would expect to be seeing in this type of environment.

Operator

Our next question comes from the line of Chris Kotowski from Oppenheimer.

Christoph M. Kotowski
Oppenheimer & Co. Inc., Research Division

I guess I wanted to go back to the retirement services and a multipart question. I mean first is what is the rationale for reporting on a normalized spread alternative income basis as opposed to just letting the chips fall where they may? And then secondly, how should we think about the -- to go back to Robert's question, the return of the alternatives portfolio over time? In that, I mean, you were up this quarter. A number of the other alternatives showed positive returns, so fine. So this quarter, it was not correlated to the broad markets, though when we look back at the first 2 quarters of 2020, when the public markets were negative, we also saw Athene's alternative portfolio negatively marked. So we have the situation where sometimes the returns are -- seemed to be correlated or at least related to the public market comps, and other times, they're not. So how should we think about the underlying returns of the alt portfolio over time?

Marc Jeffrey Rowan
Co-Founder, CEO & Director

So this is Marc. Why don't I start, and then I'll hand it to Martin? And I hate to be somewhat financially oriented about this. But when Athene or any other retirement services company takes on a liability, it matches it with a portfolio of assets. 94%, 95% of those assets are fixed income, and 4% -- 5%, 6% of those assets are alternatives in a nomenclature. We can debate whether they're actually alternative and which definition applies, but call them equity.

As a quirk of accounting in the insurance industry, fixed income, certainly for regulatory purposes and otherwise, is generally held at market -- excuse me, held at book, held at cost. And the reason for that is simple. Movements in interest rates really affect assets and liabilities almost equally. And while, in some instances, you end up showing the mark, the economics and the substance of the underlying is you're putting an asset at a liability matched on to a book over an 8-, 10-, 12-, 15-year period,

What happens in any 1 quarter is actually not really all that relevant. We record it because that's what GAAP asks us to do. Equity is marked on a quarterly basis. So we show you both. We show you what actually happened, and then we show you what we think of on a normalized basis, which is how we underwrite. To make our spreads work, we assume that we will earn 11% over a very long period of time from this portfolio. And we provide you the metrics to judge whether or not we, in fact, are earning 11% over a long period of time against this portfolio. But truly, what happens on a quarterly basis is just not that relevant.

Martin Bernard Kelly
Chief Financial Officer

I would only add that this is common practice in the retirement services business. And we're being pretty explicit in showing the math to get to a normalized metric. But as Marc said, we're showing both. And I think the chart on 16 is actually pretty instructive. And in the sense of -- it's not a volatile portfolio. Look at the sharp ratio and look at the deviation relative to the comps that we're showing, it really proves out that it's a very durable portfolio over time, thus supporting a durable spread-based earnings stream.

Operator

Our next question comes from the line of Brian Mckenna from JMP Securities.

Brian J. Mckenna
JMP Securities LLC, Research Division

Most questions have been asked. But with respect to private equity Fund IX, there's clearly been a lot of value created, and returns are impressive. But the fund is still only about 4 years old. So how should we think about the trajectory of realizations for this fund throughout the remainder of the year and into 2023? And then do you have any expectation around the mix of monetizations as it relates to public markets versus strategic sales?

Scott M. Kleinman
Co-President & Director

Yes, sure. So as we look at -- we are actively monetizing Fund IX and Fund VIII, quite frankly. The Q2 monetizations, given some of the volatility, will probably look a lot like Q1. But based on some sale processes, some signed sale agreements, some signed dividend recap and distribution agreements, expect to see it stepping up in the back half of the year. And as these investments progress, '23 and '24 are the big harvest years for this fund. So that's what the time line looks like.

Obviously, as you get out into those years, market conditions will apply, is it going to skew more towards public or private exits? But you can see by the returns, value is creating incredibly nicely in that portfolio, again, not dependent on big multiple uplift, but on real earnings growth. So feel quite good about that over the next couple of years.

Operator

Our next question comes from the line of Adam Beatty from UBS.

Adam Quincy Beatty
UBS Investment Bank, Research Division

I want to follow up on the portfolio companies. I appreciate Scott's comments earlier about inflation and the resiliency of the cash flow there. So I just wanted to ask about the other piece of that rising rates and how the portfolio companies are positioned. Some other firms have mentioned having rate hedges and other things in place at the portfolio company level. So any details you could provide there would be great.

Scott M. Kleinman
Co-President & Director

Yes, yes. Look, interest rate, interest costs are just less relevant to our portfolio than to many of our peers. Remember, we created Fund IX at an average EBITDA multiple of about 6.5x, right? That's the leverage level for many of our peers. At the average, leverage level is somewhere a little under 4x. So rising rates are interesting, but they're not super impactful to the return performance of the portfolio. On average, we're about 50-50 fixed and floating across the portfolio. We're starting to move a little more fixed. But again, like I said, in the 5 -- the 5 things that our deal teams think about, interest rates are #7. It's just not particularly relevant to the total returns.

Operator

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

Unknown Analyst

I always wondered if you could talk a little bit about your underwriting criteria in the current environment. You've obviously spoken a lot about how purchase price is always massive for you guys. But I'm just curious how you're flexing the underwriting criteria just in the current environment we're in.

Scott M. Kleinman
Co-President & Director

Yes. So look, that's been the topic of a lot of conversation over the last few months, quite frankly, not just in our equity portfolio but across the entire platform. Back in March of 2020, we did something -- we created what we call the common lens where we created a series of scenarios that we asked all our businesses, from our equity businesses, our hybrid businesses, our yield businesses, our retirement service platforms to really model their businesses across these various scenarios, so that we can start taking a collective look at the risk and opportunities in our business.

We have again recently done so with some of the recent economic changes that we've all been talking about, and that scenario does show obviously rising rates for sure. But then how does that end? What type of either economic slowdowns or actual recessions we're modeling in? So the firm is looking at those scenarios and modeling on a very conservative footing when it comes to the course of '22 and into '23.

Operator

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

Glenn Paul Schorr
Evercore ISI Institutional Equities, Research Division

So look, I think you've had next to no credit losses, but it's been a great backdrop. But some people are nervous that higher rates and inflation bring recession or other credit issues. You can't do the whole balance sheet recap here, but you do a stress test for us every 6 months or so. Can you talk at a high level on the positioning of where you -- on the credit you own across the platform, where you're in capital stack, how subordination helps, how floating rate helps? And why --

just the overall message on why people maybe should be running to Apollo in this backdrop, not running away from Apollo in this backdrop?

Marc Jeffrey Rowan
Co-Founder, CEO & Director

So Glenn, it's Marc. I'll start at a high level. First, I will tell you, we intend to announce a day in the near future where we will do a complete balance sheet tutorial for people across Athene and the broader credit business, so that those new to the -- newer to the story can understand exactly how we proceed.

We start with the notion that we generally want to be top of the capital structure and investment grade. When we started Athene back in 2008, 2009, it was relatively easy to source that in the marketplace. The markets were chaotic. Recall things like TALF and TARP and other nice initials. Very quickly as the markets heal themselves, it became clear to us that we needed to be an originator of credit. We have referred to our business as fixed income replacement. We are generally a replacement for investment-grade fixed income. We are generally top of the capital structure. We are generally senior secured.

We do not think a retirement services business or a fixed income replacement portfolio of an institution is a place to take credit risk for equity risk. The risk we seek to take is liquidity risk or structure risk. We can afford to be less liquid because our liabilities are less liquid and the liabilities of sovereign wealth funds, pension funds and otherwise.

And so I step back and I think about the marketplace today, and I look at the various alternatives and think about where I would want to be if I were negatively biased, I generally want to be in floating rate where we have a lot of that. I generally want to be top of the capital structure with good spread. We have a lot of that. I would probably not want to be subordinated in fixed rate. That's not where we are. The business that we have built is a fixed income replacement business. That is not to say there are not other good businesses, but it is a very different business than our peer set for better or worse.

In some markets, peers may perform better. In a market like this, purchase price matters, being at the top of the capital structure matters, being senior secured matters. And I think we will fare very well. The stress test, which, as you know, our industry does not publish, we run the Fed CCAR, we publish it. We run our risk appetite, we publish it. We run [Lehman], we publish it. We will do our best to educate the investor universe that what the risk we are taking is liquidity risk and structure risk and not credit risk.

Operator

Thank you. We have reached our allotted time for Q&A. I will now turn the floor to Noah Gunn for any additional or closing remarks.

Noah Gunn
Managing Director & Global Head of Investor Relations

Thanks, everyone, for joining us this morning and for your continued interest in Apollo. And perhaps the operator can exit you from the call from the same way it began with some more entertaining hold music and memorializing this milestone quarter for us with some tracks from The Beetles and others. Thanks again for joining this morning.

Operator
This concludes today's conference call. Thank you for participating. You may now disconnect.