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Earnings Call

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Presentation

Operator

Good morning, and welcome to Apollo Global Management's Fourth Quarter and Full Year 2024 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 Apollo Fund.

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

Noah Gunn
MD & Global Head of Investor Relations in New York

Great. Thanks, operator, and welcome again, everyone, to our call. Joining me to discuss our results and the momentum we're seeing across the business are Marc Rowan, CEO; Jim Zelter, President; and Martin Kelly, CFO.

Earlier this morning, we published our earnings release and financial supplement on the Investor Relations portion of our website. As you can see, fourth quarter results punctuated a very strong year of performance. In the quarter specifically, we generated record fee-related earnings of $554 million or $0.90 per share. Spread related earnings of $841 million or $1.37 per share and adjusted net income of $1.4 billion or $2.22 per share, the highest quarterly level we've earned to date.

The fourth quarter represented another milestone for us as we were thrilled to be added to the S&P 500 in December. This is a testament to the firm's differentiated strategy, remarkable growth and institutionalization as a public company. Since we listed on the NYSE in 2011, our market cap has grown from approximately $2 billion to more than $100 billion. We expect our inclusion will broaden our public shareholder base and enable more investors to gain exposure to private markets by investing in our business. Of course, this milestone would not have been possible without the collective effort and ingenuity of all our colleagues across the firm who drive the business forward every day.

And with that, I'll now hand the call over to Marc.

Marc Jeffrey Rowan
Co-Founder, CEO & Director

Thank you, Noah, and good morning to all. As Noah suggested, 2024 wrapped up in exactly the way we wanted, growth and execution. FRE for the quarter $2.1 billion, up 17% year-over-year. SRE $3.2 billion, in line with Investor Day guidance. Record annual ANI $4.6 billion. As we've often suggested the reward for good work is more work. Record AUM, $751 billion, total inflow is $150 billion and origination volume over $220 billion. In short, this is exactly the quarter and exactly the year we wanted.

Recall what we are trying to do and what we've reiterated in our 5-year planning process, we are not here to grow the fastest. We are not here to grow the largest. We are here to deliver the plan plus a little and like who we are and like our franchise at the end of the 5-year journey. As we've said, our goal over the next 5 years is to grow FRE at an average annual rate of 20%, SRE at 10% and in any 1 year, FRE between 15% and 20%, particularly in non-fundraising year. This is exactly what we hope to do. And again, we are not here to blow the doors off any 1 quarter. We are investing in the business because what's in front of us, dwarfs, what's behind us, and it is important that we set ourselves up well for that opportunity.

At our recent partner's offsite, we gather all 200 partners of Apollo. And among the questions I asked them was, if we have a challenge beating our 5-year plan, is that challenge, external or internal? 90% of the people recognize what I recognize is that challenge is internal. It is all about us executing, all about us aligning the resources that we have, making the right investments. The market is coming our way. It doesn't mean every day, it doesn't mean every quarter, but I like the way the external environment is developing.

And the toughest thing we do, and I know this will sound somewhat trite, toughest thing we do and now that Jim does because I get to share the responsibility with him, is to keep the team planning to win. Successful companies across our industry, across every industry, have a tendency to play not to lose. And with the amount of change that our industry is facing and the amount of opportunity in front of us, we want the team that steps up every day and plays to win.

The strategy, as you know, is set. So what is playing to win look like? Well, for us, it is to recognize where we think the industry is going and how we think the industry is developing. As we've said, our business is going to be driven by 4 really large fundamental changes taking place in the marketplace. The first is this notion of a global industrial renaissance. We're seeing it literally every day in the U.S. in particular. And this is not just about AI and DeepSeek. This is about fundamental investments in energy and infrastructure, in power and data and next-generation manufacturing and a host of other things that are going to be needed, financed and borrowed.

The second big driver of our business is retirement, retirement, not just in the traditional sense through Athene of providing guaranteed lifetime income, but in the nontraditional sense of helping retirees retire better. The third, recall that our entire industry was built out of the alternatives bucket of institutional clients. As all of you know from the past few years, individuals have the potential to be as large as institutions in the same sorts of products, and they will not take anywhere near 40 years to get to that size.

And finally, and I think personally the most important driver of our business is an entire rethink of public and private. And what I mean by that is our industry grew up where I think people thought private was risky and public was safe. And when something is risky, you put it in a small bucket and you call it an alternative and you want very high rates of return from it. And 40 years later, after our industry starts, I think that professionals in our industry now understand that private is safe and risky and public is safe and risky. And if people are not watching closely, the largest asset manager, the traditional asset manager in our industry has delivered a wake-up call to their entire peer set, that private is going to be an important part of client solutions going forward.

So let me spend a little bit on each of these 4 drivers. When we think about the global industrial renaissance to us, this is the largest place we can originate. It is not just the origination coming off our 16 owned platforms, but it is the unique bespoke underwritings for the Intels and others to build the next-generation economy.

This quarter, second best quarter ever, more than $60 billion of originations. Originations are not just about putting capital out the door. It's about putting capital out the door at excess return per unit of risk. We want to originate that which has value so long as we originate and capture spread by offering clients things they cannot buy in liquid public markets, we will win. It is not simply chasing a number for the quarter.

In retirement, yes, we are well set up to serve retirement. Athene is the largest in the industry, continues to have industry-leading market share and for the year, generated more than $70 billion of organic inflows. $70 billion could have been $75 billion or $80 billion. It is not our goal, as I suggested, to grow disproportionately in any 1 quarter or in any 1 year. And to give you a sense of momentum and retirement, just January of Athene inflows, more than $9 billion. That should not be 12 x 9 for the year because that is not what we seek to do. We seek to earn excess returns. And when we see opportunities to do that, we will be very aggressive. And when returns are not as plentiful or not where we want them to be, we will back off. We run a principal-based business, and you can count us to be good responsible stewards of capital.

Elsewhere in retirement -- well, before I pivot from Athene, as I said, Athene has grown in traditional products that we would associate with the retirement industry, pension, funding agreements, individual annuities, group annuities and the like. We will continue to do that, and that will continue to be a growing market, but the future of Athene is about the next generation of retirement products. We, as a company and we as an industry, have yet to really hit on our full potential, and I believe our full potential is to offer consumers and businesses and clients, much simpler solutions, guaranteed lifetime income versus a complex annuity is where I think the journey is focused.

There are other forms of guaranteed income that are prevalent throughout our financial system that Athene also has the opportunity to make inroads in and to offer industry-leading solutions. Away from the pure retirement business built on Athene, Apollo Asset Management continues to make inroads into the retirement market. This is in the absence of any legislative or regulatory change as we suggested in our last get together we already had one CIT up and running in a retirement solution. We now have our second, and we are making really good progress with record keepers and continue to believe that target date funds, managed accounts and other forms of retirement solutions will offer a robust future in the absence of legislative change. And with legislative change, this could be one of the true drivers of our industry, not just our business going forward.

As to individuals, record results, $12 billion in 2024, up 50%, Q4 was our second best ever, just truly an exceptional year. And again, the philosophy by which we run this business is not to grow disproportionately in any 1 quarter. Consider ADS, we run this vehicle for the long term. We run it with the lease leverage, the most senior, the largest companies. We want to be around for the long term. We want to take advantage of market dislocation. If we're innovating, we're innovating in access. As you know, we now offer it in a tokenized format. We'll innovate in how to serve our clients, but as an investment proposition, excess return per unit of risk, purchase price matters, we run these businesses for the long term, not for any quarterly goal or otherwise. Jim will talk more about the diversified portfolio of products that we now offer to individuals, and I continue to believe this will be one of the most promising areas.

Just a word on public versus private before I wrap up and talk about a few other things. BlackRock made a number of very significant acquisitions in 2024. Those acquisitions lay a foundation for an integration of public and private. I continue to believe this convergence of public and private will be a very important source of demand for private assets. I see private assets in any number of forms. Our industry and our firm will be a supplier of product to traditional asset managers as they seek to make their products more competitive given the incredible amount of indexation and correlation and quite frankly, just data that exists in the market. We envision that traditional asset managers will evolve their businesses to include products that are public and private.

Some traditional asset managers will actually want to launch new products that are co-branded. We are doing that as well. And some will seek to augment their business with massive managed accounts where they have access to private assets from a variety of different players. I think this is good for our entire industry. We will not, as an industry, serve the vast majority of clients around the world. We simply don't have the resources, we don't have the efficient systems, and we don't have the relationships. What we do have so long as we're good at it, it's products that offer excess return per unit of risk. I see a very good marriage between our industry, our company and the public or traditional asset managers, who I believe are going to reinvent their businesses, spurred on by competitive forces.

So enough on the market for a bit. I continue to think in summary, that we have 4 drivers, any one of which could be a doubling our business, and they will power our business forward in terms of demand for private assets. I continue to believe that the carburetor or limiter of growth in our business is limited to our capacity to originate good risk and to our culture and ability to absorb growth. We watch both very carefully, in particular, on originations.

One of the things that we have begun to do this year is to figure out how to expand our origination engine in certain parts of our business, for instance, in infrastructure, we have decided to do some modest M&A. You noticed in the quarter the addition of Argo. Argo is an infrastructure manager, will add some $6 billion of high-quality AUM to our platform, but the single most important factor in deciding to absorb Argo is the Argo team.

The capacities to continue to originate not just for their drawdown funds, but for our evergreen retail funds, for our SMAs and managed accounts and for all the vehicles of the Apollo platform is eye-opening to the Argo team, and we will benefit by having a scaled business with an excellent track record, join us. You should expect us to continue to do modest M&A along these same lines, where we are quite focused on increasing our capacity to originate. That is what we intend to do.

So I will leave lots of time for Q&A, and I'm sure we will talk about regulatory and the backdrop to what we do. But with that, I'm going to pass it over to my partner, to Jim Zelter.

James Charles Zelter
President & Director

Thanks, Marc. At Investor Day, we discussed our view of today's investing paradigm, which is that private markets have a pivotal role to play in the financing, in the global industrial renaissance. As a society, we've laid out our massive global goals, including managing the energy transition, modernizing our power and utility grids and building next-generation digital infrastructure. Each of these has already created unprecedented need for capital. And in our view, these ambitions will be difficult to accomplish with our large-scale private capital solutions.

As we've discussed, our success is determined by our capacity to originate high-quality assets with excess return that benefit our fund partners and investors. The lack of flexible financing available today provides a unique opportunity to offer solutions that access our differentiated scaled capital base. While public IG funding is widely accessible, we believe we can provide superior flexibility, customization and certainty for borrowers, and these capabilities are resonating in the marketplace.

As Marc mentioned, our origination engine has had tremendous momentum with a record $222 billion of our assets originated across our ecosystem in the last 12 months, approximately double that of 2023. This result was driven by a meaningful contribution from each of our channels, including more than $95 billion from our 16 origination platforms and more than $90 billion from traditional core credit and approximately $25 billion from high-grade corporate solutions and $10 billion from a variety of equity inputs.

Across all of our debt origination activity, we sourced assets at approximately 350 to 400 basis points above treasuries, on average. Importantly, with spreads near multiyear tights across many segments of the credit market, our direct origination advantage remained durable, allowing us to capture 200 to 250 basis points of excess spread relative to comparatively rated corporates on the majority of what we originate.

And I'll just comment, over the course of the last year, we observed the market tightened approximately 25 to 30 basis points, but our debt originations saw similar, even less compression depending on the specific asset class, not more, enabling us to capture the attractive excess spread origination, which is the key to our success.

Entering 2025, we're focused on continuing our scale of origination capabilities and make progress toward our targets. This year, there will be really 3 key areas, where we originate and focus and define success for the year. One is continuing scaling of ATLAS SP, our affiliated warehouse financing platform, which drove approximately half of our platform origination last year and represents a significant part of our growth plan.

The second pillar is lender finance. Lender finance is a large opportunity that we expect to grow rapidly across multiple areas of our credit franchise. One area we're particularly focused is on the ability to lend against private credit collateral in all channels where investors reside today.

The third is our combined direct lending. This encompasses our affiliated mid-cap financial lending platform, which originated more than $20 billion of volume last year as well as our high-grade corporate solutions and our large cap direct lending, which we continue to expand client coverage with an integrated tool box that is unmatched in the marketplace. Alongside origination capital formation is the lifeblood of our continued growth.

Last year, we generated $152 billion in total inflows across the platform comprised of $81 billion from our asset management business and as Marc mentioned, $71 billion from Athene. In short, both sides of the house produced. Within asset management, our institutional and wealth channels each had strong results. Within institutional, '24 was a record year for a non-flagship year, and Global Wealth is continuing to gain momentum with greater inflows over successive years and successive quarters.

Double clicking on that fundraising for the quarter, credit-oriented strategies drove the activity, accounting for nearly 80% of third-party capital raised, with inflows coming from more than 100 discrete funds or accounts. Some of the more significant contributors included our IG investment-grade Total Return Fund, the second vintage of Accord+, several third-party SMAs, which now insurance SMAs, which now totaled 24 as well as credit-focused wealth products we manage, including ADS, ABC and others.

For Athene, it's worth noting that the business was able to exceed its full year growth target by adeptly pivoting across its 4 channels. This is despite having to navigate a unique set of circumstances, particularly within the pension business, where Athene provides value-added solutions for corporate clients and serves more than 0.5 million pensioners. We continue to be focused on diligently building Athene, managing its growth on a year-to-year rather than quarter-over-quarter basis to drive consistent and durable growth earnings over time.

The business remains extremely well positioned, and we expect we'll be a leader in new product creation to serve the needs of this massive retirement population. Relative to '24 levels, we expect to drive greater inflows across both asset management and retirement services in 2025 as we expect to execute against our 5-year plan. The average annual capital formation targets we communicated at Investor Day indicate a natural upward progression as we continue to penetrate the vast market opportunities that Marc discussed.

With that, I'll turn it over to Martin to address our financial results in more detail.

Martin Bernard Kelly
CFO & Partner

Thanks, Jim, and good morning, everyone. As you can see in our results, and as you've heard from both Marc and Jim this morning, 2024 is a very successful year of growth and execution for Apollo, particularly given the shifting interest rate and more subdued monetization backdrop. We delivered on the financial targets we communicated, and we set a very strong foundation for the 5-year plan we presented at the Investor Day.

I'll quickly walk through our financial performance, and highlight some key drivers that we believe will position us for a successful 2025. In the asset management business, we posted a new quarterly record for fee-related earnings, generating $2.1 billion of FRE for the full year or 17% growth. Two distinct areas of strength in our revenue picture in 2024 were management fees from our credit business, which increased almost 20% within that, growth in third-party credit management fees exceeding that of Athene and Athora as well as Capital Solutions fees, which increased almost 25% year-over-year, as Marc highlighted.

Our capabilities within ACS continued to expand alongside our overall origination and deployment activity. Fee-related revenue grew by 15% and expenses by 14%, resulting in another year of FRE margin expansion. Very importantly, we're reaping the reward from past investments, which are now generating revenue growth across the platform, while at the same time, prioritizing current investments to build strategically important areas of our multiyear plan. A few of the most important initiatives that will be critical to driving success in the year ahead and beyond include global wealth, third-party credit and PE adjacent businesses within equity.

In global wealth, we see significant momentum across the business with meaningful contributions likely to come from the semiliquid products fleet, comprising 11 discrete products, including 6 currently sized at approximately $1 billion or more and continuing to scale. In third-party credit, we expect asset-backed finance, key origination platforms, like ATLAS, as well as direct lending strategies to be impactful. And in terms of PE adjacent businesses, we expect infrastructure, clean transition, secondaries and Hybrid Value to have increasing contributions.

Taken together and combined with the growing ACS franchise, we expect to raise, deploy and syndicate significant amounts of capital that will drive attractive fee-related earnings growth. In 2025, we expect fee-related earnings growth to approximate 15% to 20%, consistent with non-flagship PEs and reflecting capacity to continue making significant investments in the growth priorities we have articulated. As we discussed at Investor Day, we continue to expect fee-related earnings will grow by approximately 20% on average over the next 5 years, and everything we're seeing in the business is tracking well to deliver on that goal.

Moving to retirement services. We posted a strong quarter of spread-related earnings, generating $3.2 million of SRE for the full year, consistent again with our comments at Investor Day. Fourth quarter returns from Athene's alts portfolio were in line with our inaugural prerelease issued on January 7. Athene's net invested assets grew 14% in 2024 driven by record organic growth. Net spread ex notables of 137 basis points declined moderately year-over-year due to several factors, principally the interest rate transition and our proactive steps to mitigate the impact of lock-in spread as well as a tighter spread backdrop and a slightly lower average allocation to alts. Importantly, the underwritten spread on new business volumes exceeded 140 basis points during the year, supporting the current net spread of the business before considering the carry-through impact from interest rate cuts that have already taken place.

As we discussed at Investor Day, we expect to grow spread-related earnings by approximately 10% on average over the next 5 years, excluding the impact of interest rate transitions. We expect interest rate-related headwinds in 2025 to be largely consistent with our Investor Day comments, which embedded an assumption of 6 total equivalent rate cuts from last September through the end of 2025. Assuming an alts return of 11%, we expect SRE to approximate $3.5 billion in 2025 as we previously communicated. Key drivers of our SRE growth in the year ahead will be Athene's net organic growth, the net spread on that growth, the trajectory of interest rates and the returns on Athene's alts portfolio.

Turning lastly to principal investing income, PII benefited from greater realized performance fees in 2024 as monetization activity improved from 2023 levels. In the fourth quarter specifically, PII benefited from the seasonal carry crystallization of certain credit strategies as well as a lower compensation ratio. Our net accrued performance fee balance at December 31 was $1.7 billion or $2.75 per share and continues to be supported by strong investment performance. We've generated compelling double-digit gross returns across a variety of growth strategies in 2025 as well as Hybrid Value -- sorry, in 2024 as well as 35% for PE Fund X.

And finally, our operating tax rate in the fourth quarter benefited from large deductions in quarter related to employee stock compensation due to a higher share price. Going forward, we continue to expect our effective tax rate to remain approximately 20% over the long term, subject to usual quarterly variability. And with that, I'll turn the call back to the operator for Q&A.

Question and Answer

Operator

[Operator Instructions] Today's first question is coming from Bill Katz of TD Cowen.

William Raymond Katz
TD Cowen, Research Division

Marc, you mentioned sort of 3 or 4 major opportunities looking ahead. I think I'm most intrigued on the retirement at the margin. I think your comments were like you think you can make progress within the retirement accounts, even if there's no improved legislation. I was wondering if you can maybe expand on, a, how you do that? And then b, from your conversations you might be having with folks down in D.C., what is the appetite to enhance the fiduciary umbrella to allow a more proactive opportunity into target date funds?

Marc Jeffrey Rowan
Co-Founder, CEO & Director

I'll do my best, Bill, but a real answer would probably absorb the rest of the call and question queue. So let's start with what people are investing in. People suggest there's $12 trillion to $13 trillion in 401(k) that will be there on average for 50 years. These people are, for the most part, invested in daily liquid stock index funds for 50 years. Why? Well, that was history. That's just what people did. And what's happened to their investment is it's done well. I won't say that, but they are now -- 10 stocks are now 40% of the S&P, and their returns are levered to NVIDIA. We basically have levered the retirement system of the country to NVIDIA. And some quarters, that's good and some quarters, that's not so good. But for a 50-year investment, it doesn't seem to be all that great.

So the next innovation was the notion of a target date fund. A target date fund takes a massive individuals, not an individual and allocates them depending on their age cohort between daily liquid stock index funds and daily liquid bond funds. There's not really much innovation. People are still getting beta, although the beta is now more appropriate for their age cohort. Everywhere in the world where privates, and I'm going to use the word private but not alternative, has been added to retirement solutions. The results are not just a little bit better, they're 50% to 100% better. We are on that journey.

Plan sponsors understand this. Investment managers understand this. What we have is a litigation culture that has focused historically on fees that has prevented widespread allocation to private market solutions and a record-keeping infrastructure that has been slow to adapt. We are starting to see changes in that around the edge, and as you would expect, we're starting to see it in 3 products, semi-liquid equity, semi-liquid credit, particularly investment-grade credit and guaranteed income solutions. I believe we are at the very, very beginning, approaching a $12 trillion market admittedly in the current environment with some handcuffs on.

As to regulatory reform, I would not be naive enough to expect that I could predict what's going to happen, but I will make some observations. And some of it is really good for our business and some of it is just okay. So a number of you have asked previously about regulatory more generally. In the bank sector, it is clear that tone of bank regulation is appropriately getting better. Banks will be stronger competitors in what we call the rep lending or a small portion of our private credit business. This is appropriate. This is logical. I don't think it really matters to us per se. We continue to see robust appetite for partnerships with banks, which are now north of 12 because they are still commercial entities at the end of the day that are structurally borrowing short and don't like lending long.

We can work with the bank from a capital alleviation point of view. We can work with them from a duration alleviation point of view or simply complementing each other's origination. As it relates to the question you asked, I think we're going to see increased access, increased fairness and increased recognition that the financial markets have changed. I'm not going to be so bold to predict this, but it is not rule making. It is advice. Simply being told as a trustee that your job is to produce the best net returns, not the lowest fee, I believe, would go a very, very long way to solving this in a way that would be overwhelmingly positive for our business.

I know that I'm not the only one in the industry who's focused on this. The industry in mass is focused on this. And in fact, we're seeing traditional asset managers, and I've mentioned previously, BlackRock understand that privates are going to be part of the solution set. The more this is evolves, the better it is for all of us who are in the business of producing private assets.

The third place we're going to see substantial change is in the -- some of the regulatory apparatus around retirement and particularly around insurance. If you work in a Department of Treasury, call it the FIO, you probably are looking over your shoulder. We have allowed the European system to crowd out the U.S. system because we have not protected it. We have not been playing Team America and Capital Markets, and America First also applies to its capital formation tools.

Further, we have been asleep at the regulatory switch and $150 billion of reserves have moved offshore to the Cayman Islands with a fraction of the capital of the U.S. or the Bermuda system, putting the system at risk. I believe the FIO will be under tremendous pressure. I also believe the state-based regulatory system, which we believe in and are a big supportive of, they have a choice of evolving to address this issue in Cayman or risk someone stepping in and usurping their authority because it is a hot button issue around our industry, it is a hot button issue in D.C, and it is just common sense. But in general, incredibly enthusiastic about what's happening on the regulatory front.

Operator

The next question is coming from Glenn Schorr of Evercore ISI.

Glenn Paul Schorr
Evercore ISI Institutional Equities, Research Division

Marc, I wonder if you could peel back the onion just a little bit. You touched on it, but -- so I'm a believer in the way you described the rethink of and convergence of public and private. But for asset-backed specifically and private investment grade, I think, the vision is there, the proof's there with some of your partnerships, but some of the banks pushed back and say, we already have excess capital, regulations coming down. Why will more of this transition over? It made sense with direct lending on non-investment grade and the capital charges, don't the banks want to hang on to this business? So I just figured I'd get you to pontificate a little bit on that.

Marc Jeffrey Rowan
Co-Founder, CEO & Director

So look, this is consistent with our theme. Not every bank is the same. Let's start by saying we have a multi-secure banking system in the U.S. with a few banks at the very top, lots of small community banks and then a big deal. I think your comments are mostly directed at the top end of this, and I don't disagree with that. Some of the banks at the top end will choose in a reduced capital strain or better regulatory talent to keep more of their assets. I don't know why -- I actually think the place they will keep assets is where you don't. I think they'll keep them in direct lending because it's a really easy business to run. These clients are very fee generative. They're very relationship oriented, and it's a pretty simple business. That is where the vast majority of private credit franchises around the world have been built. Do I think there'll be competition? I do.

And typically, in every cycle, we see people go to excess, which is why we run ADS and our vehicles the way we insist on running them. I don't think it fundamentally changes the nature of the banking business, though. The nature of a bank is to borrow short and lend long. There is an inherent instability to taking long-dated risk inside a short-funded institution. Think about what the world is building, next-generation energy, next-generation power and data, next-generation infrastructure, energy transition. All of these things are long dated and complex. They are not normally in any market funded on bank balance sheet.

I think what people don't really understand is a lot of both competition or substitution is a replacement of the normal regular way, 10-year IG market. IG want simple, not complex. They don't want structure. They don't want, they don't want, they don't want. Every time we have landed a large fixed income replacement mandate is because we are offering the borrower something that is credit neutral or credit better to us, but more flexibility in some way, that is not available to the public market.

And so again, I come back to this notion of the bank partnership. Some banks will simply say thanks, we'll do it ourselves. Some banks will actually realize what I think most have that we are symbiotic with them and that we do not want their clients. All we want is the asset, the bank typically does not want the asset. And if they want a piece of the asset, it's available to them. So if they can grow without capital, that's ROE enhancing.

Some banks will actually fund an asset with us, and they will take the short end of the asset, and we will take the long end of the asset. Some banks will fund with us, and they will take the AAA tranche back, and we will take the AAs and everything else. The variety of partnerships with the banking industry is limited only by the problem that the banks are trying to solve.

And then the whole opportunity is the notion of regional bank and regional bank consolidation. If you're a regional bank today, you are paying more for your capital, your inventory, your money than a money center bank. Your financial, regulatory and technology costs are being spread over a much smaller base. You have -- you don't have the capital markets revenue to give you the fee streams that the big banks have. And you don't really know whether deposits are sticky because like every prices where SVB and FRB were taken out, we don't really know whether that was bad management or bad management coupled with 70% online banking.

And I think we're going to see in this administration, in particular, tremendous consolidation of regional banking. We, Apollo, -- just speaking for Apollo, we're a small asset manager. Our goal is not to be one of the 4 money center banks. We don't even think that way. Our job is to deliver our business plan, which is roughly doubling the size of the business, 5 years from now, when we double the size of our business, we will be a small asset manager. There is plenty for us to do in the context of our business and wins.

Operator

The next question is coming from Patrick Davitt of Autonomous Research.

Michael Patrick Davitt
Autonomous Research US LP

There's been some chatter of some potentially large insurance assets coming up for sale. So could you update us on Athene's willingness and ability to take on large and/or more complicated M&A transactions?

Marc Jeffrey Rowan
Co-Founder, CEO & Director

Thanks, Patrick. So I've heard the same rumors. I won't repeat them, but I heard the same rumors. But recall that Apollo Global, as an entity, actually has 3-plus pockets by which we acquire retirement or insurance assets. One is through our wholly-owned subsidiary, Athene. Athene primarily focuses on U.S. spread-based products, along with U.K. and Japan.

And the second that we don't spend much time talking about is our interest in Athora. Athora is our scaled European vehicle, who primarily works in a Solvency II jurisdiction, and Solvency II jurisdictions around the world. And the third is our interest in Venerable, which we share with some partners who primarily buys variable annuities. When you add the 3 capabilities together, I believe that we are well positioned to do anything that we want to do that makes sense.

When I say it makes sense, we have the ability to issue $70 plus billion organically each year with protected surrender charges and market value adjustments at a pace and time that we want at a reasonable cost of funds. For us, growth is not about just growing the assets. This is a fool's errand. Growth for us is about earnings spread. If someone is willing to step in and take low spread for the purpose of juicing for a short period of time, their asset management, that to me is a very short-term trade and one we should all be concerned about. But as it relates to capacity, we have plenty of capital, including committed capital in our ADIP vehicle for Athene in uncalled equity at Athora, and anything that we want to do, we are capable of doing, but it all comes down to economics.

Operator

The next question is coming from Alex Blostein of Goldman Sachs.

Alexander Blostein
Goldman Sachs Group, Inc., Research Division

I was hoping to spend a couple of minutes on your expectations for origination into 2025. The way you framed it, I thought was really helpful between ATLAS lender finance and direct lending. I guess, how do you expect the mix of these 3 buckets to evolve over the course of next year? And as part of that, I think you mentioned some of the inorganic opportunities. Could you spend a minute on what could look most interesting from an acquisition perspective? And would that be in Apollo deal? Or should we think of that similar to other platforms kind of residing within AAA?

Marc Jeffrey Rowan
Co-Founder, CEO & Director

So I'll just say, yes, and then I'll hand it to Jim.

James Charles Zelter
President & Director

Alex, I would say that as we've identified, ATLAS when we thought about it 3, 4 years ago, it was really a U.S. business. And geographically, with places like Europe, Japan and Australia, in particular, I would expect that to grow. So I don't think when you think about the large buckets of the platforms and traditional credit at $85 billion, $90 billion a piece, I don't think there is a variety of new dramatic moves out of those. I think you'll see geographic expansion. I do believe what you're seeing go on right now with the European banks, the logical moves that Marc talked about earlier with really focusing on their business model. We've seen it out of HSBC and many others.

So I think you'll see geographic distribution, geographic expansion. I also think that the high-grade capital solutions, and I know there was a question earlier and Marc addressed it, but there's just even the most well-capitalized businesses, the amount of capital that they need the public IG market is not going to be the solution. So we certainly believe high-grade capital solutions, the transactions we did for Sony and AB InBev and Intel and others, that will expand.

The last thing I would say is massive focus on hybrid origination here across the platform. Obviously, we made some leadership evolutionary change over the last month. We brought together a lot of resources in that hybrid area, which is really the area between debt and equity that is really when you think about the overhang from PE sponsors, when you think about the other challenges right now in monetization of the IPO market, certainly, I think you're going to see a much, much greater volume of opportunity in the U.S. and in Europe and parts of Asia with regard to places like Australia and Singapore and Hong Kong in that hybrid area.

So I think it's really leaning into what we've done in the past. We're very, very comfortable with the breadth of what we have. And I do think Marc appropriately addressed it. There's a narrative out there that we don't partner with the banks or there's a battle for the banks. The reality is somewhere dramatically different. The partnership dialogue with what's going on with Standard Chartered with Apterra, across the board, there are numerous partnerships that are in the drawing room or about to be announced. So I think that's really where the expansion will be in terms of bank partnerships.

Operator

The next question is coming from Ken Worthington of JPMorgan Chase.

Kenneth Brooks Worthington
JPMorgan Chase & Co, Research Division

So sentiment on rates has moved to higher for longer, I guess what do you think about the shift in sentiment in the context of your inflation outlook and the Trump administration policy changes? And Apollo has been preparing for the lower interest rate environment for a lot of last year. What are your thoughts on the balance sheet positioning as you think about 2025?

Marc Jeffrey Rowan
Co-Founder, CEO & Director

Jim, why don't you take a shot at?

James Charles Zelter
President & Director

Yes, Ken. I mean we run a duration match business. We prefer a bit of a higher rate environment. There's that preparation for that. There's not really a prediction of it. Certainly, the actions of the last 90 to 120 days with the new administration is a bit different than we might have expected when we had Investor Day. And so you're right, there is a view of a bit higher for longer, what Torsten has been articulating.

But again, when we talked about Investor Day last year, we talked about 5 or 6 prospective cuts, 4 have taken place. But again, I think we think we're appropriately positioned right now where rates are with regard to our floater strategy, which we've been very focused on. But again, I don't think we have a -- we do not embed a strategic or tactical view based on rate for the next 3 to 6 months across the broad platform or the broad portfolio of Athene.

Marc Jeffrey Rowan
Co-Founder, CEO & Director

I'd say -- I'd just add to that, Ken. Torsten has been on record and all of us have been our record. We -- Torsten has kind of been right here, higher for longer has been the house seen, notwithstanding where the market has been. And so as Jim said, we took the appropriate action, and we reduced our floater book to a more prudent level just given where rates and spreads are. But if I look at our business, we are generally better off in a higher rate environment. The vast, vast majority of our business is credit-oriented. Credit is simply more attractive in absolute terms in the environment we're in as a solution set because, again, our client base is either solving for absolute levels of income or is amortizing a retirement constant, which is usually a fixed constant.

And so as John Zito office says, he scaled our credit business on the back of 0 interest rate environment when no one wanted to talk about credit. Where we are right now is just orders of magnitude, better off. So I kind of like where we are. And we'll have regulatory uncertainty. But generally, the trend of regulatory uncertainty, I think it's pretty favorable.

Operator

The next question is coming from Steven Chubak of Wolfe Research.

Steven Joseph Chubak
Wolfe Research, LLC

So I wanted to spend some time just unpacking your thoughts on the ACS fee outlook. You still have a very strong momentum in the business. If we look at the multiyear trend ACS fees grew 24% this year, 30% in '23, 39% in '22, and these outcomes were all achieved in a more subdued cap markets backdrop. So as I look at the $1 billion target -- fee target that you guys laid out at Investor Day, it does imply a meaningful deceleration in fee growth within ACS. I just wanted to better understand, given the expectation for a lot of KPIs, whether it's origination activity, AUM growing much faster, why won't ACS fee growth keep pace? And is it reasonable to suggest that, that target feels conservative given some of the momentum you're seeing?

Marc Jeffrey Rowan
Co-Founder, CEO & Director

Well, I'll start with -- I'm going to let Jim take the bulk of this. I just want to remind everyone on the call, this is a business that is an outgrowth of our strategy rather than the business in and of itself. Going back in history, when we founded Athene, Athene, as you recall, is for it to grow, it needs highly rated fixed income offering excess return over public market benchmarks. And at the time, and still it was unavailable in public markets, so we began to originate.

But like any good manager, what we wanted to do was keep 25% of everything and 100% of nothing, and that meant we needed to find homes for the other 75% to be able to continue to originate, get what we wanted for our balance sheet and create the proper alignment with clients. That continues to be the case now spread not just over credit, but also over hybrid, as Jim suggested. And I think that this again, to set out to build a syndication business was not the goal, to build a business that is strategic to us because it allows us to speak for 100%, it garners new clients for us, and it provides fee revenue is much more on what we've been trying to do.

Now I'll turn it to you, Jim.

James Charles Zelter
President & Director

Yes. I would just emphasize to Marc's point, we didn't create ACS for the ACS in and of itself or the revenue. It really was an outgrowth of providing these large-scale solutions along with an open architecture view of the world. And as Marc talked about, the moves of the behemoth BlackRock, I mean again, if you really embrace the idea of open architecture across origination and have a view that you want to own a slug of everything, but 100% of nothing, that just broadens out the touch points for thousands of LPs and geographically around the globe in terms of our touch points.

So again, I think there's a very narrow -- when you look at the very narrow history of what ACS was, again, going back 5 years ago, it was really helping us enabling us to have broader distribution of our PE portfolio financing or other capital raises, it morphed around to our credit business, it morphed around to our hybrid business. And now as we think about our Insurance Solutions group and the open architecture of all these platforms, it really is just spurring on the breadth of our business. And when we think about what trades today, this whole public private convergence, if one has a view that certainly, there's a lot of assets and in the future, vehicles and other mandates that will actually become more liquid, I could see us for a very large traditional manager having an SMA for them and being able to provide a variety of turnkey solutions in terms of their ability to dial up and dial down private credit.

So the vision, which you talked about, we're not -- it's only 4 months since our Investor Day. So we're certainly not prepared to change any trajectory right now. But it is -- if one really takes a step back and understands our broad strategy, the broad open architecture and public private convergence, this is a critical tool in the middle of that.

Operator

The next question is coming from Mike Brown of Wells Fargo Securities.

Michael C. Brown
Wells Fargo Securities, LLC, Research Division

Great. So Marc, the no new toys there, it seems like it's officially done and M&A is kind of back in terms of capital allocation. So I guess in terms of the key strategic opportunities, where else will you focus? And it sounds like it's on increasing origination versus maybe adding other capabilities. But I guess I'd love to just hear a little more about that. And then does this have any implications to your capital allocation plans and capital return broadly?

Marc Jeffrey Rowan
Co-Founder, CEO & Director

So I'll start with the latter. The answer is not really. All of the M&A, as I suggested, is small scale and origination base. We are focused on expanding capabilities that can be immediately accretive, buying something that in and of itself does not fit with our franchise, it just makes a little sense to the management team, given the 4 big TAMs in front of us. Buying something that facilitates our ability to serve those TAMs by integrating it into our business is what we're trying to do.

So if you think of Argo as a prototype, we have a large, but not yet fully scaled infrastructure climate business. Argo adds 20-plus originators with a proven track record, who have been limited -- who have been originating against a relatively small box. $6 billion of AUM. What we are getting is we're getting 20-plus qualified individuals, $6 billion of AUM, a home scale business, what they are getting is the opportunity to now originate not just in the sectors they've been originating, but to originate debt, hybrid, lower risk, lower reward equity, equity and across a much larger scale platform. You should expect us to continue to build origination capabilities in our hybrid and real asset businesses, and in places where we are growing, but not yet at scale. And I just don't think it's of a size or a scale where we even think about it in the capital allocation terms. But no new toys officially over.

Operator

The next question is coming from Craig Siegenthaler of Bank of America.

Craig William Siegenthaler
BofA Securities, Research Division

My question is on the cost of funding Athene, which rose by 12 basis points sequentially. So how has the level of competition trended in the U.S. annuity market. Several alts have replicated your model. They're guiding towards significant growth over 5 years. And how do you see changes in the competitive landscape impacted your spread-related earnings net spread over the next few years?

Marc Jeffrey Rowan
Co-Founder, CEO & Director

Again, not to dwell on this in detail, but to go back in history a little bit, think about what you need to be successful in this business. You need capital, you need an efficient origination platform at scale. You can need a source of assets that produces investment-grade assets primarily, but with spreads, and you need low-cost liabilities. With the exception of maybe 1 player, no one else in the industry has these 4 alternatives. They have capital, but they lack all 3 of the other components. They definitely are not at a scale platform, and OpEx is a huge portion of this business, unlike any other asset management business.

We are -- you can look at what we do from an OpEx point of view in the detailed results. But as a primarily model line doing one thing with new systems, we just kill it. Everything else from a cost of funds, everything from an infrastructure point of view, just goes right into cost of funds. Almost every other player, no one that I know, has a regularly sized scaled ability to produce investment-grade assets with spreads. Access to the CLO market is not the ability to produce spread, let us be clear.

And the final thing is access to a low-cost source of funding. Until you are very highly rated and you have your operating infrastructure, you are not positioned to face off with what I'll call real accounts. What you can do is you can penetrate a portion of the market that does not care about credit quality, which is called the IMO market. It is an important but a smaller part of the market for us. And in that sector, where credit does not matter, we see people paying up for liabilities, and we have reduced our share, reduced our presence, but still there in products that are of interest to us.

So for us, it's about pivoting channels. But if you take what I've just said to it's a logical conclusion, it's not -- you don't have an efficient infrastructure. You don't have the capability to produce assets. You don't have a good stable source of funding. How are you getting returns? You're not. You are -- the only way you are getting returns as you're doing [indiscernible] right now. You're moving this business to Cayman, which is not a reciprocal jurisdiction in the U.S., where you get to hold approximately half the capital and you try and scale a business and produce something so that you have these advantages over a period of time.

I do not believe that, that is going to be a successful strategy, and I believe that will end badly for people. That does not mean there are not really good competitors. And I've cited who I think are the really good competitors, but it comes back to those 4 attributes. For us, $70-plus billion at reasonable spreads last year is what we wanted to do. This year, it will be more. If we find breaks in the market, it will be at the high end of more. And if we don't, it won't.

Our job right now is to evolve and innovate. There is no shortage of demand for guaranteed income. What we need to do is to innovate on the packages. And as I've said, in January alone, we found $9 billion business, okay. Let's see what February brings and do it. But it is not about -- well, it is competitive. It is not about a fundamental change to business.

Cost of funds is also a bit of a misleading number because cost of funds is -- some products have a higher cost of funds, but a lower capital requirement. Some products have the opposite. We also have a market share and a market mix issue going on. But in the IMO channel, in the acquisition channel, in places where credit is not at all limited, there's nothing that prevents people from paying up and sacrificing returns.

Operator

The next question is coming from Brennan Hawken at UBS.

Martin Bernard Kelly
CFO & Partner

Let me add one more thing. Let me add one more thing to that comment. Just as you're looking at the earnings, you see -- and you can see this on the spread walk across pages. You actually see a comparable increase in the gross income earned to that cost of funds increased in the quarter. The -- and so we think on a net spread basis versus a gross income, gross cost of funds basis. But the impact on spread for the quarter, as we highlighted, was the pull-through of last year's rate actions, which are coming through on the asset side. So you really need to look at it combined and reference that spread table, which we try to -- which we used to try to distill the key drivers into the key movements.

Operator

The next question is coming from Brennan Hawken of UBS.

Brennan Hawken
UBS Investment Bank, Research Division

Sorry, Martin, you wrapped up?

Martin Bernard Kelly
CFO & Partner

Brennan, I'm wrapped up on that question.

Brennan Hawken
UBS Investment Bank, Research Division

Okay. I wasn't sure. You and the operator were talking over the...

Martin Bernard Kelly
CFO & Partner

Thanks for checking.

Brennan Hawken
UBS Investment Bank, Research Division

Of course, no problem. Would love to hear a little on wealth management. So the fundraising was really quite strong. I want to say $12 billion, up about 50% versus last year, so really picking up, and that's in a market where we're seeing increased competition. So I'd love to hear about your ambitions. It seems as though ADS and AAA have driven a lot of this momentum. But do you expect that to continue? Do you expect there to be other products that will pick up in momentum as well? What should we think as we head into 2025 for that channel?

Marc Jeffrey Rowan
Co-Founder, CEO & Director

Go ahead, Jim, and then I'll wrap up.

James Charles Zelter
President & Director

Sure. So I appreciate this. This for us is a journey. We identified 5 years ago, not only our ambition, but the 5 crucial components in terms of product, distribution, technology, education and performance. We brought that complete package to the table. Today, we have 11 semi-liquid global wealth products. Certainly, you identified the 2 juggernauts, AAA and ADS. I suspect 2025 will be the year of ABC, our asset-backed credit company. But there's also a variety of other products, ADCF, which we're entering exciting times on that interval fund with demand from -- in tokenization.

But from our perspective, like again, 50% growth last year, the ambitions this year are still high. We believe this is going to be a group of select winners over time that have secured their position, and we rightly believe we have planted our flag. But by no means we'll be resting on our laurels. We're continuing to invest not only in the U.S., which was our primary growth geography, but also in Europe, but also places like Korea and Japan and Australia that are critical.

And as Marc mentioned earlier, we've really done this with a view on creating products from the historic Apollo Asset Management side. I suspect whether it's activities around Altitude, which is a variety of our insurance wrap product, the future creation of DC solutions. We think that there -- the sandbox of opportunity will not only execute what we've done today, but it will expand dramatically. I will tell you that ADS, we've got the January numbers, best month on record. So we believe we have those 5 critical components, never resting on our laurels. But certainly, the ambition is global and to expand the product set in terms of client solutions, that's our objective and goal.

Operator

Thank you. This brings us to the end of our allotted time for questions. I will now turn it back over to Mr. Gunn for closing comments.

Noah Gunn
MD & Global Head of Investor Relations in New York

Great. Thanks, operator, and thank you to everyone for joining us this morning and for your interest in Apollo. Of course, if you have any follow-up questions regarding our results or anything we discussed on today's call, please feel free to reach out to us, and we look forward to speaking with you again next quarter.

Operator
Ladies and gentlemen, this concludes today's event. You may disconnect your lines or log off the webcast at this time, and enjoy the rest of your day.