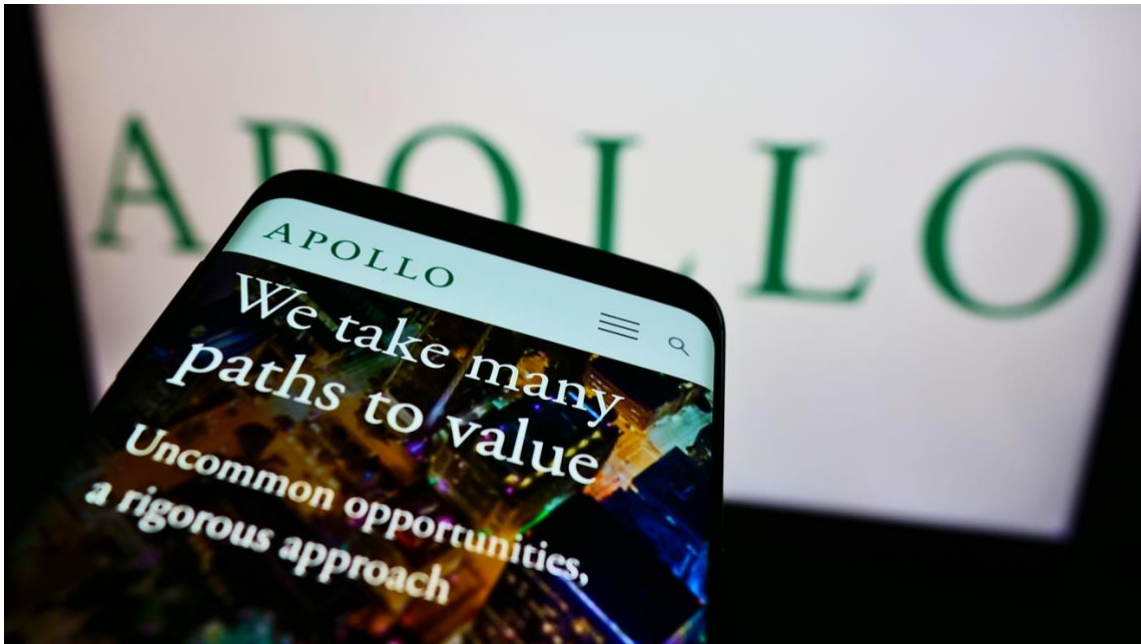


APOLLO GLOBAL MANAGEMENT (\$APO) NAVIGATING THE ALTERNATIVE INVESTMENT LANDSCAPE



Apollo Global Management. If you've been paying attention to the financial markets recently, you've likely heard this name tossed around quite a bit. But what exactly is Apollo, and why should it matter to you? Let's dive in.

Apollo Global Management is like the Swiss Army knife of investment firms. They have a tool for every financial challenge—whether it's managing pension funds, dotations, or sovereign wealth funds. And with a staggering \$512.8 billion in assets under management, they're not just playing in the minor leagues. No, Apollo is a heavyweight in the world of alternative investments, swinging big with some of the most significant players in the industry. Apollo Global Management's shares have recently fallen, largely due to financial results falling short of Wall Street's expectations for the second quarter of 2024; so is there a way to profit from this?



THE LAST BIG NEWS: APOLLO'S BOLD MOVE INTO THE MUSIC INDUSTRY



First of all, let's talk a little about music and the recent agreement that took place. We all know that streaming has completely changed the way we consume music, but did you know it's also transforming the financial landscape of the music industry? Enter Apollo's recent \$700 million investment in Sony Music Group. This isn't just chump change; it's a strategic move that places Apollo right in the heart of the music business.

Why music, you ask? Simple: it's all about those sweet, sweet cash flows. The music industry, particularly through streaming, generates stable and predictable revenue—exactly what Apollo is looking for. With Sony Music boasting big-name artists like Lil Nas X and Céline Dion, Apollo's investment offers their clients a slice of the financial pie that's both lucrative and less volatile compared to the stock market's rollercoaster ride.

But what's really interesting here is the broader trend this investment signifies. Investors are increasingly looking to diversify their portfolios beyond traditional equities and bonds. And why not? In an era where even blue-chip stocks can feel like high-stakes bets, alternative assets like music royalties offer a fresh avenue for financial growth. Apollo, ahead of the curve, is capitalizing on this shift. Jamshid Ehsani, a partner at Apollo, summed it up nicely: "This investment allows our clients to invest in high-quality assets while helping Sony implement its business plans." In other words, it's a win-win situation.

APOLLO'S RESILIENCE AMID FINANCIAL MARKET TURBULENCE

Now, let's zoom out a bit and look at the bigger picture. August brought significant turbulence to the financial markets, but Apollo Global Management demonstrated notable resilience. Despite a near 10% drop in the US stock market and similar declines in Europe, the global financing environment remained relatively stable. European markets even saw a modest recovery, climbing 3% from their August lows. The corporate bond market also faced challenges, with higher-rated bonds seeing an increase in risk premiums. Yet, borrowing conditions remained largely unaffected. This market volatility hasn't significantly impacted corporate or household finances. A major financial conditions index confirms that while conditions have tightened slightly since mid-July, they remain historically loose.

Amid this environment, Apollo continued to show its strength. In Q2 2024, despite some setbacks in its retirement division, Apollo reported record fee-related earnings of \$516 million, marking a 16.7% year-over-year increase. This performance underscores the firm's robust asset management and deal financing capabilities. What's more, in terms of operating profit, Apollo has been on an upward trend for several months, especially when compared with two of its biggest competitors: Corebridge Financials and Equitable Holdings (see graph below). When it comes to investment decisions, this kind of growing profit might be considered greenflag!



ADAPTING TO A NEW REALITY

So, what does the future hold for Apollo and the broader financial services industry? Well, if you've been following the trends, you know that the industry is undergoing a significant transformation. The long-term outlook remains positive, with the global financial services market expected to grow at a compound annual growth rate (CAGR) of 7.7% over the next few years, thanks to increasing wealth of high-net-worth individuals and rising demand for alternative investments.

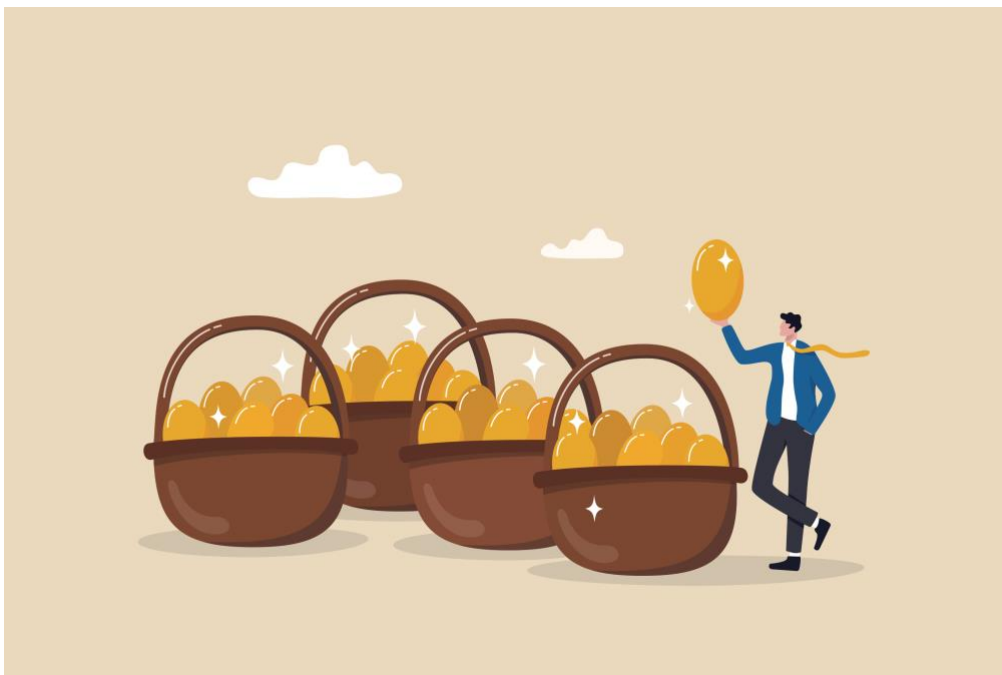
But it's not just about growth for growth's sake. The industry is also evolving, driven by new technologies like generative AI. According to the McKinsey Global Institute (MGI), banks are racing to implement Gen AI, which could generate between \$200 billion and \$340 billion per year for the global banking market. That's a lot of zeros. And Apollo is right in the thick of it, leveraging AI to drive productivity and create value for their clients.

But with great power comes great responsibility. As AI continues to reshape the financial landscape, there's a growing focus on responsible AI, particularly in areas like insurance. For example, the California Consumer Privacy Act requires insurance companies to explain how AI is used in pricing and coverage decisions—a move that could have significant implications for the industry.

Meanwhile, the number of retail-friendly investment products is also on the rise. Asset managers, exchanges, and broker-dealers are increasingly targeting retail investors, offering them new opportunities to get in on the action. And with the rise of AI-driven tools, these investors have more power than ever to make informed decisions.

STRATEGIC INVESTMENTS AND GROWTH

Apollo isn't just sitting on its laurels. The firm has been making some bold moves recently, further solidifying its position as a leader in the alternative investment space. For instance, they've signed several significant agreements, including a deal to purchase International Game Technology's gaming segment for \$6.3 billion in cash. And that's not all—they've also snapped up British parcel delivery company Evri for \$3.5 billion and, as we said, invested \$700 million in Sony Music Group. These moves are part of a broader strategy to diversify their portfolio and capitalize on emerging opportunities.



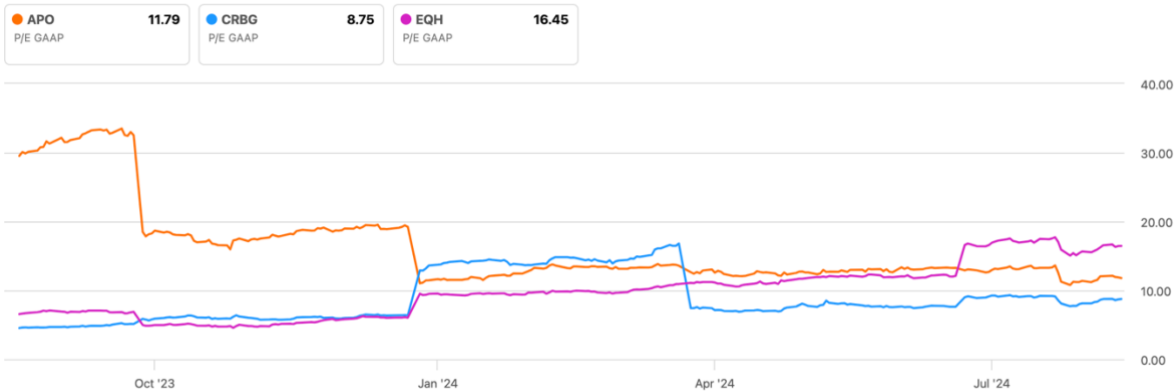
But it's not just about acquisitions. Apollo has also been busy raising capital, with their insurance subsidiary, Athene, generating \$6 billion in cash despite facing some profitability challenges. This is a clear indication that Apollo is not only resilient but also strategic in its approach to growth.

THE LONG GAME: APOLLO'S PERFORMANCE

Let's take a step back and look at Apollo's performance over the long term. Over the past five years, the company's stock price has surged by an impressive 230%. That's the kind of growth that would make even the most seasoned investor do a double-take. And while the recent 15% drop in Apollo's stock might give some investors pause, it's important to remember that the long-term fundamentals remain strong with this one. Let's take a look at some of the key financial indicators you need to know by now if you're a regular reader of this newsletter, and compare it to some of its competitors!

During this period, Apollo achieved compound earnings per share (EPS) growth of 52% per year, outpacing the 26% annual growth in its stock price. This suggests that the market might be undervaluing

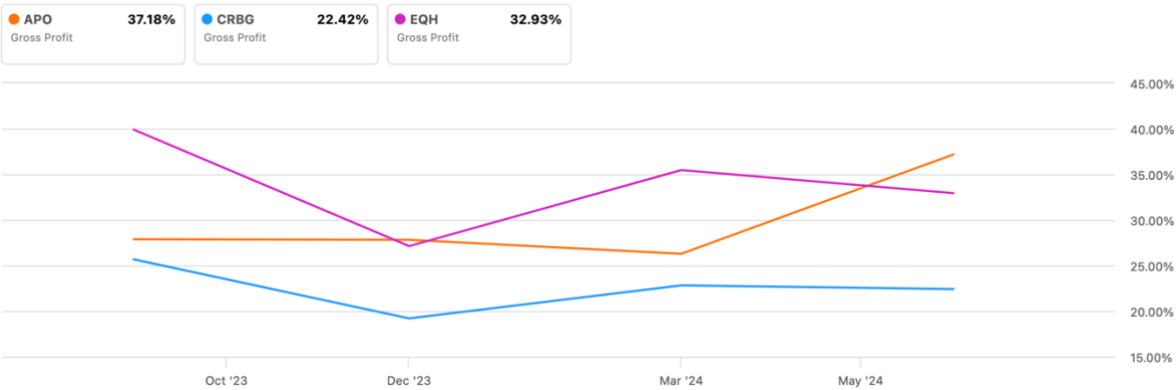
Apollo's potential, which could make now a prime time to invest. After all, with a P/E ratio (Price/Earning) of 12 in August, Apollo looks like a bargain, even if the ratio also looks pretty low for the two key competitors we mentioned above (see graph below).



A low P/E ratio could mean that the stock is highly profitable, and potentially undervalued!

And it's not just about the stock price. Apollo's total shareholder return (TSR) over the past five years has been a whopping 274%, thanks in part to the company's generous dividend policy. That's a return that few other firms in the industry can match.

In terms of gross profit margin, Apollo also seems to be doing well this year, with a current margin near 40%.



The nature of Apollo's alternative investments, which are more flexible and have higher potential, seems to enable it to generate slightly higher margins (with, for example, the recent major investment in Sony) than other financial companies with more traditional asset management.

Because yes, Apollo Global Management is distinguished by its specialization in alternative investments, offering great flexibility and a performance-driven culture. Its business model enables it to seize opportunities in a variety of markets. Equitable Holdings and Corebridge Financial are more focused on traditional insurance and asset management, benefiting from established distribution networks but being more sensitive to economic cycles.

WHAT'S NEXT FOR APOLLO GLOBAL MANAGEMENT?

So, where does Apollo go from here? The company is well-positioned to continue its upward trajectory, thanks to its diversified portfolio and strategic investments. Moreover, with the potential inclusion in the S&P 500 index, Apollo's future looks bright. In conclusion, Apollo Global Management is not just surviving—it's thriving. Whether it's making bold investments in the music industry, capitalizing on emerging technologies like AI, or strategically acquiring assets across various sectors, Apollo is proving that it's a force to be reckoned with in the world of alternative investments. So, if you're looking for a company that's not afraid to take risks and has a proven track record of delivering strong returns, Apollo might just be the investment opportunity you've been waiting for!