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**Apollo Capital Management, L.P.**

**FORM ADV PART 2A**

**March 30, 2019**

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**This brochure (“Brochure”) provides information about the qualifications and business practices of Apollo Capital Management, L.P. (“Apollo Capital Management”). If you have any questions about the contents of this Brochure, please contact us at (212) 515-3200. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about Apollo Capital Management is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Apollo Capital Management is registered as an investment adviser with the SEC pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Recipients of this Brochure should be aware that registration with the SEC does not in any way constitute an endorsement by the SEC of an investment adviser’s skill or expertise. Further, registration does not imply or guarantee that a registered adviser has achieved a certain level of skill, competency, sophistication, expertise or training in providing advisory services to its clients.

## **ITEM 2**

### **Material Changes**

Apollo Capital Management routinely makes changes throughout its Brochure to improve and clarify the descriptions of its and its affiliates' business practices and compliance policies and procedures or in response to evolving industry and firm practices.

Set out below are those changes that Apollo Capital Management believes reflect material changes since its last annual update of this Brochure filed on March 30, 2018.

- Item 4: Advisory Business: Subsequent to December 31, 2018, Apollo (as defined in Item 4) changed the business segment in which it reports certain funds and separately managed accounts to better reflect the manner in which such funds and separately managed accounts will be managed going forward. Effective January 1, 2019, the following relying advisers that rely on Apollo Capital Management's SEC registration and manage certain funds and separately managed accounts that generally invest in illiquid opportunistic investments will become relying advisers to an affiliated manager, Apollo Management, L.P.:

Apollo European Credit Management, LLC;  
Apollo European Strategic Management, LLC;  
Apollo Europe Management, L.P.;  
Apollo Europe Management III, LLC;  
Apollo Lincoln Private Credit Management, LLC;  
Apollo Management Singapore Pte. Ltd.;  
Apollo Franklin Management, LLC;  
Apollo Credit Opportunity Management III, LLC;  
Apollo Energy Opportunity Management LLC;  
Apollo Hercules Management, LLC;  
Apollo Thunder Management, LLC;  
Apollo Kings Alley Credit Fund Management, LLC;  
Apollo Union Street Management, LLC;  
Apollo SK Strategic Management, LLC;  
Apollo Moultrie Credit Fund Management, LLC;  
Apollo SVF Management, L.P.;  
Apollo SPN Management, LLC;  
Apollo Tower Credit Management, LLC; and  
Apollo Zeus Strategic Management, LLC.

Similarly, the following relying advisers that rely on Apollo Capital Management's SEC registration and manage certain funds and separately managed accounts that generally invest in European portfolios of non-performing and other impaired illiquid assets as well as related real estate investments will become relying advisers to an affiliated manager, Apollo Global Real Estate Management, L.P.:

Apollo EPF Management I, L.P.;  
Apollo EPF Management II, L.P.; and

Apollo EPF Management III LLC.

- Item 5: Fees and Compensation: In September 2018, Athene Asset Management LLC (“AAM”), a subsidiary of Apollo Capital Management, entered into a letter agreement (the “Letter Agreement”) with Athene Holding Ltd. (“Athene Holding,” together with its insurance and re-insurance subsidiaries, the “Athene Group”). AAM is an SEC-registered investment adviser relying on Apollo Capital Management’s SEC registration and acts as investment adviser to the Athene Group, certain other re-insurance clients of the Athene Group and third party insurance company separately managed accounts. In the Letter Agreement, each of AAM and Athene Holding agreed that, if the shareholders of Athene Holding approve an amendment and restatement of the by-laws of Athene Holding, it will execute the amendment and restatement of the Sixth Amended and Restated Fee Agreement, dated June 7, 2018, between AAM and Athene in substantially the form attached as an exhibit to the Letter Agreement (the “Proposed Amended Fee Agreement”).

The Proposed Amended Fee Agreement, which is intended to provide for further alignment of interests between the Athene Group and AAM, provides for revised fees payable by Athene Holding to AAM, with retroactive effect to the month beginning on January 1, 2019, to the extent not otherwise payable to AAM pursuant to any one or more investment management or sub-advisory agreements or arrangements. The revised fees cover a range of investment services that the Athene Group receives from AAM and its affiliates.

**ITEM 3**  
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## ITEM 4

### Advisory Business

#### **Apollo Global Management, LLC**

Apollo Global Management, LLC (“AGM,” and together with its subsidiaries, “Apollo”), a Delaware limited liability company, is a global alternative investment manager that is publicly listed on the New York Stock Exchange under the symbol “APO.” Founded in 1990, Apollo is led by its managing partners, Leon Black, Joshua Harris and Marc Rowan, who have worked together for more than 32 years. Apollo’s business is to raise, invest and manage credit, private equity and real assets funds, as well as strategic investment accounts, on behalf of pension, endowment and sovereign wealth funds and other institutional and individual investors. Apollo has three business segments: (1) *Credit*, which primarily invests in non-control corporate and structured debt instruments including performing, stressed and distressed investments across the capital structure; (2) *Private Equity*, which primarily invests in control equity and related debt instruments, convertible securities and distressed debt investments; and (3) *Real Assets*, which primarily invests in real estate and infrastructure equity for the acquisition and recapitalization of real estate and infrastructure assets, portfolios, platforms and operating companies and real estate and infrastructure debt, including first mortgage and mezzanine loans, preferred equity and commercial mortgage-backed securities.

#### **Apollo Capital Management, L.P.**

Apollo Capital Management is an SEC-registered investment adviser and subsidiary of AGM. Apollo Capital Management manages Apollo’s credit business and controls the managers (collectively, with Apollo Capital Management, the “Apollo Credit Managers”) to its advisory clients, which are comprised of funds, single investor funds (“SIFs”), parallel funds, alternative investment vehicles, feeder funds and separately managed accounts (collectively, the “Apollo Credit Funds”). The Apollo Credit Managers also serve as (i) collateral managers to Apollo Credit Funds structured as collateralized loan obligation (“CLO”) funds and (ii) investment managers to co-investment vehicles structured to facilitate investments by affiliated and third party co-investors (each, a “Co-Investor”) alongside Apollo Credit Funds (“Co-Investment Vehicles”). Apollo Credit Funds, together with Co-Investment Vehicles are collectively referred to as “Clients.” The Apollo Credit Managers are registered with the SEC as investment advisers relying on Apollo Capital Management’s investment adviser registration.

As described in Item 10 below, the Apollo Credit Managers are affiliated with the managers of Apollo’s private equity and real assets business segments (collectively, the “Apollo Managers”). The Apollo Credit Funds and funds, SIFs and separately managed accounts associated with Apollo’s other business segments are collectively referred to as “Apollo Funds.”

#### **Investment Advisory Relationship**

The advisory relationship between each Client and the relevant Apollo Credit Manager is governed by their respective investment management agreements (each, a “Management Agreement”). When Management Agreements are negotiated among related parties their terms, including the fees payable to the Apollo Credit Managers, may not be as favorable to the Clients as if they had

been negotiated with an unaffiliated third party. This conflict of interest is mitigated, at least in part, by the fact that certain limited partners or investors negotiate terms (including management fees payable to the Apollo Credit Managers and carried interest payable to applicable general partners) through the negotiation of the Governing Documents (as defined below) and side letters with investors in Clients.

The Apollo Credit Managers will provide investment management services to additional (including competing) pooled investment vehicles that are offered to investors on a private placement basis. In connection with providing these services, the Apollo Credit Managers are usually appointed as investment advisers with discretionary investment authorization. Investors may also be solicited to invest in one or more Apollo Funds.

Except in limited circumstances, the Apollo Credit Managers have full discretionary authority with respect to the investment decisions of their Clients; however, their advice is provided in accordance with and subject to the investment objectives and guidelines set forth in each Client's governing documents, which may include, but is not limited to, the applicable private placement memorandum (or equivalent disclosure document), partnership agreement, limited liability company agreement or similar organizational document or Management Agreement (collectively, "Governing Documents").

A Client's investments may be subject to certain diversification and geographic limitations set forth in the applicable Client's Governing Documents. In connection with certain investments, the Apollo Credit Managers employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices and currency exchange rates. The Apollo Credit Managers also enter into side letters with certain limited partners or investors of Clients that impose further restrictions on investing in certain types of securities, countries, geographies or businesses with respect to such limited partners or investors in order to meet certain legal, tax, regulatory, internal policy or other requirements or requests of such limited partners or investors.

The Apollo Credit Managers do not invest their own capital in any Client. However, Apollo's principals, officers and employees and certain Apollo affiliates have direct and indirect investments in certain Clients through employee Co-Investment Vehicles, direct investments, deferred compensation agreements, performance allocation and carried interest.

Apollo Capital Management's broad credit business is organized into six core investment strategies: (1) corporate fixed income; (2) corporate credit; (3) direct origination; (4) corporate structured and asset-backed securities; (5) consumer and residential credit; and (6) financial credit investments. A description of each investment strategy is set forth below.

**1. Corporate Fixed Income** – The corporate fixed income group advises Clients that primarily focus on investment grade corporate bonds, emerging markets and investment grade private placement investments.

**2. Corporate Credit** – The corporate credit group advises Clients that focus on credit investment strategies that are less liquid in nature. These strategies include investments in primary and secondary opportunities encompassing performing, stressed and distressed public and private

securities primarily within corporate credit, including senior secured loans, high-yield, mezzanine, debtor in possession financings, rescue or bridge financings and other debt investments.

**3. Direct Origination** – The direct origination group advises Clients that primarily invest in loans, including, but not limited to, senior secured and unsecured loans, second lien term loans, mezzanine loans, private high-yield debt, private investment grade debt, asset-backed loans, leveraged loans, real estate loans, rediscount loans, venture loans and bridge loans, particularly in the context of transactions that require certainty of financing. This strategy focuses on originating private debt both directly with sponsors and through banks in the United States (“U.S.”), but also targets European and other markets.

**4. Corporate Structured and Asset-Backed Securities** – The corporate structured and asset-backed securities group advises Clients that primarily focus on structured credit investment strategies that seek to obtain favorable and protective lending terms, predictable payment schedules, well diversified portfolios and low historical defaults. These strategies include investments in externally managed CLOs, collateralized debt obligations (“CDO”) and other structured instruments, including insurance-linked securities and longevity-based products.

**5. Consumer & Residential** – The consumer and residential group advises Clients that primarily focus on consumer and residential real estate credit investment strategies. These strategies include investments in residential mortgage-backed securities, whole residential real estate loans, consumer loans and other asset-backed securities.

**6. Financial Credit Investments** – The financial credit investments group advises Clients that primarily focus on life insurance policies issued by insurance companies that insure the lives of natural persons, as well as life insurance-linked securities, including bonds, loans, notes, certificates, preferred securities or other instruments, whether senior, preferred or subordinated that are (a) issued by insurance companies or their respective financial holding companies, (b) wrapped or guaranteed by insurance companies, (c) linked to, or referenced by, life insurance policies or insurance company reserve or capital funding, (d) linked to, or referenced by, embedded value and/or value in force transactions, (e) linked to, or referenced by, life insurance life annuity combinations, (f) linked to, or referenced by, extreme mortality or morbidity, (g) linked to, or referenced by, deferred acquisition costs, (h) linked to, or referenced by, insurance commission financing, (i) linked to, or referenced by, structured settlements, annuities or similar collateral and/or (j) CDOs or similar instruments that are comprised substantially of securities of the types described in clauses (a) – (i) above.

In addition to the above six core investment strategies, the following discusses other aspects of Apollo Capital Management’s advisory business.

**Athene Asset Management, LLC** – AAM is a subsidiary of Apollo Capital Management. AAM is registered with the SEC as an investment adviser relying on Apollo Capital Management’s investment adviser registration. AAM acts as investment adviser to the Athene Group (with respect to investment accounts related to such reinsurance arrangements) (such reinsurance clients, “Cedent Clients”) and third party insurance company separately managed accounts. AAM also acts as sub-adviser to certain Apollo Funds and creates, on behalf of one or more of its clients

(collectively, “AAM Clients”), investment vehicles to facilitate certain investments. AAM’s Chief Executive Officer has an ownership stake in AAM. AAM, either directly or through the use of sub-advisers (including affiliate and third party sub-advisers), manages primarily fixed income and alternative investments and invests in the strategies listed above. See Item 10 for additional information regarding AAM.

**Apollo Co-Investment Capital Management, LLC** – Apollo Co-Investment Capital Management, LLC is a wholly owned subsidiary of Apollo Capital Management that serves as the investment manager for various Co-Investment Vehicles formed to make investments by Co-Investors alongside Apollo Credit Funds. Please see Item 6 for additional information regarding co-investments.

**Single Investor Funds and Separately Managed Accounts** – The Apollo Credit Managers have entered, and will continue to enter, into partnerships directly or indirectly with investors that commit significant capital to a range of Apollo’s platform of products, investment ideas and asset classes over a duration that is longer than the term of a typical Client through SIFs and separately managed accounts. SIFs and separately managed accounts are established to facilitate investments by third party institutional investors directly in funds and Co-Investment Vehicles that fall within Apollo’s credit business segment as well as other securities and assets. SIFs and separately managed accounts provide such investors with greater levels of transparency, liquidity and control over their investments. When Apollo Credit Managers enter into these arrangements, an Apollo Credit Manager grants certain preferential terms to such investors, including a waiver or reduction of management fees and/or blended management fees and carried interest rates that are lower than those applicable to the other Clients in which such SIFs or separately managed accounts invest.

The preferential terms provided to investors in certain SIFs and separately managed accounts are not subject to “most favored nation” provisions in the applicable Governing Documents or side letters with investors in Clients. For example, when an investor in a SIF or managed account invests in a Client on the same general terms as other investors in that Client, but receives a lower blended management fee or carried interest rate in the SIF or managed account to Apollo as a whole, the lower blended fees (and any other preferential terms received by the investor in the SIF) will not trigger the Client’s “most favored nation” provisions. In addition, an investor in a SIF or managed account may be represented by members on certain Client advisory boards. Potential conflicts of interest involving members of a Client’s advisory board are discussed in Item 10.

### **Clients as Limited Partners**

Limited partners that are Clients may be affiliated with Apollo and, as such, the general partner will be incentivized to grant certain consent or preferential treatment to, or waive certain obligations of, these Clients, which will create conflicts of interest. For example, the general partner will be more incentivized to waive or permit the cure of a default by such Client for its failure to make a capital contribution to the Client where, for example, the Governing Documents of such Client restrict or otherwise limit its ability to make such capital contribution. In such instances, the general partner may, as a consequence, determine not to apply certain (or any) of the remedies set forth in the applicable Governing Document against such Client, which may negatively impact other Clients. The general partner will also be more incentivized than it



otherwise would be to consent to a transfer of interest by a Client to one or more persons and may waive certain requirements for such transfer in accordance with the applicable Governing Documents. In addition, Apollo has entered into, and will again in the future, an arrangement with a Client with the effect that such Client pays, or otherwise bears, higher, lower or no carried interest or management fees with respect to its interest, which arrangement may be affected by a waiver, discount, rebate or otherwise by way of another agreement, by way of the applicable Governing Documents of such Client or otherwise.

***The information provided above about the investment advisory services provided by the Apollo Credit Managers is qualified in its entirety by reference to the relevant Client's applicable Governing Documents.***

As of December 31, 2018, Apollo Capital Management manages \$177,789,324,439 on a discretionary basis and \$9,029,651,543 on a non-discretionary basis.

## **ITEM 5**

### **Fees and Compensation**

#### **Management Fees**

The Apollo Credit Managers and their affiliates are entitled to receive management fees (“Management Fees”). The specific payment terms and other conditions of the Management Fees available to the Apollo Credit Managers are set forth in the applicable Governing Documents, side letters and/or fee agreements. Such fees are payable to the Apollo Credit Managers monthly, quarterly or annually in arrears as set forth in the applicable Governing Documents. However, there may be instances where Management Fees are paid monthly or quarterly in advance.

Management Fees paid to Apollo Credit Managers for services provided to the Apollo Credit Funds are based on capital contributions, net asset values or other similar metrics as opposed to capital commitments. As the Apollo Credit Managers do not receive Management Fees from such Apollo Credit Funds until capital is drawn, there is an incentive for the Apollo Credit Managers to call capital or to invest such Apollo Credit Funds' capital earlier than they would have if Management Fees were based on capital commitments.

Limited partners and investors negotiate terms (including fees and expenses payable to the Apollo Credit Managers) through Governing Documents, side letters or similar documents. Similarly, Management Fees charged to separately managed accounts and SIFs are individually negotiated with the investor participating in the managed account or SIF and are set forth in such SIFs or accounts' applicable Governing Documents or fee agreements.

Management Fees are paid to the Apollo Credit Managers by directly billing or deducting such fees from the applicable account.

#### **Performance-Based Compensation**

Certain Apollo Credit Managers or the affiliated general partners receive performance-based compensation (e.g., carried interest and incentive fees). The specific payment terms and other conditions of the performance-based compensation available to the Apollo Credit Managers or

affiliated general partners are also set forth in the Governing Documents, side letters and/or fee agreements.

Performance-based compensation payable to the Apollo Credit Managers or affiliated general partners is payable quarterly, annually or more frequently in arrears on a deal-by-deal basis or as described in the applicable Governing Documents. In the case of an Apollo Credit Fund structured as a hedge fund, performance-based compensation is payable annually to the applicable general partner in arrears.

The general partners or similar persons of each Apollo Credit Fund structured as a hedge fund receive performance-based, partnership incentive allocations, as opposed to carried interest distributions. These partnership allocations are calculated on an annual basis and take into account both net realized and unrealized capital appreciation of the net asset value of the applicable Apollo Credit Fund, subject to certain net loss carry-forward (known as a “high water mark”) and/or other hurdle provisions (such as a preferred return). Once these are realized, such allocations are not subject to a clawback.

The applicable general partner and/or the applicable Apollo Credit Manager have the unilateral discretion to waive or reduce the application of certain provisions of the Governing Documents for an Apollo Credit Fund with respect to an investor (including those related to fees, performance-based compensation, allocations, transparency and withdrawals) without obtaining the consent of any other investor. The applicable general partner and Apollo Credit Manager waive all Management Fees and performance-based compensation for investment vehicles that facilitate investment by principals and employees of the Apollo Credit Managers. In the case of family members and friends of such principals and employees, the applicable general partner and Apollo Credit Manager waive Management Fees.

Certain collateral management and incentive fees in connection with CLOs and CDOs are payable only to the extent that funds are available and in accordance with the priority of payments described in the CLOs’ and CDOs’ indentures. Apollo Credit Managers or affiliates may also charge CLOs and CDOs fees for liquidation services and structuring services. For liquidation services, fees are based on a percentage of the proceeds of the liquidation or a fixed fee.

## **Expenses Charged to Clients**

*Organizational Expenses.* Subject to its Governing Documents, each Client pays, or otherwise bears, all fees, costs, expenses and other liabilities incurred in connection with the formation and organization of, or sale of interests in such Client, its general partner or similar person and/or investment manager or investment vehicle in which such Client may invest, including costs and all out-of-pocket legal, accounting, filing, capital raising, printing, electronic database, travel-related expenses and other expenses for accommodations, meals, events, entertainment and other similar fees, costs and expenses (collectively, the “Organizational Expenses”). Clients do not pay fees to Apollo’s affiliated broker-dealer, Apollo Global Securities, LLC (“AGS”) (AGS is described in additional detail in Item 10 below), for raising capital in connection with the formation or organization of such Clients. However, the general partner of a Client may enter into arrangements with, and compensate, unaffiliated third parties engaged to assist in placement agent services. The general partner of an Apollo Credit Manager may cause the applicable Client to pay

the placement agent a placement fee and reimburse the placement agent for expenses incurred by it in connection with such arrangement. In these cases, and where required by the applicable Governing Documents, the applicable Apollo Credit Manager reduces its Management Fee on a dollar-for-dollar basis to the extent any such placement agent fees and related costs and expenses are borne by the Client.

Governing Documents for certain Clients generally include a limit on the amount of Organizational Expenses that are borne by the Client (although this is unusual for Co-Investment Vehicles). In addition, Organizational Expenses associated with a Co-Investment Vehicle organized in connection with a particular portfolio investment are generally borne by such portfolio investment, and therefore, indirectly by investors in such portfolio investment, including the applicable Client and such Co-Investment Vehicle.

*Operating Expenses.* Subject to its Governing Documents, each Client pays or otherwise bears all of the direct and indirect fees, costs, expenses, liabilities and obligations resulting from or arising in connection with its operations (collectively, the “Operating Expenses”). In certain circumstances and subject to the applicable Governing Documents, Operating Expenses will be paid by the portfolio investments of a Client to the Apollo Credit Manager or its affiliates.

The Organizational Expenses and Operating Expenses of a particular Client are set forth in its Governing Documents and/or through side letters with investors in Clients and may include, without limitation, the following fees, costs and expenses related to or arising from:

- (i) the discovery, evaluation, investigation, development, research, acquisition or consummation, ownership, maintenance, monitoring, financing, hedging or disposition of portfolio investments, which includes, without limitation:
  - brokerage commissions;
  - clearing and settlement charges;
  - private placement fees;
  - syndication fees;
  - solicitation fees;
  - arranger fees, the services in respect of which may be conducted through Apollo Global Funding, LLC;
  - sales commissions;
  - pricing and valuation fees, including appraisal fees;
  - research fees;
  - underwriting commissions and discounts;
  - interest and investment fees;
  - transaction fees;
  - break-up fees;
  - investment banking fees;
  - advisory fees;
  - bank charges;
  - other investment costs and expenses related to closing, execution and transaction costs;

- custodial, trustee, transfer agent, recordkeeping and other administrative fees, costs and expenses;
  - origination fees;
  - sourcing fees;
  - commitment fees;
  - servicing and asset/property management fees;
  - rating agency fees; and
  - collateral management fees, facility fees, float fees or similar fees;
- (ii) services rendered to, or in connection with, financing provided to issuers of securities (such as arranger, brokerage, placement, syndication, solicitation or underwriting, agency, origination, sourcing, structuring, collateral management, special purpose vehicle, subsidiary management and/or administration, advisory or other fees, discounts, spreads, commissions and concessions) paid to (1) to (x) service providers affiliated with AGM, certain Clients and/or their portfolio investments who provide services to Clients or their portfolio companies or investments (each, an “Affiliated Service Provider”) or (y) another person with respect to services rendered by such Affiliated Service Provider, or (2) by any portfolio investment or issuer of any securities that constitute a portfolio investment in respect of which a Client does not have control;
- (iii) any investments and/or securities that are managed by either the general partner or manager of such Client or any of their respective affiliates (including an investment in another Client) that are acquired by such Client (including Management Fees, Operating Expenses, incentive allocation and/or carried interest) earned by any such person or that are otherwise borne by such investments and/or securities;
- (iv) any credit facility, subscription line facility, guarantee, line of credit, loan commitment, letter of credit or similar credit support or one or more other similar financing transactions involving such Client and/or any investment, including any payment of principal or interest arising out of such borrowings and indebtedness;
- (v) the evaluation of potential portfolio investments (irrespective of whether any such investment is ultimately consummated), including diligence, broken-deal expenses and reverse break-up fees;
- (vi) attending conferences in connection with the evaluation of potential portfolio investments or business sector opportunities, irrespective of whether any such investment is ultimately consummated;
- (vii) risk management assessments and analyses of such Client’s assets;
- (viii) any other expenses of investments that are not consummated, which may include certain advisory, transaction, closing, consulting and other similar fees paid to the manager of such Client or such manager’s affiliates and other persons;

- (ix) any travel-related expenses related to or arising from the discovery, evaluation, investigation, development, research, acquisition, consummation, ownership, maintenance, monitoring, financing, hedging or disposition of investments, including potential investments;
- (x) taxes and other governmental charges incurred or payable by such Client;
- (xi) the services of actuaries, accountants, advisors, auditors, administrators, brokers (including prime brokers), counsel, custodians, depositories, valuation experts and other service providers that provide services to such Client and legal expenses incurred in connection with claims or disputes related to actual, unconsummated or proposed investments;
- (xii) engagement of professionals (including Apollo Investment Consulting, LLC (“Apollo Consulting”) (Apollo Consulting is described in additional detail in Item 10 below) and any industry executives, advisors, consultants (including operating consultants), operating executives, subject matter experts or other persons acting in a similar capacity) who provide services to or in respect of such Client or its portfolio investments (including allocable overhead of Apollo Consulting);
- (xiii) the provision of certain research and other information that may be deemed to be bundled for the benefit of such Client, information service subscriptions and other information that may be deemed to be bundled for the benefit of such Client, as well as expenses incurred to operate and maintain market information systems and information technology systems used to obtain such research and other information. Pursuant to the Markets in Financial Instruments Directive II (“MiFID II”) effective January 3, 2018, research provided by broker-dealers are generally required to be charged separately from other execution services. Apollo Management International LLP (“AMI”) and Apollo’s other MiFID II regulated firms may no longer accept the provision of research for free or as part of bundled services. AMI has decided to bear the expense of research from its own account. The relevant Apollo Credit Manager may determine such research costs to be an affiliate expense which is permitted to be charged to the Client as an Operating Expense, which may incentivize certain Apollo Credit Managers to allocate a greater portion of such costs for research services to those Clients that are able to bear such research expenses as described in the applicable Governing Documents;
- (xiv) developing, implementing or maintaining computer software and technological systems for the benefit of such Client, its investors or its investments (including potential portfolio investments);
- (xv) maintaining such Client (including any managed account of such Client) and any of its subsidiary entities, including fees, costs and expenses incurred in the organization, operation and restructuring of such subsidiary entities;
- (xvi) insurance premiums allocated to such Client (including Apollo’s group insurance policy, general partners’, directors’ and officers’ liability or other similar insurance

policies, errors and omissions insurance, financial institution bond insurance and any other insurance for coverage of liabilities to any person that are incurred in connection with activities of such Client), litigation, arbitration or other dispute-related expenses related to the applicable Client, any portfolio investment or any potential portfolio investment of the Client (including expenses incurred in connection with the investigation, prosecution, defense, judgment or settlement of litigation) and indemnification obligations and other extraordinary expenses related to the applicable Client, any portfolio investment or any potential portfolio investment of the Client (including fees, costs and expenses that are classified as extraordinary expenses under U.S. Generally Accepted Accounting Principles (“GAAP”));

- (xvii) preparation of all reports to such Client, Client’s investors, advisory board or equivalent (including all fees, costs and expenses incurred to audit such reports, provide access to a database or other internet forum and for any other operational, legal, secretarial or postage expenses relating thereto or arising in connection with the distribution of the same) and any other financial, tax, accounting, legal or fund administration reporting functions (including expenses associated with the preparation of financial statements, tax returns and Internal Revenue Service Schedules K-1 or any successors thereto and the tax matters partner’s representation of such Client or its investors);
- (xviii) any meetings of the general partner of a Client with any Client, any limited partner or shareholders of a Client (including travel-related expenses and other expenses for accommodations, meals, events, entertainment and other similar fees, costs and expenses);
- (xix) any meetings of the Client, the Client’s investor(s), the Client’s advisory board, the Client’s board of directors, committees or conflicts review agent (including any travel-related expenses and other expenses for airfare, accommodations, meals, events, entertainment and other similar fees, costs and expenses), legal counsel, accountants, auditors, financial advisors or any other advisors or experts retained to assist the general partner of the advisory board of the Client and other expenses incurred in connection with such action;
- (xx) such Client’s indemnification obligations (including any fees, costs and expenses incurred in connection with indemnifying covered persons consistent with such Client’s Governing Documents and advancing fees, costs and expenses incurred by such covered persons in defense or settlement of any claim that may be subject to a right of indemnification under such Client’s Governing Documents);
- (xxi) compliance with (or facilitating compliance with) any applicable law, rule or regulatory requirement specific to a Client, including by way of example the European Union’s (“EU”) Alternative Investment Fund Managers Directive (“AIFMD”) and European Market Infrastructure Regulation (including regulatory filings, “blue sky” filings and related out-of-pocket or other expenses of such Client, its general partner or similar person and/or investment adviser) and expenses related

to, or in connection with, any governmental inquiry, investigation or proceeding involving such Client (including the amount of any judgments, settlements or fines paid in connection therewith), which includes legal fees, costs and expenses;

- (xxii) the organization, maintenance, administration and operation of any Client that registers under AIFMD or any entity that serves as the general partner thereof or in a similar capacity (including rent, salaries and ancillary costs of such entities and costs and expenses of service providers of such entities);
- (xxiii) a default by a defaulting investor of such Client to the extent not paid by the defaulting investor;
- (xxiv) a sale, assignment (including an assignment by way of security), mortgage charges, pledge or transfer of an investor's interest in such Client or an investor's withdrawal, admission or acquisition of interests as permitted under such Client's Governing Documents to the extent not paid by the applicable investor and/or the purchaser, assignee, pledgee or transferee;
- (xxv) any amendments, modifications, revisions or restatements to the Governing Documents of such Client, or its general partner or similar person and/or investment adviser;
- (xxvi) any distributions to investors;
- (xxvii) such Client's borrowings and indebtedness (including interest and fees, costs and expenses incurred in obtaining lines of credit, loan commitments and letters of credit for the account of such Client), secured by mortgage, charge, pledge, assignment (including any assignment by way of security) or other lien on any assets of the Client or otherwise encumbering assets in connection with or in furtherance of the acquisition of all or a portion of or the financing of an investment;
- (xxviii) administration and operation of such Client, including the preparation and maintenance of the books and records of such Client (including internal costs that the manager of such Client incurs to produce such Client's official books and records, external costs in cases where the manager hires a third party administrator to maintain such Client's official books and records and any costs of the manager to oversee and manage such third party administrator) and any special purpose vehicles, including fees and expenses incurred in the organization of special purpose vehicles, subsidiary entities of the Client or alternative investment vehicles;
- (xxix) the dissolution, winding up and termination of such Client;
- (xxx) such Client's feeder funds, subsidiary entities and alternative investment vehicles;
- (xxxi) such Client's investors that are feeder funds or conduit vehicles formed for the purpose of investing in the Client and not affiliates of the Apollo Credit Managers;

- (xxxii) negotiating, entering into and compliance with side letters or other agreements with particular investors in Clients and “most favored nation” election processes;
- (xxxiii) margin calls, margin-related activities, put and call rights and similar obligations relating to derivative transactions entered into by such Client, its subsidiary entities or special purpose vehicles and other liabilities and obligations of any of the foregoing;
- (xxxiv) any fees, costs or expenses related to co-investments (irrespective of whether such co-investments are ultimately consummated), such as broken-deal expenses and reverse break-up or termination fees, including those that are not borne by actual or prospective Co-Investors;
- (xxxv) organizing, maintaining, administering, operating and negotiating joint ventures or arrangements and platform investments; and
- (xxxvi) such Client’s allocable portion of the overhead of the Apollo Credit Manager incurred in connection with the services performed by personnel or employees of the Apollo Credit Manager that constitute services for or in respect of which Operating or Organization Expenses may be borne by such Client.

All references to “travel-related expenses” in the foregoing categories of Organizational Expenses and Operating Expenses include all travel expenses for the use of private aircraft, first class or business class travel, accommodations, meals, events and entertainment. In certain instances, the Governing Documents limit the amount of such expenses for which a Client is responsible.

Any person associated with the Client is entitled to reimbursement from such Client or its portfolio investment for any Organizational Expenses or Operating Expenses paid and/or incurred by them on behalf of such Client. Apollo Credit Managers have discretion to seek reimbursement for Organizational Expenses and Operating Expenses and may choose not to seek reimbursement or to seek less than full reimbursement from certain Clients. If any service provider provides services to a Client on the property of an Apollo Credit Manager, such Client may also be responsible for any overhead, rent or other fees, costs and expenses charged by an Apollo Credit Manager in connection with the on-site arrangement.

The Apollo Credit Managers from time to time enter into arrangements with service providers that provide for fee discounts for services rendered to the Apollo Credit Managers and their affiliates. For example, certain law firms retained by Apollo Capital Management discount their legal fees for certain legal services, such as legal advice in connection with firm operational, compliance and related matters. To the extent such law firms also provide legal services to Clients, such Clients will also receive the benefit of such fee discount arrangements. Legal services rendered for investment transactions, however, are typically charged to the Apollo Credit Managers and their Clients without a discount or at a premium. Legal fees for unconsummated transactions are generally charged at a discount.

Not all Clients are subject to the same fees, costs and expenses. For example, when the general partner of a Client enters into arrangements with, and compensates, unaffiliated third parties for investor referrals to the Apollo Credit Funds, these arrangements will be fully disclosed to affected



investors. The general partner of an Apollo Credit Fund may cause the applicable Apollo Credit Fund to pay the placement agent a placement fee and reimburse the placement agent for expenses incurred by it in connection with such arrangement. In these cases, and where contemplated by the applicable Governing Documents, the applicable Apollo Credit Manager typically reduces its Management Fee on a dollar-for-dollar basis to the extent any such placement agent fees and related costs and expenses are borne by the Apollo Credit Fund.

See Item 10 for additional disclosure regarding Management Fees paid by AAM Clients.

*Allocation of Expenses.* The Apollo Credit Managers and their affiliates from time to time incur fees, costs and expenses on behalf of one or more Clients. To the extent such fees, costs and expenses are incurred for the account of more than one Client, each Client bears a portion of any such fees, costs and expenses generally in proportion to the size of its investment in the activity or entity to which the expense relates (subject to the terms of each Client's applicable Governing Documents) or in such manner as the Apollo Credit Manager in good faith determines is fair and reasonable. In most cases, Apollo's expense allocation committee is responsible for the overall expense allocations and the related methodologies for Apollo and the Clients managed by certain Apollo Credit Managers. For example, approximately 90% of the premiums with respect to Apollo's group professional liability insurance policy are currently allocated among all Clients covered under such policy, while the remaining 10% of the premiums are borne by Apollo.

### **Special Fees and Management Fee Offsets**

Certain Apollo Credit Managers or their affiliates receive management consulting fees, break-up fees, directors' fees, closing fees and merger and acquisition transaction advisory fees related to the negotiation of the acquisition of a portfolio investment and similar fees (including interest, commitments or other fees received in connection with a bridge financing), whether in cash or in-kind, including options, warrants and other non-cash consideration, in connection with certain Clients' actual or contemplated investments (collectively, "Special Fees").

Management consulting fees typically consist of recurring fees paid to an Apollo Credit Manager for providing consulting services to portfolio investments. Depending on the Governing Documents of a Client or investor side letters, management consulting fees generated in connection with a given investment may be applied up to 100% to reduce the Management Fees payable by the Client(s) that participated in that investment.

In the event of an initial public offering, change of control or other disposition of the portfolio investment, management consulting fees will continue to be paid so long as the applicable Client continues to hold an other than *de minimis* position in such portfolio investment and the Apollo Credit Managers continue to provide the consulting services.

However, where the applicable Client holds a *de minimis* position or has divested itself completely from the position and the Apollo Credit Manager or its affiliate no longer provide consulting services to the portfolio investment, the Apollo Credit Managers will not receive early termination fees or accelerated management consulting fees without the approval of the Client's advisory board. In the absence of an advisory board, the investors (or a subset of the investors, such as a

majority-in-interest of such investors) or duly appointed representatives of the applicable Client will provide such approval.

Pursuant to applicable Governing Documents, Special Fees may be allocated to Clients. When Special Fees are allocated, they are typically allocated pro-rata among Clients participating in the portfolio investment giving rise to such Special Fees based on their respective proposed commitments to or shares of the capital provided for such portfolio investment (or, if such portfolio investment is not made, that was expected to be provided). Once the Client has been allocated its pro-rata portion of such Special Fees, such fees are further allocated pro-rata among all of the investors in such Client based on their respective proposed commitments to or shares of the capital provided for such portfolio investment and the amount so allocated to the management fee-bearing investors is applied to reduce the amount of Management Fees payable to the extent provided in the Clients' Governing Documents or side letters with investors in Clients.

If amounts to be applied to reduce the Management Fees paid by such management fee-bearing Clients during the applicable period exceed the Management Fee payable during such period, the excess is typically credited against the Management Fee payable during the next applicable period and each succeeding period thereafter until the entire amount of the excess has been credited. To the extent such excess is greater than the amount of Management Fees due for all future periods, such excess will be for the benefit of the Apollo Credit Manager (or its affiliates) or credited to investors depending on the Clients' applicable Governing Documents or side letters with investors in Clients.

Certain Clients' Governing Documents do not contemplate the allocation of Special Fees as described above. However, Apollo Credit Managers may elect to give such Clients the benefit of an offset with respect to such Special Fees up to their pro-rata portion.

When Special Fees are not allocated to Clients, they are retained by the applicable Apollo Credit Manager.

The following fees and expenses paid to the Apollo Credit Managers, or one or more of their respective affiliates, generally do not constitute Special Fees, and therefore, are not applied to offset Management Fees:

- (i) Organizational Expenses;
- (ii) Operating Expenses;
- (iii) salary, fees or other compensation of any nature paid by a portfolio investment to any individual (or to such Client's investment adviser or one of its affiliates (including Apollo Consulting) with respect to such individual) who acts as an officer of, or in an active management role at, such portfolio investment (including industry executives, advisors, consultants, operating executives, subject matter experts, sourcing consultants or other persons acting in a similar capacity engaged or employed by Apollo Consulting but excluding investment professionals employed by Apollo that are primarily engaged in the investment activities of Clients) and any fees, costs or expenses paid to Apollo Consulting itself;

- (iv) without limiting the foregoing clauses (i), (ii) and (iii), fees, costs or expenses paid to or in respect of Apollo Consulting or any industry executives, advisors, consultants (including operating consultants and sourcing consultants), operating executives, subject matter experts or other persons acting in a similar capacity who provide services to the Client or its portfolio investments (including allocable overhead of Apollo Consulting), but excluding investment professionals employed and engaged in the investment activities;
- (v) fees, costs and expenses, such as arranger, brokerage, placement, syndication, solicitation, underwriting, agency, origination, sourcing, structuring, collateral management, special purpose vehicle (including any special purpose vehicle of a portfolio investment), subsidiary management or administration, advisory, commitment, facility, float or other fees, discounts, spreads, commissions and concessions, but not merger and acquisition transaction advisory services fees related to the negotiation of the acquisition of a portfolio investment paid to an Affiliated Service Provider or another person with respect to services rendered by an Affiliated Service Provider;
- (vi) amounts earned by or for the account of any other Clients (directly or indirectly) through an expense offset mechanism;
- (vii) fees, costs, expenses or other amounts of compensation (including Management Fees, Operating Expenses, incentive allocation and/or carried interest) earned by any person or otherwise borne with respect to investments or securities or other financial instruments that are managed by such Client's investment manager or any of its respective affiliates (including an investment in another Client) that are acquired by the Client in the secondary market;
- (viii) fees, costs and expenses for any and all services whatsoever (including transaction advisory services fees related to the negotiation of the acquisition of a portfolio investment) paid or otherwise borne by any portfolio investment or issuer of any securities that constitute a debt investment or an investment with respect of which no Apollo affiliate exercises direct control with respect to the decision to engage the services giving rise to such fees, costs and expenses;
- (ix) fees, costs, expenses or other amounts of compensation earned by any person or otherwise borne with respect to investments or transactions that are otherwise consented to or approved by such Client's advisory board; and
- (x) fees, costs and expenses determined in good faith by the Apollo Credit Managers to be similar in nature to any of the above-mentioned ones.

## **ITEM 6**

### **Performance-Based Fees and Side-by-Side Management**

The Apollo Credit Managers and their affiliates receive performance-based compensation (e.g., carried interest and incentive fees), Management Fees and other fees from Clients. Although there are certain exceptions, each affiliate of an Apollo Credit Manager serving as a general partner of

a Client is entitled to receive performance-based compensation from such Client. The receipt of performance-based compensation from Clients creates an incentive for the Apollo Credit Managers to make more speculative investments on behalf of Clients than they might otherwise make in the absence of such performance-based compensation.

As discussed in Item 5, the Apollo Credit Managers charge Management Fees that may vary for each Client. Different Management Fees incentivize Apollo Credit Managers to dedicate increased resources and allocate more profitable investment opportunities or better investment ideas to Clients who are charged Management Fees (or performance-based compensation arrangements) that are more profitable for the Apollo Credit Managers. Further, the Apollo Credit Managers are incentivized to allocate investment opportunities to Clients who either pay carried interest or a higher carried interest percentage to their general partners or to Clients whose current performance does not require them to reimburse investors for losses attributable to prior unprofitable investments before distributing carried interest to their general partners.

The Apollo Credit Managers have adopted Apollo's allocation policy and procedures (as described below) to help mitigate conflicts of interest relating to the management of multiple Clients with varying types of fee arrangements.

## **Investment Allocations**

*Allocation Among Clients.* The Apollo Credit Managers are committed to allocating investment opportunities among their Clients in a manner that, over time, is on a fair and equitable basis and have adopted Apollo's policies and procedures, which are discussed below, to guide the determination of such allocations. Those policies and procedures seek to mitigate the potential that an Apollo Credit Manager will allocate investment opportunities to Clients in a self-interested manner and are based on the goal of allocating investment opportunities on a pro-rata basis. Because each allocation decision is based on the facts and circumstances specific to each investment and the Clients that could potentially participate in the investment, individual investment allocations have been made, and will be made in the future, on a basis other than a pro-rata allocation. Apollo's allocation policies and procedures and examples of factors that will be considered when making allocation decisions are discussed below. It is important to note that the factors discussed below that may influence a specific allocation are not exhaustive.

The Apollo allocation policies and procedures have established:

- (i) the AGM allocations committee (the "AGM Allocations Committee") to, among other things: (a) review any opportunities involving potential third party Co-Investors; (b) review the actions taken by sub-committees of the AGM Allocations Committee (the "Allocations Sub-Committees") and conflicts of interest that cannot be resolved by the Allocations Sub-Committees; (c) review such conflicts that cannot be resolved by the portfolio managers; and (d) resolve potential conflicts of interest that arise where multiple Clients hold interests (including outright positions in issuers and exposure to such issuers derived through any synthetic and/or derivative instrument) in multiple tranches of securities of any issuer (or other interests of an issuer) or multiple Clients having interests in the same tranche of an issuer;

- (ii) the Allocations Sub-Committees to (a) review and approve proposed allocations of investment opportunities among Apollo business units; and (b) review certain Client allocations; and
- (iii) allocation guidelines on which such committees base their allocation decisions.

An investment opportunity will be allocated to a Client if the opportunity reasonably falls within such Client's mandate and is deemed suitable by the relevant portfolio manager, investment committee, AGM Allocations Committee, Allocations Sub-Committee or AAM's allocations committee ("AAM Allocations Committee"), as appropriate. If an investment opportunity falls within the mandate of, and is deemed suitable for, two or more Clients, and it is not possible to fully satisfy the investment interest of all such Clients, the investment opportunity will be allocated pro-rata based on the size of each Client's original investment interest, subject to factors discussed below. The size of each Client's investment interest is based on, among other things, each Client's available capital or net asset value.

However, many other factors influence order allocation decisions, including, without limitation:

- (i) the relative, actual or potential exposure of any particular Client to the type of investment opportunity in terms of its existing investment portfolio;
- (ii) the investment objectives, guidelines or restrictions of such Client;
- (iii) cash availability, suitability, Client instructions, whether a purchase is being made for a specific Client, permitted leverage and available financing for the investment opportunity (including, without limitation, taking into account the levels/rates that would be required to obtain an appropriate return);
- (iv) the likelihood of current income;
- (v) the size, liquidity and duration of the investment opportunity;
- (vi) the seniority of an investment and other capital structure criteria;
- (vii) with respect to an investment opportunity originated by a third party, the relationship of a particular Client (or the portfolio manager) to or with such third party;
- (viii) tax, accounting, risk-based capital and/or asset/liability management considerations;
- (ix) legal or regulatory considerations;
- (x) supply or demand for an investment opportunity at a given price level;
- (xi) a Client's risk or investment concentration parameters (including, without limitation, parameters such as geography, industry, issuer, volatility, leverage, liability duration or weighted average life, asset class type or other similar risk metrics);

- (xii) whether a Client is able to commit to invest all capital required to consummate a particular investment opportunity;
- (xiii) whether the investment opportunity is a follow-on investment or upsize to an existing investment;
- (xiv) whether the vehicle is in the process of fundraising or is open to redemptions (in which case, notions of net asset value and available capital may be subjectively adjusted to account for anticipated inflows or redemptions) (e.g., in the case of a Client ramp-up period, liquidation period or when incubating a particular investment strategy or product or the investment period or term of a Client);
- (xv) relationships among Clients, such as whether Clients have parent/subsidiary relationships or whether a Client's economic exposure has been swapped to or otherwise assumed by one or more other parties (e.g., in the case of a Cedent Client (as defined in Item 4) and one or more reinsurers);
- (xvi) whether an investment opportunity requires additional consents or authorizations from a Client or third parties;
- (xvii) whether an investment opportunity would enable a particular Client or Clients to qualify for certain programmatic benefits or discounts that are not readily available to other Clients including, but not limited to, the ability to enter into credit arrangements with certain financial or governmental institutions; and
- (xviii) such other criteria reasonably related to an allocation of a particular investment opportunity to one or more Clients.

In determining whether an investment opportunity falls within a Client's mandate, the relevant portfolio manager or investment committee, AGM Allocations Committee, Allocations Sub-Committees or the AAM Allocations Committee, as appropriate, will take into consideration that:

- (i) the applicable Governing Documents of each Client disclaim, to greater or lesser degrees, the obligation to offer such Client investment opportunities that fall within its investment objective or mandate;
- (ii) Apollo Capital Management endeavors to not systematically disadvantage any Client;
- (iii) the ultimate character of an investment opportunity (i.e., its risk/reward profile) may not become clear until a great deal of diligence and analysis has been completed by the portfolio manager pursuing such investment opportunity;
- (iv) a Client may have more than one mandate; and
- (v) the applicability of the Co-Investment Order (as defined below).

*Allocation of Co-Investment Opportunities.* The general partner of a Client or its affiliates, in its discretion, may offer opportunities to co-invest alongside one or more Clients to Co-Investors in

light of, among other things, the considerations described above. Such co-investments are typically structured through Co-Investment Vehicles organized to facilitate such investments.

The general partner of a Client and its affiliates allocate co-investment opportunities among Co-Investors in any manner they deem appropriate, taking into account those factors that they deem relevant under the circumstances, including, but not limited to:

- (i) whether a prospective Co-Investor has expressed an interest in participating in co-investment opportunities (e.g., by such investor's side letter);
- (ii) the character or nature of the co-investment opportunity (e.g., its size, structure, geographic location, relevant industry, tax characteristics, timing and any contemplated minimum commitment threshold);
- (iii) the level of demand for participation in such co-investment opportunity;
- (iv) the ability of a prospective Co-Investor to analyze or consummate a potential co-investment opportunity on an expedited basis;
- (v) certainty of funding and whether a prospective Co-Investor has the financial resources to provide the requisite capital;
- (vi) the investing objectives and existing portfolio of the prospective Co-Investor;
- (vii) whether a prospective Co-Investor is a person whom the relevant Apollo Credit Manager believes will provide a strategic benefit to Apollo, the Client, a portfolio investment or one or more of their respective affiliates due to industry expertise, regulatory expertise, end user expertise or otherwise;
- (viii) the reporting, public relations, competitive, confidentiality or other issues that may also arise as a result of the co-investment;
- (ix) the legal, tax or regulatory constraints to which the proposed investment is expected to give rise;
- (x) the Co-Investor's existing or prospective relationship with Apollo; and
- (xi) Apollo's own interests.

There are a variety of circumstances where Apollo is incentivized to offer co-investment opportunities to one Co-Investor over another. For example, Apollo is incentivized to offer such co-investment opportunity to certain Co-Investors over others when the economic arrangement with such Co-Investors is more favorable to Apollo. Additionally, Apollo has been (and could again in the future be) contractually obligated to offer certain Co-Investors a minimum amount of co-investment opportunities or otherwise bear adverse economic consequences for failure to do so. In addition, as contemplated herein, the portion of any Special Fees payable in connection with any portfolio investment that are allocable to investments by Co-Investors will not reduce Managements Fees paid by the Client and will be retained by, and be for the benefit of, the Apollo

Credit Manager. Therefore, the Apollo Credit Manager may be incentivized to allocate a greater portion of such portfolio investment to Co-Investors that it would have otherwise allocated to Co-Investors in the absence of such arrangements.

No person (including any limited partner or other investor of any Client) other than a Client should have any expectation of receiving an investment opportunity or will be owed any duty or obligation in connection therewith, and Clients (and their respective limited partners, shareholders or other investors) should only have such expectations to the extent required by their Governing Documents (including, if applicable, their side letters).

### **Co-Investments Generally**

*Terms of Co-Investments.* Co-investments will generally be made at substantially the same time as a Client's investment and on economic terms at the investment level that are substantially no more favorable to such Co-Investors than those on which the Client invests. Any such co-investment will also be generally sold or otherwise disposed of at substantially the same time as the Client's disposition of its interest in such investment and on economic terms at the investment level that are substantially no more favorable to such Co-Investors than those on which the Client disposes of its interest in such investment. However, the Apollo Credit Managers have, at times, determined in good faith that other terms, proportions or timing are advisable due to legal, tax, regulatory or similar considerations or limitations, or advisable in order to facilitate a transaction and are likely to do so in the future. The Apollo Credit Managers have, at times, determined that these terms will not apply to investments by certain categories of Co-Investors, including management or employees of the relevant portfolio investment, preexisting investors in such portfolio investment, joint venture partners with respect to such portfolio investment, other credit funds or similar persons not affiliated with the Apollo Credit Managers and are likely to do so in the future.

*Compensation Associated with Co-Investments.* The Apollo Credit Managers and/or any of their affiliates have discretion to: (i) receive performance-based compensation, Management Fees or other similar fees from Co-Investors and (ii) collect customary fees in connection with actual or contemplated portfolio investments that are the subject of such co-investment arrangements. In addition, in connection with any such co-investment, the Apollo Credit Managers or any of their affiliates will retain the portion of the Special Fees allocable or otherwise attributable to investments in portfolio investments by any such Co-Investors, whether or not such portfolio investments are consummated. The Apollo Credit Managers or their affiliates may make an investment, or otherwise participate, in any vehicle formed to structure a co-investment to facilitate, among other things, receipt of such performance-based compensation, Management Fees or other similar fees.

*Expenses Associated with Co-Investments.* With respect to consummated co-investments, Co-Investors will bear their pro-rata share of fees, costs and expenses related to, among other things, the discovery, investigation, development, acquisition, consummation, ownership, maintenance, monitoring, hedging and disposition of their co-investments or the Co-Investment Vehicles through which they participate. With respect to a proposed co-investment that is not consummated, Co-Investors that are contractually committed to participate in such proposed co-investment and that agree to bear their share of any fees, costs or expenses that were incurred in



connection with such proposed co-investment, including break-up fees or broken-deal expenses, will bear their share of such expenses. However, in instances where Co-Investors have not yet contractually committed to a proposed co-investment or have not agreed to bear any such fees, costs or expenses, any such fees, costs and expenses will be considered Operating Expenses and be borne by the Client to the extent permitted by the applicable Governing Documents or where disclosure of such treatment was made to the investors in such Client prior to their investment therein. To the extent such expenses cannot be borne by such Client, the applicable Apollo Credit Managers will bear these expenses.

In the event that Co-Investors actually participate in a consummated co-investment through one or more Co-Investment Vehicles, they will bear their pro-rata share of the aggregate Organizational Expenses of all such vehicles. In addition, Organizational Expenses associated with a Co-Investment Vehicle organized in connection with a particular portfolio investment are borne by such portfolio investment, and therefore, indirectly by investors in such portfolio investment, including, without limitation, the applicable Client and such Co-Investment Vehicle. Co-Investors may receive compensation arrangements relating to the investment, including incentive compensation arrangements, where such Co-Investors include one or more members of a portfolio investment's management group. Finally, some of the Co-Investors with whom Clients co-invest may have pre-existing investments with Apollo. The terms of those pre-existing investments may differ from the terms upon which such persons may invest with Clients.

*Over-Commitment.* In order to facilitate the acquisition of an investment, an Apollo Credit Manager or one or more of its affiliates may, on behalf of itself or one or more of its Clients, make or commit to make an investment that exceeds the desired amount with a view to selling a portion of such investment to Co-Investors or other Clients prior to or after the closing of the acquisition. In such event, Clients bear the risk that any or all of the excess portion of such investment may not be sold or may be sold on unattractive terms. As a consequence, the applicable Clients may bear the entire portion of any fees, costs and expenses related to such investment including, but not limited to, break-up fees and hold a larger than expected portion of such investment and may realize lower than expected returns from such investment. The Apollo Credit Managers endeavor to address such risks by requiring such investments to be in the best interests of their Clients, regardless of whether any sell-down ultimately occurs.

## **The Co-Investment Order**

Certain Clients have overlapping investment strategies with other Clients, including other Clients that are registered under the Investment Company Act of 1940 ("Company Act") (such registered Clients, the "Apollo Registered Funds"). The Company Act prohibits Apollo Registered Funds from co-investing with other Clients where non-price terms are negotiated (such as financial and negative covenants, guarantees and collateral packages and indemnification provisions) unless an exception or exemption applies. On March 29, 2016, certain Apollo Registered Funds, including Apollo Investment Corporation and certain of its related entities, received an exemptive order from the SEC (the "Co-Investment Order") (Company Act Release No. 32057) permitting Apollo to negotiate, among other things, these types of provisions for co-investment opportunities that involve the participation of both non-registered Clients and Apollo Registered Funds. As a result, to the extent specific investment opportunities are appropriate for a Client and one or more Apollo Registered Funds, in addition to being subject to the allocation policies and procedures

summarized above, the opportunity will also be subject to the conditions of the Co-Investment Order. Reliance on the Co-Investment Order is subject to certain terms and conditions, including, among others, internal notification of investment opportunities, independent determination by senior members of each applicable Apollo Registered Fund's investment team as to appropriateness of each applicable investment, enhanced record keeping and, where applicable, approval of a "required majority" (as defined in Section 59(o) of the Company Act) of the independent directors of the applicable Apollo Registered Funds.

There can be no assurance that the Co-Investment Order will facilitate the successful consummation of investment opportunities that Apollo believes are now available to Clients as a result of the Co-Investment Order. In addition, there is also no assurance a Client will be able to participate in all investment opportunities pursued under the Co-Investment Order that are within its investment objectives. As a result of the Co-Investment Order, there will be a need to allocate investment opportunities across a larger amount of available capital. As such, the allocations available to Clients for investment opportunities that are subject to the Co-Investment Order may be adversely affected. Investment opportunities that are subject to the Co-Investment Order are also subject to additional policies and procedures as a result of the participation of the Apollo Registered Funds, which may delay deal execution and adversely impact the ability of Clients to deploy capital.

### **Investment Valuation and Realization**

The existence of performance-based compensation and varying levels of Management Fees creates a conflict of interest in valuing investments and there will be situations in which the Apollo Credit Managers are incentivized to influence or adjust the valuation of Client assets. For example, the Apollo Credit Managers are incentivized to: (i) employ valuation methodologies that improve a Client's track record; (ii) defer recognizing losses from investments that have experienced a permanent impairment that must be returned prior to an affiliate (i.e., a general partner) receiving a carried interest; or (iii) for certain Clients, employ valuation methodologies that give rise to a higher valuation in order to increase fees, such as in the case of a Management Fee that is calculated as a percentage of the value of such Client's assets. The Apollo Credit Managers have adopted the following Apollo policies to address these potential conflicts.

*Valuation of Client Assets.* Certain assets owned by or managed for Clients are those for which there is no, or only a limited, liquid market, and the fair value of such assets may not be readily determinable. There is no assurance that the value assigned to an investment at a certain time will accurately reflect the value that will be realized upon the eventual disposition of the investment.

Except as described below, Apollo Credit Managers intend to comply with GAAP and to apply Accounting Standards Codification 820 ("ASC 820") and other relevant Financial Accounting Standards Board ("FASB") statements and guidance to the valuation of their Clients' assets and liabilities. Financial reporting that is compliant with GAAP is required to follow the requirements for valuation set forth in ASC 820, "Fair Value Measurements and Disclosures," which defines and establishes a framework for measuring fair value under GAAP and expands financial statement disclosure requirements relating to fair value measurements. ASC 820 and other accounting rules applicable to investment funds and their assets are evolving, and additional FASB statements and guidance and additional provisions of GAAP that may be adopted in the future may impose

additional or different specific requirements as to the valuation of assets and liabilities for purposes of GAAP-compliant financial reporting. Such changes may adversely affect Clients. For example, to the extent that the rules governing the determination of the fair market value of assets change, such changes may increase the cost of fair market valuations or reduce the availability of third party determinations of fair market value.

Generally, GAAP is applied when such fair value determinations are made, except as otherwise set forth in a Client's applicable Governing Documents. For example, for certain Clients, GAAP is not applied to the valuation of exchange-traded securities held (i) directly by Clients as portfolio investments or (ii) indirectly by Clients through special purpose vehicles or other entities not considered to be portfolio investments of such Clients. In those cases, the exchange-traded securities are valued for purposes of the calculation of the pro forma return ratio (as discussed below) based on their average trading prices during the fifteen-day period prior to and following the measurement date. Conversely, exchange-traded securities held by Clients indirectly through portfolio investments are valued in accordance with GAAP.

Where a Client is a private equity style fund, the Client's private equity-like assets may be valued at fair value or at an amount other than GAAP fair value (for example, historical cost) for financial statement reporting purposes unless the asset has suffered a permanent impairment in value for purposes of calculating fees and carried interest distributions. Valuing assets at other than GAAP valuations may result in the Apollo Credit Managers receiving higher (or lower) Management Fees than would otherwise be received if assets were valued at fair value. In addition, valuing assets at an amount other than fair value may result in the general partner of a Client receiving a higher (or lower) carried interest distribution or performance allocation than it would if assets are valued at fair value. If Client assets are valued at other than fair value, the Client's Governing Documents disclose the applicable valuation methodology.

Notwithstanding the foregoing, the Apollo Credit Managers may determine in certain instances to assign to a particular asset a different value, determined pursuant to the applicable Client's Governing Documents, than the value assigned to such asset for financial reporting purposes. In particular, the Apollo Credit Managers may not apply GAAP when determining an asset's value for purposes of determining distributions.

Accordingly, limited partners or shareholders of Clients that are Apollo Credit Funds should only expect such assets or liabilities to be valued in accordance with GAAP, for purposes of preparing the Client's GAAP-compliant audited financial statements. Otherwise, except as expressly required by the terms of the applicable Governing Documents, the Apollo Credit Managers may assign such assets or liabilities a different value for all other purposes (including without limitation, for purposes of allocating gains and losses), without regard to any GAAP requirements relating to the determination of fair value.

For certain Clients, the carried interest paid to such Client's general partner is subject to escrow in order to maintain a certain "pro forma return ratio." This ratio compares the amounts held in the escrow account, plus the fair value of all investments, including, in certain cases, income or gain previously distributed in respect of all investments held by the Client against unreturned capital contributions funded for investments, Management Fees, Organizational Expenses, Operating Expenses and placement fees.

See Item 10 for additional disclosure regarding valuation of AAM clients' assets by AAM.

*Timing of Investment Realization.* When distributions to the partners in Clients are generally calculated in a "deal-by-deal" waterfall, the general partner will not receive carried interest until the limited partners receive distributions equal to their share of write-downs not taken into account in prior distributions. This creates an incentive for the general partner and applicable Apollo Credit Manager to avoid writing down the value of assets that are not readily marketable or difficult to value, because the general partner will be in a position to receive a higher carried interest. In addition, in the case where distributions in-kind are made to a Client's investors, the general partner or applicable Apollo Credit Manager is incentivized to employ valuation methodologies that may give rise to a higher valuation of such assets. The Apollo Credit Managers have adopted Apollo's valuation policies and procedures, which are intended to address conflicts of interests that arise in respect of the valuation of their Clients' assets.

Carried interest distributions to the general partner or similar person of a Client become payable earlier if profitable investments are liquidated before unprofitable investments because such waterfall does not permit any distributions of carried interest until after the cumulative amount of distributions have covered any prior losses associated with unprofitable investments. Further, in the "catch-up" period that occurs after investors have received the applicable priority return (typically set at eight percent per year, compounded annually), the general partner or similar person of such Client entitled to carried interest will typically receive between 80 and 100 percent of distributions until such time as it receives 20 percent of the fund's cumulative profits. During this period, the general partner or similar person is incentivized to bring realizations forward, lock in returns and stop the accrual of the priority return, even though the investors might achieve a better overall return if the Client retained the investment for a longer period of time.

To mitigate this conflict, the Governing Documents of Clients contain a requirement that the general partner or similar person make a commitment to the capital of the fund and include a "clawback" requiring the general partner or similar person to return excess distributions to investors (often at the end of the term of the fund) in the event that the general partner or similar person receives more than its carried interest percentage of profits on an aggregate basis over the life of the fund. As any clawback owed to investors of a Client is typically calculated on an after-tax basis under the applicable Governing Documents, investors may not ultimately receive their full share of profits that they would have otherwise received had there been no excess distribution to the general partner or similar person throughout the term of an Apollo Credit Fund.

In addition, the Apollo Credit Managers are incentivized to hold on to investments that have poor prospects for improvement in order to receive ongoing Management Fees in the interim, and potentially, a more likely or larger carried interest distribution if such asset's value appreciates in the future. This incentive is increased by the presence of clawbacks in certain Clients where the general partner or similar person is under an obligation to return to the Client's investors any excess carried interest distributions received by such general partner or similar person upon the Client's termination.

*Distribution In-Kind.* While the Governing Documents of a Client typically specify an investment period within which investments are to be consummated, there is more flexibility in the general partner's discretion regarding when investments must be realized. In addition, a Client may make

portfolio investments that are not advantageously disposed of prior to such Client's dissolution, either by expiration of its term or otherwise. Although the Apollo Credit Managers expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at termination, Clients may be forced to sell, distribute or otherwise dispose of portfolio investments at a disadvantageous time as a result of dissolution. Further, Clients' Governing Documents do not typically impose a strict obligation on a Client's general partner or liquidator to realize investments within a certain period of time after dissolution, and there can be no assurances with respect to the time frame in which the winding down and the final distribution of proceeds to investors will occur.

Subject to the Governing Documents of each Client, a Client may distribute interests or shares in a special purpose vehicle or liquidating trust, series or other entity to an investor to hold portfolio investments that may not be suitable for in-kind distribution. Pending the disposition of portfolio investments from such trust, series, entity or vehicle, the shares or interests received by the investor will be subject to asset-based or performance-based fees and other expenses.

Since assets distributed in-kind are typically illiquid in nature, the potential conflicts of interest described under "Valuation of Client Assets" above will also apply. Such investments may not be readily marketable or saleable and may have to be held by investors for an indefinite period of time. Widespread holding of portfolio investments, particularly of private illiquid securities, may also entail a significant administrative burden. In addition, the direct holding of certain investments may subject the holder to suit or taxes in jurisdictions in which such investments are located.

*Reserves.* The Governing Documents of most Clients provide that distributions, including final distributions to investors, are subject to reserves or holdbacks for estimated accrued expenses, liabilities and contingencies. In addition, investors would be required to return amounts distributed to them to, among other things, fund indemnification obligations. The applicable laws in certain jurisdictions require investors that received a distribution in error or in violation of such law to, under certain circumstances, re-contribute such distributions to the respective Clients.

## **ITEM 7**

### **Types of Clients**

The Apollo Credit Managers provide investment advice to pooled investment vehicles, SIFs and separately managed accounts. In addition, as discussed in Item 4 above, certain Apollo Credit Managers serve as investment advisers or collateral or administrative managers to CLOs, CDOs and other structured investment vehicles, residential real estate finance companies, insurance and reinsurance companies, reinsurance accounts and closed-end, non-diversified investment companies.

Investors participating in Clients are required to meet certain suitability and net worth qualifications, such as (i) an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act of 1933, as amended (the "Securities Act"); (ii) a "qualified purchaser" as defined in Section 2(a)(51) of the Company Act; or (iii) a "knowledgeable employee" within the meaning of Rule 3c-5 of the Company Act, depending on the applicable eligibility requirements of the respective Client.

The minimum investment for most Apollo Credit Funds is stated in the applicable Governing Documents and is generally set at \$5 million. The general partners of the Apollo Credit Funds have discretion to waive the applicable minimum.

Clients advised by Apollo ST Debt Advisors LLC do not have a minimum investment size.

## **ITEM 8**

### **Methods of Analysis, Investment Strategies and Risk of Loss**

The following is a summary of the investment strategies and methods of analysis employed by the Apollo Credit Managers on behalf of Clients. This summary should not be interpreted to limit in any way Apollo Capital Management's investment activities. Apollo Capital Management offers advisory services, provides advice with respect to investment strategies and makes investments, including those that may not be described in this Brochure, that Apollo Capital Management considers appropriate, subject to each Client's investment objectives and guidelines. Specific descriptions of such strategies and methods are included in each Client's Governing Documents. In the case of separately managed accounts managed by the Apollo Credit Managers (other than AAM), the investment strategies and methods of analysis employed on behalf of each managed account will, to the extent applicable, be set forth in the Management Agreement between the managed account and the respective Apollo Credit Manager or in other related documents. There can be no assurance that the investment objectives of any Client will be achieved.

#### **Methods of Analysis**

The Apollo Credit Managers conduct research on prospective investments. Depending on the type of prospective investment, research may include, for example, a review of the company's financial statements, comparisons with similar public and private companies and analyzing relevant industry data (such as information on customers and suppliers). In conducting such research, the Apollo Credit Managers may consult the following sources of information: financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, SEC filings, company press releases and any other material the Apollo Credit Managers deem relevant. For individual loans, the Apollo Credit Managers may research credit history, and for loan portfolios, the Apollo Credit Managers may research, among other things, payment and loss history, contractual terms and interest income. The Apollo Credit Managers may engage the services of experts and consultants to supplement their research.

#### **Investment Strategies**

Generally, a Client's investment strategy is outlined in its applicable Governing Documents. The Apollo Credit Managers' objective is to achieve attractive risk-adjusted returns across all economic cycles. On a firm-wide basis, Apollo's investment approach is value-oriented, focusing on industries in which it has considerable knowledge and emphasizing downside protection and the preservation of capital. Apollo Credit Managers principally seek to make investments on behalf of their Clients that offer a compelling risk/reward, are undervalued by the markets and/or are priced at attractive yields. The Apollo Credit Managers develop investment strategies based upon the following distinguishing characteristics of Apollo's firm-wide business:

*Integrated Business Model with Strong Credit Expertise.* The Apollo Credit Managers and their affiliates rely on Apollo's investment professionals' active participation in, and experience with, credit markets to gain understanding of transaction sourcing, investing, operating and exit opportunities. Apollo's private equity, credit and real assets businesses are operated on an integrated investment platform with no information barriers.

*Flexible Approach to Investing Across Market Cycles.* Apollo has consistently invested capital throughout economic cycles by focusing on opportunities that it believes are often overlooked by other investors. Its expertise in credit markets, focus on core industry sectors and investment experience allows Apollo to respond quickly to changing environments. Apollo pays close attention to the cycles that the core industry sectors are experiencing and is opportunistic in entering and exiting investments when the risk/reward profile is in Apollo's favor.

## **Risk of Loss**

Participation in Clients is only suitable for investors who have knowledge and expertise in financial and business matters and are capable of evaluating the merits and risks of an investment in such Client. The acquisition of interests or shares in a Client and the investments made by Clients are highly speculative and may involve the risk of total loss of an investor's capital.

The following risk factors are those applicable to all Clients and/or their investors. These risk factors do not purport to be a complete list or explanation of the risks involved in each Client. The Governing Documents applicable to each Client typically include a more detailed summary of the material risks and the investment strategy for that Client and should be read in conjunction with the risk factors identified below.

*No Assurance of Investment Returns.* The Apollo Credit Managers cannot give Clients assurance that investments will generate returns or that returns will be commensurate with the risks of investing in the type of investments or assets that fall within such Clients' individual investment objectives. Clients may enter into agreements or consummate transactions that involve payments, such as reverse break-up fees, that result in substantial costs to the affected Client and the elimination of the possibility of a return, if the transaction is not consummated.

*Substantial Fees and Expenses.* Clients typically pay Management Fees, Organizational Expenses and Operating Expenses as set forth in their Governing Documents, side letters and/or fee agreements, whether or not they make any profits, as well as performance-based compensation if they make profits. While it is difficult to predict the future fees and expenses of Clients, such fees and expenses may be substantial. Please see Item 5 for additional information on fees and expenses.

*Business and Market Risks.* Investments may involve a high degree of business and financial risk, which could result in substantial loss to a Client. In particular, these risks could arise from changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic and market conditions and changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made, including the risks of war and the effects of terrorist attacks on security operations. The possibility of partial or total loss of capital will exist.

*General Market Risks.* Recent legal and regulatory changes may adversely impact Clients. The regulation of U.S. and non-U.S. securities, futures markets and investment funds has undergone substantial changes in recent years and such changes may continue. The effect of such new regulations on Clients could be substantial and adverse and may subject Clients to increased capital requirements, fees, expenses and limits on the types of investors they may solicit. Laws and regulations can change quickly and unpredictably in a manner adverse to the Clients' interests. As a result, Clients and/or the Apollo Credit Managers may be subject to unduly burdensome and restrictive regulations.

The financial services industry and the activities of private funds and their managers in particular, have been subject to increasing regulatory scrutiny. This may increase the exposure of Clients to potential liabilities and additional legal, compliance and other related costs that, as a result, adversely affect the ability of Clients to achieve their investment objectives.

*CFIUS & National Security/Investment Clearance Considerations.* Certain investments by Clients that involve the acquisition of a business connected with or related to national security or critical infrastructure may be subject to review and approval by the U.S. Committee on Foreign Investment in the U.S. ("CFIUS") and/or non-U.S. national security/investment clearance regulators depending on the beneficial ownership and control of interests in the Client. In the event that CFIUS or another regulator reviews one or more of the Client's proposed or existing investments, there can be no assurance that the Client will be able to maintain, or proceed with, such investments on terms acceptable to the Client. CFIUS or another regulator may seek to impose limitations on or prohibit one or more of the Client's investments. Such limitations or restrictions may prevent the Client from maintaining or pursuing investments, which could adversely affect the Client's performance with respect to such investments (if consummated) and thus the Client's performance as a whole. In addition, certain limited partners of Clients will be non-U.S. investors, and in the aggregate, may comprise a substantial portion of a Client's aggregate commitments, which increases both the risk that investments may be subject to review by CFIUS, and the risk that limitations or restrictions will be imposed by CFIUS or other non-U.S. regulators on such Client's investments. In the event that restrictions are imposed on any investment by the Client due to the non-U.S. status of a limited partner or group of limited partners or other related CFIUS or national security considerations, the general partner may choose to restrict such limited partner's, or such group of limited partners', ability to invest in any such portfolio investment or the information that may be provided to such limited partner or group of limited partners with respect to any investment in which they participate. However, there can be no assurance that any restrictions implemented on any such limited partner or any such group of limited partners will allow the Client to maintain, or proceed with, any investment.

*Use of Subscription Line Facilities.* Certain Apollo Credit Funds obtain subscription line facilities to facilitate investments (including on a temporary or permanent basis), support ongoing operations and activities of the Apollo Credit Funds, and their respective portfolio companies and/or investments, and enable the Apollo Credit Funds to pay management fees or expenses and liabilities. Subscription line facilities will typically be entered into on a cross-collateralized basis with the assets of parallel funds and alternative investment vehicles comprising an Apollo Credit Fund, and in certain instances, with portfolio investments. Such entities will typically be held jointly and severally liable for the full amount of the obligations arising out of such subscription line facility. If an Apollo Credit Fund obtains a subscription line facility, it is expected that the



Apollo Credit Fund's capital needs (including both interim and potentially permanent capital needs) will in most instances be satisfied through borrowings by the Apollo Credit Fund under the subscription line facility, and less so, drawdowns of capital contributions by the Apollo Credit Fund under the subscription line facility, and, less so, drawdowns of capital contributions by the Apollo Credit Fund, which capital calls would generally be expected to be conducted in larger, less frequent capital calls in order to, among other things to, repay borrowings and related interest expenses made under such subscription line facilities.

Where an Apollo Credit Fund uses borrowings under a subscription line facility in advance or in lieu of receiving capital contributions from investors to repay any such borrowings and related interest expenses, the use of such facility will result in a higher or lower reported internal rate of return than if the facility had not been utilized and instead capital contributions from investors had been contributed at the inception of an investment. This will present conflicts of interest, including the interest rate on such borrowings typically being less than the rate of the preferred return and the fact that the preferred return of Apollo Credit Funds typically does not accrue on such borrowings, but rather only accrues only on capital contributions when made. As a result, use of such subscription line facilities may reduce or eliminate the preferred return received by the investors and accelerate or increase distributions of performance-based allocation to the relevant general partner, providing the general partner with an economic incentive to fund investments through such facilities in lieu of capital contributions. In addition, Management Fees are paid to the Apollo Credit Manager using such borrowings even if capital contributions have not been made to the applicable Apollo Credit Funds by its investors. Moreover, the fees, costs and expenses of any such facilities will generally be allocated among an Apollo Credit Fund and any parallel funds pro-rata or on such other basis that is determined to be more equitable under the circumstances, which will increase the expenses borne by the applicable limited partners and would be expected to diminish net cash on cash returns.

*Hedging Policies/Risks.* In connection with certain investments, Clients may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices, commodities prices, currency exchange rates, as well as other risks. While such transactions may reduce certain risks, hedging transactions themselves entail other risks. Thus, while Clients may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, commodities prices, currency exchange rates or other factors may result in a poorer overall performance for Clients that enter into hedging transactions.

*Regulation and Enforcement; Litigation.* Clients are subject to U.S. and international regulations which could increase the costs associated with acquiring and operating Clients and the risk of regulatory examination, enforcement actions and third party litigation. There can be no assurance that the Clients, their general partners, the Apollo Credit Managers or any of their affiliates will avoid regulatory examination, enforcement action or third party litigation or adverse publicity relating to such a proceeding.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), among other things, granted regulatory authorities such as the Commodity Futures Trading Commission (the "CFTC"), the SEC and the Consumer Financial Protection Bureau with broad rulemaking and enforcement authority to implement and oversee various provisions of the Dodd-Frank Act, including comprehensive regulation of the over-the-counter derivatives and consumer

finance markets. These expanded powers have resulted in rules that could adversely affect Clients or investments made by Clients.

There is significant uncertainty regarding recently enacted legislation (including the Dodd-Frank Act and the regulations that are being developed pursuant to such legislation), and consequently, the full impact that such legislation ultimately will have on Clients, their general partners, the Apollo Credit Managers or any of their affiliates is not fully known to date.

Clients may also indirectly be affected by the regulation of banks and other financial services firms with which the Clients do business, from which they obtain financing or other services or to which they seek to sell interests in loan securitizations. The regulatory regimes applicable to financial services firms with which Clients do business may increase borrowing costs or limit the terms or availability of credit, affect the terms or pricing of loan securitizations, affect the collectability of loans or have other indirect effects such as mandatory creditor bail-in and resolution stays. As noted above, these regimes may also significantly regulate over-the-counter derivative trading and subject Clients to restrictions and regulations due to extraterritorial impact.

These new and expanded regulations and regulatory powers may reduce returns to investors in consumer and commercial loan portfolios as a result of, among other things, additional compliance and administrative expenses, failure to obtain full repayment on portfolio loans, administrative enforcement actions and fines by state or federal regulators and civil litigation against holders of loans and/or a reduction in the availability of appropriate loans for investment. Similarly, violations of law or regulation by the originators or servicers of consumer and commercial loans held directly or indirectly by investors could result in the originators or servicers being subject to administrative fines or penalties, borrower restitution obligations or other consequences that could negatively impact investors in such loans.

Apollo Credit Managers may participate in restructuring activities where Clients invest in distressed securities. It is possible that certain Clients will become involved in litigation with respect to creditor disputes and similar issues among classes of claimants. Litigation entails expenses and the possibility of counterclaims against such Clients including their general partners and respective Apollo Credit Managers, and ultimately, judgments may be rendered against a Client for which such Client does not carry insurance.

*Risk Retention Rules.* The risk retention requirements promulgated under Articles 404-410 of the EU Capital Regulation Requirements (as the same may be amended and including any similar or successor statutes or regulations) ("EU Capital Regulation Requirements"), are applicable to an entity acting as a "sponsor" or "originator" (each as defined in the EU Capital Regulation Requirements), where securities issued in a securitization transaction are sold to certain EU investors such as credit institutions (including banks), investment firms, authorized alternative investment fund managers and insurance and reinsurance undertakings. These securities may be held through (i) a "vertical slice" equal to a 5% pro-rata percentage of the face value of each tranche or (ii) a "horizontal slice" equal to 5% of the fair value of all of the securities issued via the first loss or "equity" tranche. Apollo Capital Management does not expect to engage in the types of investments or activities that would make it subject to the requirements of the EU Capital Regulation Requirements but may invest in securitizations sponsored by others, and may participate in a standalone asset management business structured so as to be capable of holding the retention interests required by the EU Capital Regulation Requirements.

There can be no assurance that applicable governmental authorities will agree that any of the transactions, structures or arrangements entered into by Apollo Capital Management and its affiliates, and the manner in which they expect to hold retention interests, will satisfy the EU Capital Regulation Requirements. The EU Capital Regulation Requirements are subject to changes, clarifications and interpretations by governmental authorities that may have an adverse effect on Apollo Capital Management and its affiliates.

Section 941 of the Dodd-Frank Act (the “U.S. Risk Retention Rules”) requires a “sponsor” of a securitization transaction (or its “majority-owned affiliate”) to retain at least 5% of the economic interest in the credit risk of the securitized assets. However, following a decision of the U.S. Court of Appeals for the District of Columbia issued on February 9, 2018 (the “DC Circuit Ruling”), collateral managers of “open-market CLOs” (described in the ruling as CLOs where assets are acquired from “arm’s-length negotiations and trading on an open market”) are no longer required to retain an interest in such “open-market CLOs” under the U.S. Risk Retention Rules. As a result of the DC Circuit Ruling, Apollo Capital Management is no longer required under the U.S. Risk Retention Rules to retain an interest in “open-market CLOs” in which it acts as collateral manager. However, Apollo Capital Management may still elect to act as the “originator” or “sponsor” (in each case, as defined in the EU Capital Regulation Requirements) for purposes of compliance with the EU Capital Regulation Requirements.

Furthermore, the impact of the EU Capital Regulation Requirements and the U.S. Risk Retention Rules on the securitization market is also unclear and such rules (including any amendments thereto) could negatively impact the value of CLOs, securitizations and underlying assets.

*Monetary Policy and Governmental Intervention.* The U.S. Federal Reserve (the “Federal Reserve”) and global central banks, including the European Central Bank, have – in addition to other governmental actions to stabilize markets and seek to encourage economic growth – acted to hold interest rates to historic lows. It cannot be predicted with certainty when or how these policies will change, but actions by the Federal Reserve and other central banks may have a significant effect on interest rates and on the U.S. and world economies generally, which in turn may affect the performance of the investments of Clients. Further financial crises may result in additional governmental intervention in the markets. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the financial crisis are difficult to predict or measure with certainty.

*Non-U.S. Currency Risks.* Certain Clients make investments that are denominated in non-U.S. currency, and therefore, are subject to the risk that the value of a particular currency will change in relation to one or more other currencies, including generally the currency in which the books of the Client are kept and currencies in which contributions and distributions generally will be made. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Client will incur costs in converting investment proceeds from one currency to another. Apollo Credit Managers may, but are under no obligation to, employ hedging techniques to minimize these risks, although there can be no assurance that such strategies will be effective. Investments in any country in which U.S. dollars are not the local currency may be affected by such changes in the

value of foreign exchange between the U.S. dollar and such currency. Such changes may have an adverse effect on the value, price or income of the investment to such investors. There may also be foreign exchange regulations applicable to investments in non-U.S. currencies in certain jurisdictions.

*Alternative Investment Fund Managers Directive.* AIFMD provides a framework for the EU to regulate managers of alternative investment funds that are not Undertakings for the Collective Investment of Transferable Securities, but which are marketed or managed in the EU. It was required to be implemented by member states (“EEA Member States”) of the European Economic Area (“EEA”) by no later than July 22, 2013 (in the case of EEA Member States that are not members of the EU, subject to AIFMD being incorporated into the EEA Agreement, which occurred on October 1, 2016).

Since implementation, AIFMD has restricted the extent to which non-EEA alternative investment funds (“AIFs”) can be marketed to potential investors in the EEA. AIFs (i) organized outside of both the EU and those of the additional EEA Member States which have implemented AIFMD and (ii) in which interests are marketed under AIFMD within the EEA are subject to significant conditions on their operations. Under AIFMD, such AIFs may be marketed only in certain EEA jurisdictions and in compliance with requirements to register the AIF for marketing in each relevant jurisdiction and to undertake periodic investor and regulatory reporting, including, among other items, the risk and portfolio profile of each Client which is marketed in that regulator’s jurisdiction. Additional requirements and restrictions apply where AIFs invest in an EEA portfolio investment, including restrictions that may impose limits on certain investment and realization strategies, such as dividend recapitalizations, distributions and reorganizations. Such rules could potentially impose significant additional costs on the operation of Apollo Capital Management’s business or investments in the EEA and could limit Apollo Capital Management’s operating flexibility within the relevant jurisdictions.

In some countries, additional obligations are imposed; for example, in Germany and Denmark, marketing of a non-EEA AIF now also requires the appointment of one or more depositaries (with cost implications for the AIF). Depending on the activities of each Client, additional restrictions on investment activities may also apply if they are to be marketed to EEA investors. Accessing EEA investors may be more difficult and Client costs may increase to reflect the additional burdens.

In the longer term, subject to non-EU jurisdictions being granted equivalence status under AIFMD, non-EEA Apollo Credit Managers of non-EEA AIFs may be permitted to voluntarily seek authorization under, and comply with the more detailed requirements of, AIFMD.

In order to manage and market EEA AIFs more broadly for and to EEA investors, two new entities have been created: (i) Apollo Investment Management Europe LLP (“AIME”) was incorporated by Apollo in the United Kingdom (“UK”) on March 31, 2016 and obtained authorization from the UK Financial Conduct Authority (the “FCA”) on October 28, 2016 to carry out activities regulated by the FCA (including managing and marketing AIFs); and (ii) Apollo Investment Management Europe (Luxembourg) S.à.r.l. (“AIME Lux”) was incorporated by Apollo in Luxembourg on January 2, 2019 and received authorization from Commission de Surveillance du Secteur Financier (“CSSF”) on January 9, 2019 to carry out activities regulated by the CSSF (including managing

and marketing AIFs) with registration effective from January 9, 2019. AIME and AIME Lux are subject to significant regulatory requirements imposed by AIFMD, including with respect to conduct of business, regulatory capital, valuations, disclosures and marketing and rules on the structure of remuneration for certain personnel. From January 2017, parallel European fund structures have been managed by AIME and marketed by AIME's European FCA regulated affiliate, AMI, as permitted under the AIFMD. Going forward, some European funds may be managed by AIME Lux and marketed by it or its regulated affiliates, as permitted under AIFMD. The European fund structures are subject to additional requirements imposed by AIFMD, including investor and regulatory disclosures and reporting, requirements when investing in an EEA portfolio investment and the requirement to appoint a depositary, each as described above in relation to non-EEA AIFs in addition to further obligations specifically applicable to EEA AIFs. Client costs may increase to reflect these additional burdens.

Some changes to AIFMD are expected, others are under negotiation, and a wider review has commenced which may lead to further changes. Any or all of these may lead to increased costs and/or burdens; and may limit operational flexibility within the EEA and access to EEA investors.

*BREXIT.* The UK held a referendum on June 23, 2016 at which the electorate voted to leave the EU. On March 29, 2017, the UK government invoked Article 50 of the Treaty of Lisbon (the "Treaty"), which had the effect of formally initiating the withdrawal of the UK from the EU.

At this time, while negotiations concerning the UK's departure from the EU have resulted in the Brexit Withdrawal Agreement (the "Withdrawal Agreement"), which sets out the terms of the UK's "divorce" from the EU, it is unclear whether the Withdrawal Agreement (or an amended version of the Withdrawal Agreement) will be approved by the UK Parliament. By operation of law, absent any extension or transitional relief, the UK is scheduled to leave the EU on March 29, 2019. No such extension or transitional relief has been agreed upon at this time, but an agreement is possible. If an agreement is reached, it would be difficult to predict the impact on the timing of the UK's departure from the EU.

There are still several possible outcomes of Brexit. These include the risk that no agreement or deal between the UK and the EU is reached concerning the UK's departure from the EU. This scenario is referred to as the so called "hard Brexit" scenario.

The uncertainty associated with Brexit may adversely affect the return for a Client and its investments. There may be detrimental implications for the value of certain of a Client's investments, its ability to raise capital or other sources of funds, enter into transactions, to value or realize such investments or otherwise to implement its investment program.

Even to the extent that the Withdrawal Agreement (or an amended version of it agreed with the EU) is approved by the UK Parliament, the UK and the EU will still need to negotiate and agree upon many aspects of their future relationship. For example, it is currently unclear whether the UK and the EU will implement a future regime for UK financial services firms that is as extensive as is currently provided in the existing passporting regimes. The ability for UK financial services firms to provide their services and market their products to clients based in the EU may become more restricted, which could adversely affect clients and their investments.

Apollo has a number of affiliated entities which are authorized and regulated by the FCA (the “UK Regulated Entities”) and which provide services to Apollo Management and its Clients. As indicated above, the ability of the UK Regulated Entities to continue to provide their services across the EU may be impacted following the UK’s withdrawal from the EU.

*General Data Protection Regulation.* The Apollo Credit Managers and/or Clients may be directly or indirectly subject to the requirements of the General Data Protection Regulation (Regulation (EU) 2016/679) (“GDPR”), which came into effect in the EU in May 2018. GDPR has direct effect in all 28 members of the EU (“EU Member States”) and has extraterritorial effect where non-EU persons, such as the Apollo Credit Manager, the Client or their respective service providers process personal data in relation to the offering of goods and services to individuals in the EU or the monitoring of the behavior of individuals in the EU.

GDPR imposes a number of obligations on data controllers and rights for data subjects, including, among others: (i) accountability and transparency requirements, which will require controllers to demonstrate and record compliance with GDPR and to provide more detailed information to data subjects regarding processing; (ii) enhanced requirements for obtaining valid consent; (iii) obligations to consider data protection as any new products or services are developed and to limit the amount of personal data processed; (iv) obligations to comply with data protection rights of data subjects; and (v) reporting of personal data breaches to the supervisory authority without undue delay (and no later than 72 hours where feasible).

GDPR also introduces fines for serious breaches. Data subjects also have a right to compensation for financial or non-financial losses (e.g., distress). There is a risk that the measures taken to comply with GDPR will not be implemented correctly or that individuals within the business will not be fully compliant with the new procedures. If there are breaches of these measures, the Apollo Credit Manager and the Client and their respective affiliates (as relevant) could face significant administrative and monetary sanctions, as well as reputational damage which may have a material adverse effect on the operations, financial condition and prospects of the Client.

The Apollo Credit Manager and Clients are also subject to data protection laws passed by many states and by localities that require enhanced levels of cybersecurity and notification to users and/or regulators when there is a security breach for personal data. Compliance with these regulations, including the obligation to timely notify stakeholders in the event of a cybersecurity incident, may divert the Apollo Credit Manager’s time and effort and entail substantial expense. Any failure by the Clients or the Apollo Credit Manager to comply with these laws and regulations could result in negative publicity and may subject the Client to significant costs associated with litigation, settlements, regulatory action, judgments, liabilities and other penalties, for which the Clients may not have insurance coverage.

*Foreign Corrupt Practices Act Considerations.* The Apollo Credit Managers seek to comply with the U.S. Foreign Corrupt Practices Act (“FCPA”) and other anti-corruption laws, anti-bribery laws and regulations, as well as anti-boycott regulations, to which they are subject. As a result, Clients may be adversely affected because of their unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations may make it difficult in certain circumstances

for Clients to act successfully on investment opportunities and for portfolio investments to obtain or retain business.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the UK has significantly expanded the reach of its anti-bribery laws. While the Apollo Credit Managers have adopted Apollo's policies and procedures, which are designed to ensure strict compliance by the Apollo Credit Managers and their personnel with the FCPA, such policies and procedures may not be effective to prevent violations in all instances. In addition, in spite of Apollo's policies and procedures, portfolio investments or other entities in which a Client is invested may engage in activities that could result in FCPA violations, particularly in cases where a Client does not control such portfolio investment. Any determination that an Apollo Credit Manager has violated the FCPA or other applicable anti-corruption laws or anti-bribery laws could subject it to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect the Apollo Credit Managers' business prospects and/or financial position, as well as a Client's ability to achieve its investment objective and/or conduct its operations.

*Pay-to-Play Laws, Regulations and Policies.* The SEC, as well as certain U.S. states, localities and public instrumentalities, have adopted "pay-to-play" laws, regulations or policies which restrict the political activities of investment managers that seek investment from or manage funds on behalf of state and local government entities. Such restrictions can include limits on the ability of the managers to make political contributions to or fundraise for certain state and local candidates, officials and political organizations, as well as obligations to make regular disclosures about such political activities to federal, state or local regulators. In addition, many pay-to-play regimes (including the SEC pay-to-play rule for investment advisers) impute the personal political activities of certain executives and employees, and in some instances, their spouses and family members, to the manager for purposes of potential pay-to-play liability. Violation of pay-to-play laws can lead to the loss of management fees, rescission of current commitments and a loss of future investment opportunities. Additionally, issues involving pay-to-play violations and alleged pay-to-play violations often receive substantial media coverage. A failure to comply with applicable pay-to-play laws, regulations or policies by the Apollo Credit Managers or a party acting on their behalf could have an adverse effect on the Clients.

*Possibility of Fraud and Other Misconduct of Employees and Service Providers.* Misconduct by employees of the Apollo Credit Managers, service providers to Apollo Credit Managers or Clients and/or their respective affiliates could cause significant losses to such Clients. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such Clients, the improper use or disclosure of confidential or material non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of such Clients and non-compliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to such Clients. The Apollo Credit Managers have controls and procedures through which they seek to minimize the risk of such misconduct occurring. However, no assurances can be given that the Apollo Credit Managers will be able to identify or prevent such misconduct.

*Changes in Investment Focus.* Clients may not be restricted in terms of the percentage of their capital that can be invested in a particular industry, geographical region or type of investment. While a Client's disclosure and/or Governing Documents generally contain a description of the types of investments that other Clients have historically made and/or information about Apollo's expectations with respect to such Client, many factors may contribute to changes in emphasis in the construction of such Client's portfolio, including changes in market or economic conditions or regulation as they affect various industries and changes in the political or social situations in particular countries. There can be no assurance that the investment portfolio of any Client will resemble the portfolio of any prior Client.

*Lack of Liquidity of Investments.* Clients' portfolio investments generally consist primarily of debt investments, including, but not limited to, bonds, senior secured loans, unsecured loans, second lien loans, debtor-in-possession financings, delayed drawdown loans and revolving bank loans. Loans are not generally traded on organized exchange markets but rather would typically be traded by banks and other institutional investors engaged in loan syndications. Certain Client portfolios may include other asset classes, such as alternative investments, mortgage loans and real property. The liquidity of certain portfolio investments will depend on the liquidity of the applicable market. Trading in certain investments is subject to delays as transfers may require extensive and customized documentation, the payment of significant fees and the consent of the agent bank or underlying obligor or other party. In addition, certain investments may be subject to legal or contractual restrictions or requirements that limit the Client's ability to transfer them or sell them for cash. The resulting illiquidity of these investments may make it difficult for a Client to sell such investments if the need arises. If a Client needs to sell all or a portion of its portfolio over a short period of time, it may realize significantly less value than the value at which it had previously recorded those investments. There can be no assurance that Clients will be able to generate returns for their investors or that the returns will be commensurate with the risks of investing in the types of instruments described herein. As noted above, there is a possibility of partial or total loss of capital as a result of such constraints.

*Possible Lack of Diversification.* Each Client may concentrate its portfolio investments by investing all of its assets in only a few issuers, industries or countries. By investing in a limited number of portfolio investments, the aggregate returns realized by a Client may be substantially affected by the unfavorable performance of a small number of such portfolio investments.

*Leverage.* Clients, in certain instances, borrow and utilize various other forms of leverage and expect to operate with a significant leverage ratio. Although leverage presents opportunities for increasing a Client's total return, it has the effect of potentially increasing losses as well. If income and appreciation on investments made with borrowed funds are less than the cost of the leverage, the total return of the leveraging Client will decrease. Accordingly, any event which adversely affects the value of a portfolio investment would be magnified to the extent a Client is leveraged. The cumulative effect of the use of leverage by Clients in a market that moves adversely to such Clients' investments or in the event portfolio investments experience credit quality deterioration could result in a substantial loss to Clients that could be substantially greater than if such Clients were not leveraged. In addition, contractual demands by lenders to a Client to reduce its leverage may force such Client to sell investments on an emergency basis at prices less than those obtainable in a more orderly liquidation. To the extent that a creditor has a claim on a Client, such claim



would be senior to the rights of an investor in the Client. As a result, if a Client's losses were to exceed the amount of capital invested, an investor could lose its entire investment.

*Financing Arrangements.* To the extent a Client enters into financing arrangements, such arrangements may contain provisions that expose it to particular risk of loss. For example, any cross-default provisions could magnify the effect of an individual default. If a cross-default provision were exercised, this could result in a substantial loss for a Client. Also, Clients may enter into financing arrangements that contain financial covenants that could require them to maintain certain financial ratios or other metrics. If a Client were to breach the covenants contained in any such financing arrangement, it might be required to repay such debt immediately, in whole or in part, together with any attendant costs, and the Client might be forced to sell some of its assets to fund such costs. Certain Clients may also be required to reduce or suspend distributions. Such covenants would also limit the ability of the Apollo Credit Manager or Client to adopt the financial structure (e.g., by reducing levels of borrowing) that it would have adopted in the absence of such covenants. In addition, pursuant to the partnership agreements of certain Clients, the general partner is permitted to pledge the capital commitments of the limited partners to secure financing arrangements for the Client. The limited partners may be required to honor their capital commitments to permit the Client to pay debt rather than to make investments.

*Investments in Distressed Securities.* A portion of the Client's investments may also be obligations or securities that are unrated or rated below investment grade by recognized rating services such as Moody's and Standard & Poor's. Securities rated below investment grade and unrated securities generally offer a higher current yield than that available from higher grade issues but typically involve greater risk. Securities rated below investment grade and unrated securities are typically subject to adverse changes in general economic conditions, changes in the financial condition of their issuers and price fluctuation in response to changes in interest rates. During periods of economic downturn or rising interest rates, issuers of securities rated below investment grade and unrated securities may experience financial stress that could adversely affect their ability to make payments of principal and interest and increase the possibility of default. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the values and liquidity of securities rated below investment grade and unrated securities, especially in a market characterized by a low volume of trading. In addition, the secondary market for high-yield securities, which is concentrated in relatively few market makers, may not be as liquid as the secondary market for more highly rated securities. As a result, the Client could find it more difficult to sell these securities or may only be able to sell the securities at prices lower than if such securities were widely traded.

*Uncertainty of Financial Projections.* As part of its due diligence of a potential investment, the Apollo Credit Manager for a Client investing in securities or interests in a company generally may do so on the basis of the company's financial projections. Projected operating results normally will be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections and the performance of any investment in such company.

*Counterparty Risk.* A number of the markets in which a Client may affect its transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes a Client to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing a Client to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Client has concentrated its transactions with a single or small group of counterparties. A Client is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. The ability of a Client to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by a Client.

*Debt Instruments Generally.* Debt may be unsecured and structurally or contractually subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. Moreover, such debt investments may not be protected by financial covenants or limitations upon additional indebtedness, and there is generally no minimum credit rating for such debt investments. Other factors may materially and adversely affect the market price and yield of such debt investments, including investor demand, changes in the financial condition of the applicable issuer, government fiscal policy and domestic or worldwide economic conditions. It is likely that many of the debt instruments in which Clients invest have speculative characteristics. Generally, such securities offer a higher return potential than higher-rated securities, but involve greater volatility of price and greater risk of loss of income and principal. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer’s ability to make timely payment of interest and principal. Such instruments are regarded as predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for most of these instruments and may have an adverse impact on the value of such instruments. It also is likely that any such economic downturn could adversely affect the ability of the issuers of such instruments to repay principal and pay interest thereon and increase the incidence of default for such instruments.

*Interest Rate Risk.* Changes in interest rates can affect the value of a Client’s investments in fixed income instruments. Increases in interest rates may cause the value of a Client’s investments to decline. Certain Clients may experience increased interest rate risk to the extent they invest, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

*Portfolio Investment Ratings.* Investments in the debt of companies include commercial loans, high-yield corporate or other debt obligations of both U.S. and non-U.S. obligors rated below investment grade and other investment instruments as described in Item 4 of this Brochure, which have greater credit and liquidity risk than more highly-rated obligations.

Downgrades and negative rating actions may occur with respect to the investments, and in such cases, there is no requirement to sell any such investment. Investments with lower ratings will have greater credit, insolvency and liquidity risk than more highly-rated obligations, and therefore, a greater risk of loss. In addition to credit and liquidity risk, lower-rated obligations have greater volatility than more highly-rated obligations. Future periods of uncertainty in the U.S. economy may increase volatility and default rates.

*Use of Expert Networks and Data Analytics.* In connection with the evaluation of potential investment opportunities, the Apollo Credit Managers may engage expert networks and/or make use of data analytics, including data provided by third party vendors. Apollo seeks to avoid inadvertently obtaining confidential information from such sources and has therefore implemented policies and procedures to mitigate the risk that the use of expert networks or data analytics could result in the receipt of confidential information by investment professionals. However, because Apollo's business operates on an integrated platform without ethical screens or information barriers, if such controls fail and an investment professional obtains material non-public information, the Apollo Credit Managers may be restricted in acquiring or disposing of investments on behalf of Clients, which could impact the returns generated for Clients.

*Systems Risk and Cybersecurity.* Investment advisers, including Apollo Capital Management and other Apollo Credit Managers, rely extensively on computer programs and systems (and may rely on new systems and technology in the future) for various purposes, including trading, clearing and settling transactions, evaluating certain investments, monitoring their portfolio and net capital and generating risk management and other reports that are critical to oversight of a Client's activities. Certain of the Clients' and the Apollo Credit Managers' operations will be dependent upon systems operated by third parties, including prime-broker(s), administrators, market counterparties and their sub-custodians and other service providers. The Clients' service providers may also depend on information technology systems that may or may not be controlled by them, and notwithstanding the diligence that the Client may perform on its service providers, the Client may not be in a position to verify the risks or reliability of such information technology systems.

Clients, the Apollo Credit Managers, their affiliates and their service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users, as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. For example, information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Such damage or interruptions to information technology systems may cause losses to Clients and/or investors in Clients, without limitation, by interfering with the processing of transactions, affecting a Client's or an Apollo Credit Manager's ability to conduct valuations or impeding or sabotaging trading. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary

information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose Clients or the Apollo Credit Managers (which in turn may be indemnified by Clients) to civil liability, as well as regulatory inquiry and/or action. Limited partners could also be exposed to losses resulting from unauthorized use of their personal information. Similar types of cybersecurity risks also are present for portfolio investments, which could affect their business and financial performance, resulting in material adverse consequences for such issuers and causing a Client's investment in such portfolio investments to lose value.

*Tax Changes, Uncertainties and Risks.* On December 22, 2017, Congress enacted Public Law Number 115-97, formerly known as the Tax Cuts and Jobs Act (the "TCJA"). The TCJA significantly amends the U.S. federal tax code and includes, among other things, (a) a reduction in the corporate income tax rate to 21% and the reduction of tax rates for certain business income earned through partnerships; (b) a new limitation on interest deductibility by corporations; (c) the immediate expensing of certain capital expenses for nine years; and (d) the migration from a worldwide system of taxation to a modified territorial system. These and other provisions are generally effective for taxable years beginning after December 31, 2017, and certain provisions are further subject to sunset. There are a number of technical issues and uncertainties in the TCJA, which may be clarified by future guidance. The impact of the TCJA on products and services provided by Apollo and investments made by the Clients is uncertain and could be adverse.

Various proposals originating outside the U.S. could also impact Clients. For example, the Organization for Economic Co-operation and Development ("OECD") is focused on issues relating to cross-border structures and ownership. One example is in the area of "base erosion and profit shifting" ("BEPS"), which includes situations (among others) where payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. In 2013, the OECD published its report and its Action Plan on BEPS. The aim of the report and Action Plan was to address and reduce aggressive international tax planning. BEPS remains an ongoing project. On October 5, 2015, the OECD published its final reports, analyses and sets of recommendations (deliverables) with a view to implementing internationally agreed and binding rules which are resulting in material changes to relevant tax legislation of participating OECD countries. The final package of deliverables was subsequently approved by the G20 Finance Ministers on October 8, 2015. The final actions to be implemented in the tax legislation of the countries in which Clients will have investments, in the countries where Clients or investors are domiciled or resident, or changes in tax treaties negotiated by these countries, could adversely affect the returns of Clients. One of the BEPS action points (Action 6) is to prevent treaty abuse by developing model treaty provisions to prevent the granting of treaty benefits in inappropriate circumstances. As a minimum standard, the OECD proposes that participating countries should include in their treaties one or both of a "limitation on benefits" provision and a "principal purpose test" which may limit or deny treaty relief in certain circumstances. On November 24, 2016, the OECD published the text of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (the "MLI"), which is intended to expedite the interaction of the tax treaty changes of the BEPS project. On June 6, 2017, 67 signatories covering 68 jurisdictions signed the MLI, and an additional nine jurisdictions expressed their intent to sign the MLI. The adoption of such provisions could adversely impact the ability of Clients to claim treaty benefits with respect to taxes in source jurisdictions, which could have an adverse impact on Client's

returns. As a result of this or similar initiatives, tax laws applicable to Clients could change on a prospective or retroactive basis, and any such changes could materially adversely affect Clients.

*Liability for Adjusted Tax Returns.* The Bipartisan Budget Act of 2015 introduced a new partnership audit regime generally applicable to partnership returns filed for tax years beginning after December 31, 2017 (the “BBA Rules”). Under this new regime, unless a Client makes the election described below, the Client itself will generally be responsible for paying any “imputed underpayment” of tax resulting from audit adjustments (including interest and penalties) in the tax year during which the audit is finalized (the “adjustment year”). In this case, partners of the relevant Client in the adjustment year, rather than the persons that were partners during the relevant Client’s tax year under audit (the “reviewed year”), would bear the cost of the audit adjustment. In general, under this regime, taxes imposed on the relevant Client would be assessed at the highest rate of tax applicable for the reviewed year and determined without regard to the character of the income or gain, partners’ status or the benefit of partner-level tax attributes (that could otherwise reduce tax due). However, the applicable Client may be able to reduce the underpayment of taxes owed by such Client, to the extent that such Client demonstrates such taxes are allocable to a limited partner that would not owe any tax by reason of its status as a “tax-exempt entity.”

A Client may under certain circumstances have the ability to avoid the entity-level tax assessment or collection (described above), by electing to issue adjusted Schedules K-1 to persons that were partners during the reviewed year. If the relevant Client makes the election, such partners would be responsible for paying any taxes associated with the audit adjustments in the adjustment year (including interest and penalties). In such case, the partners of the reviewed year would also incur a two-percentage point increase on the interest rate that would otherwise have been imposed on any underpayment of taxes (unless such partner is a pass-through entity and makes a valid election to “push out” its share of the adjustments to its partners, members or owners). If a relevant Client makes an election with respect to partners or former partners whose allocable shares of adjustments would have been subject to U.S. federal withholding, such partners or former partners may be required to file a U.S. federal income tax return and pay their allocable shares of interest, penalties and additions to tax even though the relevant Client is required to pay the withholding tax. Apollo generally has discretion whether or not to make this election for each Client. An Apollo general partner or the person such general partner appoints will be the “partnership representative” for purposes of the BBA Rules and will have broad authority to represent a Client in respect of tax audits for applicable years, including the authority to make the election described above.

## **ITEM 9**

### **Disciplinary Information**

Except as described below, there are no legal or disciplinary events required to be disclosed pursuant to this Item 9.

On August 23, 2016, without admitting or denying any wrongdoing, certain related persons of Apollo Capital Management, namely Apollo Management V, L.P., Apollo Management VI, L.P., Apollo Management VII, L.P. and Apollo Commodities Management, L.P., consented to the entry of an order to cease and desist from committing or causing any violations and future violations of Section 206(2) and 206(4) of the Advisers Act and Rules 206(4)-7 and 206(4)-8 thereunder. According to the SEC order, such related persons did not provide sufficient pre-commitment

disclosure regarding the possibility of accelerating otherwise authorized fees upon termination of management consulting agreements with their portfolio companies, a related person did not adequately disclose that interest from a loan from a private equity fund to its general partner would be allocated to the general partner, such related persons did not adequately supervise a former senior partner's expense reimbursement practices and such related persons failed to adopt and implement policies and procedures reasonably designed to prevent violations of the Advisers Act and its rules. As part of the settlement, such related persons agreed to pay \$37,527,000 of disgorgement and \$2,727,552 of prejudgment interest to limited partners of its fund and a civil monetary penalty of \$12,500,000 to the SEC.

## **ITEM 10**

### **Other Financial Industry Activities and Affiliations**

#### **Affiliated Apollo Managers**

**1. Private Equity** – Apollo Management, L.P. is an affiliate of Apollo Capital Management that is primarily engaged in managing Apollo's private equity businesses and controls other private equity managers (collectively, with Apollo Management, L.P., the "Apollo Private Equity Managers"). The Apollo Private Equity Managers seek to make investments through several strategies including traditional buyouts, distressed buyouts, corporate partner buyouts, debt or other investments providing equity-like returns across the capital structure of companies, infrastructure and infrastructure-related assets and also capitalize on private equity investment opportunities in the natural resources industry, principally in the metals and mining, energy and select other natural resources sectors. In addition to the traditional, distressed and corporate partner buyout activities, the Apollo Private Equity Managers also maintain the flexibility to deploy capital of the private equity funds managed by Apollo in other types of investments such as the creation of new companies.

**2. Real Assets** – Apollo Global Real Estate Management, L.P. is an affiliate of Apollo Capital Management that is primarily engaged in managing Apollo's real assets business and controls the real asset managers (collectively, with Apollo Global Real Estate Management, L.P., the "Apollo Real Asset Managers"). The Apollo Real Asset Managers take a broad view of markets and property types in targeting both debt investment opportunities, including first mortgages, mezzanine and other subordinate loans and equity investment opportunities, including the acquisition and recapitalization of real estate assets, portfolios, platforms and operating companies and distressed for control situations.

The Apollo Managers (as defined above) intend to conduct their activities in accordance with the Advisers Act and the rules thereunder. Any employees of the Apollo Managers and any other persons acting on their behalf are and will be subject to the supervision and control of Apollo Capital Management, Apollo Management, L.P. or Apollo Global Real Estate Management, L.P., as applicable.

#### **Apollo Global Securities, LLC**

AGS, a Delaware limited liability company and SEC registered broker-dealer affiliated with the Apollo Credit Managers, is registered to perform the following services: (i) underwriting of

securities on a referral basis; (ii) the resale of corporate debt or equity securities under Rule 144A under the Securities Act; (iii) transaction advisory services; (iv) marketing of private funds; (v) conducting private placements; (vi) trading securities for its own account; (vii) selling corporate debt securities on a referral basis; (viii) arranging for transactions in listed securities on a referral basis; (ix) selling interests in mortgages, receivables or other asset-backed securities; and (x) arranging loans. AGS' private placement services include placement of certain Apollo Funds and syndicating transactions for portfolio investments. Subject to the Clients' Governing Documents, engagements by Clients or their portfolio investments of AGS on an arm's-length basis do not require approval from such Clients' advisory boards. AGS' underwriting services are typically provided to Apollo Funds' portfolio investments. Generally, AGS' role in a syndication is that of a co-manager and not as lead underwriter. The fact that AGS receives fees in connection with these services is disclosed in the applicable Client's Governing Documents. Fees that are received by AGS in connection with its provision of merger and acquisition transaction advisory services to Clients' portfolio investments are, subject to a Client's Governing Documents, treated as Special Fees and applied to reduce Management Fees of management fee-paying investors in Clients. Fees received by AGS in connection with the provision of private placement, underwriting, arranger, structuring, broker-dealer (including facilitating initial resales of debt or equity securities under Rule 144A under the Securities Act) and similar services are, subject to a Client's Governing Documents, not treated as Special Fees, not applied to reduce Management Fees of management fee-paying investors in Clients and are retained by AGS.

The relationship between the Apollo Credit Managers and their affiliates and AGS gives rise to conflicts of interest between the Apollo Credit Managers and (i) Clients with respect to whom AGS provides services or (ii) Clients who have an interest in any portfolio investment or investment vehicle to which AGS provides services. Many supervised persons who provide portfolio management services to Clients on behalf of the Apollo Credit Managers also are involved in the business and operations of AGS. Such supervised persons face conflicts of interest in dedicating time and resources to Clients, which may have a detrimental effect on Client performance. The Apollo Credit Managers address this conflict of interest by providing in Apollo's Code of Ethics, as described in Item 11, that all supervised persons have a duty to act in the best interests of each Client and by providing training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under Apollo's policies and procedures.

Furthermore, while AGS' services are primarily provided as described above (e.g., to Apollo, its Clients and its Clients' portfolio investments), it is possible that, in the future, AGS may also provide services (including financing, capital market and advisory services) to third parties, including third parties that are competitors of the Apollo Credit Managers or one or more of their affiliates or any portfolio investments. The expansion of AGS' services in this manner would present additional conflicts of interest. For example, AGS may also act as placement agent or underwriter of securities for a third party that may be acquired by the Client (for example, a Co-Investment Vehicle). In the event that AGS provides services to third parties, it may be adverse to the interests of the Client or portfolio investments. AGS also may come into possession of information that AGS is prohibited from acting on (including on behalf of a Client) or disclosing to the Apollo Credit Managers or any of their affiliates as a result of applicable confidentiality requirements or applicable law, even though such action or disclosure would be in the best interest of a Client or portfolio investment.

## **Apollo Management International LLP**

AMI is a FCA authorized and regulated UK limited liability partnership ultimately controlled by AGM. AMI acts primarily as a sub-adviser to Apollo Funds with a European mandate across its credit, private equity and real assets business segments. These funds include those with which it has sub-advisory arrangements with the respective Apollo Managers. The extent of the advisory work conducted for each of the funds varies according to each respective sub-advisory arrangement. In addition, AMI has entered into direct advisory relationships (which may include discretionary and non-discretionary mandates) with certain portfolio investments, other third party clients or with certain clients that constitute European-centric CLOs where AMI acts as collateral manager.

## **Apollo Asset Management Europe LLP and Apollo Asset Management Europe PC LLP**

Apollo Asset Management Europe LLP and its subsidiary Apollo Asset Management Europe PC LLP (together, “AAME”), domiciled in the UK, comprise a European business segment of Apollo whose primary purpose is to provide a centralized asset management, advisory and risk function (“Client Services”) to European clients in the financial services and insurance sectors that are owned by Apollo Funds, Athora Holding, Ltd. and its affiliates and potentially to other unaffiliated European clients in the future. The Client Services are provided to clients either on a discretionary or advisory basis pursuant to agreements such as services agreements, advisory agreements, sub-advisory agreements and/or portfolio management agreements. On April 3, 2018, AAME was authorized by the FCA and holds relevant regulatory permissions to provide Client Services under the services agreements it has entered into with clients. AAME is also party to certain tripartite agreements with AMI and certain Clients. AAME and AMI may enter into various advisory relationships with one another and/or with certain entities which are affiliates of, or under common control with, AAME and AMI (such as Apollo Capital Management), in each case in connection with the performance of the Client Services. These relationships may give rise to conflicts of interests from time to time in relation to, among other things, allocation of time, resources and investment opportunities among clients of AAME. Client Services provided by AAME are disclosed in the applicable client’s Governing Documents. In addition, the advisory boards (or equivalent) of certain clients receive additional disclosure regarding the Client Services and the associated fees, compensation or expense reimbursements. In certain instances, the applicable Apollo Manager has sought (or may in the future seek) the approval of the advisory boards of certain clients with respect to certain aspects of the Client Services that are provided to Apollo Funds and their respective portfolio investments, including, for example, the pricing methodology utilized to determine the amount of such fees, compensation and expense reimbursements that may be payable to AAME with respect to Client Services; however, in general, engagements by clients or their portfolio investments of AAME on an arm’s-length basis do not otherwise require approval from such client’s advisory board or investors.

Subject to an AAME client’s Governing Documents, a portion of any fees, compensation or expense reimbursements received by AAME may be applied to reduce Management Fees of management fee-paying investors in certain clients, as described in Item 4 above, with the remaining amounts retained by AAME without any further Management Fee reduction.



## **Apollo Investment Management Europe LLP**

AIME was incorporated as a UK limited liability partnership on March 31, 2016. As of October 22, 2016, AIME is authorized as an Alternative Investment Fund Manager (“AIFM”) by the FCA. The establishment of AIME as an AIFM allows Apollo Capital Management to market and distribute AIFs under AIME’s management to institutional clients in, among other European jurisdictions, the UK, Germany, France, Italy, Denmark, Spain and Austria and permits AIME to passport its marketing and services for AIFs that it manages into multiple European jurisdictions.

## **Apollo Investment Management Europe (Luxembourg) S.à.r.l.**

AIME Lux (as defined in Item 8) was incorporated as a private limited liability company on January 2, 2019. As of January 9, 2019, AIME Lux is authorized as an AIFM by the CSSF. AIME Lux was established to act as the AIFM to EU-domiciled AIFs (“EU AIFs”). Certain of the EU AIFs will be established as parallel structures to certain Apollo Credit Funds managed by Apollo Capital Management and Apollo Funds managed by certain of its affiliates, which enable these funds, via the parallel EU AIFs, to be marketed to professional investors across the EEA using the AIFMD marketing passport. Under the AIFMD, and applicable rules under the CSSF’s regulatory regime, the AIME Lux is required to comply with, *inter alia*, specific substance, conflict of interest, risk management and liquidity management requirements.

## **Apollo Credit Management International Limited**

Apollo Credit Management International Limited (“ACMI”) is an appointed representative of AMI. ACMI provides sub-advisory services with respect to Apollo’s European Principal Finance funds and certain separately managed accounts with similar strategies. It focuses primarily on identifying non-performing, non-core, capital-inefficient and illiquid loans and assets that European banks and other financial institutions have been compelled to sell due to increasing regulatory pressures and liquidity requirements.

## **Athene Asset Management, LLC (f/k/a Athene Asset Management, L.P.)**

As discussed in Item 4, AAM, a subsidiary of Apollo Capital Management, acts as investment adviser to the Athene Group, Cedent Clients and third party insurance company separately managed accounts. AAM also acts as sub-adviser to certain Apollo Funds.

*Athene Group and Cedent Clients.* AAM acts as the investment adviser to the Athene Group, including certain reinsurers within the Athene Group (each such reinsurer, an “Athene Reinsurer”) that have reinsured certain insurance liabilities issued by other members of the Athene Group or third party insurance companies pursuant to reinsurance transactions (including, without limitation, Cedent Clients). In general, such reinsurance arrangements are structured such that, as between such insurance companies (including a Cedent Client) and the Athene Reinsurer (both of which may be AAM Clients), the Athene Reinsurer bears the economic risk of loss on, is entitled to the economic benefit of gains generated from and is economically responsible for expenses incurred in connection with, the related reinsurance asset portfolio (including, as applicable, the account of a Cedent Client). In managing assets on behalf of a Cedent Client, AAM takes into consideration the nature of the reinsurance relationship as a

whole. In making investment and other portfolio decisions with respect thereto, AAM views the economics and risks associated with the asset portfolio as primarily the economics and risks of the applicable Athene Reinsurer and Athene Holding, and may make risk, allocation and other investment decisions accordingly. By way of example, AAM will, in certain instances, take into account parent/subsidiary and reinsurance relationships and allocate investment opportunities to one or more AAM Clients within the Athene Group and/or Cedent Clients and not pro-rata to all AAM Clients where the economic benefits or costs of such allocation flow, directly or indirectly, to Athene Holding, as parent to the Athene Group, including the Athene Reinsurers. In addition, as discussed in Item 6, AAM will allocate investment opportunities on other than a pro-rata basis to AAM Clients when necessary to maximize any available programmatic benefits or discounts, including but not limited to the ability to enter into credit arrangements with certain financial or governmental institutions. Additionally, AAM's management of the Athene Group accounts and/or accounts of Cedent Clients may also be affected by certain Athene Group policies and restrictions (such as risk and credit exposure policies). AAM also relies on the AHL Conflicts Committee process (described below) in connection with allocating applicable investments to the Athene Group and Cedent Client accounts, and if an applicable transaction is permitted for investment through such process, it may be allocated to any Athene Group and/or Cedent Client account.

AAM's Chief Executive Officer has interests in, and is the Chief Executive Officer, Chief Investment Officer and a director of, both AAM and Athene Holding, and in connection with his role at Athene Holding, receives grants of Athene Holding equity as a part of his compensation. Certain other directors, officers and employees of AAM and AGM also hold ownership interests in Athene Holding and may be eligible to receive, as part of their compensation, equity issued by Athene Holding or other incentives based on performance metrics, including those related to the consolidated portfolio of Athene Holding and its subsidiaries and other portfolios in which the Athene Group may have an economic interest. Additionally, certain other awards of Athene Holding equity vest only upon the attainment of specified performance hurdles by Athene Holding. Such arrangements create an incentive to favor Athene Group related clients by, for example, allocating attractive investment opportunities to such clients or dedicating additional time and resources to such clients, each of which may have a detrimental effect on the performance of other AAM Clients. Furthermore, such arrangements incentivize such directors, officers and employees to invest in riskier assets in an attempt to achieve higher returns for such clients. AAM addresses these conflicts of interest by providing in its Code of Ethics, as described in Item 11, that all supervised persons have a duty to act in the best interest of each AAM Client, providing training to supervised persons with respect to conflicts of interest and how such conflicts are to be resolved under Apollo's policies and procedures and by maintaining other written policies and procedures such as investment allocation procedures.

Apollo and certain affiliated entities control (directly and indirectly, including on behalf of certain clients) 45% of the total voting power of Athene Holding's common shares, and there are six Apollo employees or consultants that are members of Athene Holding's Board of Directors. The potential exists for Apollo to cause members of the Athene Group to enter into transactions that may benefit Apollo (including AAM) to the possible detriment of Athene Holding's shareholders. Substantially all of the Athene Group's invested assets are managed by AAM. The Athene Group's investment policies permit AAM to invest in securities of issuers affiliated with Apollo, including funds managed by Apollo, and to retain on the Athene Group's behalf, sub-advisors,

including Apollo. AAM may make such investments or retain such sub-advisors at its discretion, subject only to the approval of a conflicts committee of the Board of Directors of Athene Holding (the “AHL Conflicts Committee”) in certain cases and/or certain regulatory approvals. The AHL Conflicts Committee is comprised of members of Athene Holding’s Board of Directors who are not general partners, directors, managers, officers or employees of any member of Apollo. A purpose of the AHL Conflicts Committee is to review and provide consent to certain conflicts of interest regarding transactions (including certain investment transactions) involving Athene Holding and/or its subsidiaries (including transactions involving accounts of Cedent Clients in which the Athene Group has an economic interest), on the one hand, and Apollo, including AAM and Apollo Funds, on the other (alternatively, such consent can also be provided by a majority of disinterested directors of Athene Holding’s Board of Directors). Not all conflicts are subject to the approval of the AHL Conflicts Committee (for example, transactions which fit within certain pre-approved criteria, non-material transactions or transactions that are less likely to be on terms that are less advantageous to the Athene Group than can be obtained through arm’s-length negotiations are not required to be reviewed by the AHL Conflicts Committee).

The Athene Group and Cedent Clients have agreed that fair valuation of assets managed by AAM on their behalf will be provided by the Athene Group, which fair valuations will be determined in accordance with the Athene Group’s policies and procedures, which may differ from AAM’s valuation policies and procedures. Notwithstanding that the Athene Group may provide fair valuation of such assets, AAM independently performs its own fair valuation of such assets using its own valuation policies and procedures for a multitude of reasons, including, without limitation, in connection with cross trades between AAM Client assets.

In addition to Management Fees and other expenses payable by each Client, AAM, in certain instances, Athene Holding (or an affiliate thereof) on behalf of certain of Athene Holding’s subsidiaries and certain of the Cedent Clients have also agreed to pay additional fees and expenses and provide AAM with certain indemnifications not provided for in the applicable Governing Documents.

*General AAM Disclosures.* AAM has the authority to hire sub-advisers, including other Apollo Managers and third parties, and to agree without further consent by any party to the terms and conditions of such arrangements, including fees (incentive and/or termination fees) and other remuneration and expense reimbursement to such sub-advisers, which are reimbursable to AAM and do not reduce or offset Management Fees or other amounts otherwise payable to AAM. In connection therewith, AAM hires Apollo Managers to act as sub-advisers for certain asset classes and may hire additional Apollo Managers in the future with respect to other asset classes. In connection with such services, certain Apollo Managers receive sub-advisory fees and such fees are reimbursable by AAM Clients and/or by Athene Holding or its subsidiaries. While AAM seeks to negotiate such arrangements (including, without limitation, sub-advisory fees, performance fees, carry, termination fees and expense reimbursement provisions) on what it believes are market terms, there can be no assurance that such terms are market or that better terms could not have been obtained from a different sub-adviser. The use of paid sub-advisers and investments in funds or investment vehicles (including, without limitation, Apollo Funds) will result in additional fees and expenses being borne, directly or indirectly, by the applicable Client’s account and may result in decreased returns. Fees charged by Apollo Managers may not be the lowest fees available for similar sub-advisory or investment management services offered by other Apollo Managers or

unrelated advisers and therefore will be subject to the AHL Conflicts Committee policies, and if required, approved by the AHL Conflicts Committee. Additionally, if consent of an AAM Client is required to appoint, or an AAM Client does not permit the appointment of a sub-adviser and/or the AAM Client has not agreed to pay the fees and/or expenses of any sub-adviser, AAM will manage such AAM Client's account without the use of such sub-advisers, including Apollo affiliated investment advisers, which will limit the ability of such Client to enter into or participate in certain investments.

AAM invests its clients in real assets, as well as in alternative, fund and similar investments, including the Apollo Funds and third party-managed funds, and in investments that are originated or sponsored by Apollo Managers or other Apollo clients, or for which an Apollo Manager or Apollo fund may provide services. AAM also invests its Clients, directly or indirectly, in securitizations and/or in the risk retention securities of securitization vehicles sponsored by Apollo or other third parties, and the AAM Clients participate in standalone asset management businesses or investment vehicles structured as the sponsor of securitization vehicles. In certain instances, Apollo (including AAM) will structure investment vehicles to address investment and other needs of AAM clients. Fees, remuneration and/or expenses paid by such vehicles to the managers or general partners or similar persons are indirectly borne by the client through its commitment to such vehicle. Fees payable in respect of such investments to such parties vary, but fees may be determined based on capital commitments, invested capital or value of underlying assets. To the extent that a member of Apollo is the general partner or investment manager to one of these investments, such members of Apollo will receive various forms of consideration with respect to such investments, including Management Fees, closing fees, performance fees (e.g., carried interest) and/or expense reimbursement, and such fees may not be the lowest fees available for similar services offered by Apollo or by unrelated advisers or persons. Additionally, Apollo may provide services to such vehicles for which Apollo may be entitled to fees or expense reimbursement. If transactions involve accounts of the Athene Group or accounts of Cedent Clients and are required to be presented to the AHL Conflicts Committee, these transactions will be reviewed by the AHL Conflicts Committee. Fees otherwise payable to AAM with respect to its management of the AAM Clients' accounts are not reduced by any fees or expenses paid or payable to affiliates of Apollo or to third parties.

Apollo has many clients with different investment objectives and mandates. Other clients of Apollo (including, without limitation, Clients of Apollo Credit Managers) may own the same or similar securities and other financial instruments that AAM has selected for its Clients. Such securities may be acquired at different times and/or different prices than AAM Clients and may be of different classes of securities of the same issuer (e.g., an Apollo Fund owns subordinated debt and an AAM client owns senior debt in an issuer or vice versa). Apollo may also make investments that are contrary to the investments made by AAM on behalf of its Clients (e.g., Apollo may take a short position in a security in which an AAM Client holds a long position). This may give rise to conflicts of interest regarding the management strategy taken toward such securities held by an AAM Client and other clients of Apollo (including Apollo Funds).

Similarly, AAM Clients may have different investment objectives or needs from one another, and AAM may acquire on behalf of its Clients the same or similar securities and financial instruments at different times and/or different prices and may acquire different classes of securities of the same issuer for different AAM Clients. If AAM Clients are invested in securities backed by different

levels of the capital structure of the same issuer, this raises potential conflicts of interest for AAM, particularly in the event of financial distress of such issuer. For example, if an AAM Client is invested in debt securities of an issuer that are subordinate to the securities held by another AAM Client or clients of Apollo, the client holding the subordinated position may be adversely affected by the other client's involvement or actions relating to the more senior position in the event of an issuer bankruptcy or other financial distress. Certain AAM Clients may also make investments that are contrary to the investments made by other AAM Clients. Each of the foregoing circumstances could create a conflict of interest for AAM regarding its management strategy for the securities held by such AAM Clients. If a conflict of interest arises, AAM will seek to mitigate the risks associated with such conflict of interest in a manner that is in the best interest of AAM's Clients, including, without limitation, by taking any of the actions set forth in Item 10 under "Capital Structure Investments."

AAM does not provide accounting services on behalf of AAM Clients. In the case of the Athene Group, such AAM Clients are wholly responsible for accounting for the assets that AAM manages on their behalf. In the case of accounts of Cedent Clients and other third party insurance company Clients for which AAM manages separately managed accounts, such AAM Clients are also wholly responsible for accounting for the assets that AAM manages on their behalf but the Athene Group independently accounts for such assets and provides accounting information and other information to AAM. In order to enable the Athene Group to independently account for such assets, AAM provides the Athene Group with transaction information and other information related to the assets in the accounts of such Cedent Clients and other third party insurance company AAM Clients for which AAM manages separately managed accounts.

In providing advisory services and other ancillary or administrative services to the Athene Group, Cedent Clients and other third party insurance company AAM Clients for which AAM manages separately managed accounts, AAM relies on accounting information provided by the Athene Group for a multitude of purposes including, without limitation, making certain investment decisions, determining assets under management for purposes of calculating AAM's Management Fees, other advisory fees, asset-liability management, client reporting and portfolio compliance testing. AAM's reliance on the Athene Group for accounting information could create conflicts of interest for AAM Clients. For example, by relying on the Athene Group for accounting information, AAM relies on the Athene Group's determination of appropriate accounting practices, policies and conventions, any of which could differ from the accounting practices, policies and conventions that an AAM Client may independently adopt on its own behalf.

Additionally, in connection with its management of certain types of investments including, without limitation, mortgage loans, real property and consumer loan investments, AAM typically engages third parties to provide ongoing services in respect of such investments. Such services include, without limitation, loan servicing and asset/property management services. Fees and expenses charged by such parties are expenses related to the investment and are borne by the applicable AAM Clients.

In addition, AAM relies on services provided by its affiliates and other third parties in connection with the performance of its obligations to its Clients, such as, without limitation, operational services.

As discussed above, the Athene Group provides certain accounting information and services to AAM, and AAM relies thereon in providing investment advisory and other services on behalf of AAM Clients. In addition, the Athene Group provides AAM certain risk, liability and other information and guidance relating to its own accounts and accounts of Cedent Clients. AAM uses such information and guidance in providing investment advisory and other services on behalf of such AAM Clients. In using such information and guidance, AAM relies on the Athene Group's techniques and opinions regarding, for instance, risk management and characteristics of the underlying liabilities. Such techniques and opinions could differ from risk management techniques and opinions of other AAM Clients. This could result in AAM making decisions that are more or less risky than it would if it used information it developed.

In addition to Management Fees described above, AAM also earns, with respect to certain investments, management consulting fees, carry, and with respect to certain commercial mortgage loans, servicing fees related to the servicing of such mortgages. Such fees do not reduce any Management Fee that is otherwise payable to AAM, although AAM has and may continue to provide the Athene Group certain fee rebates or discounts that AAM does not provide to its other Clients.

#### **Acra Re Ltd. and Acra Re II Ltd.**

Acra Re Ltd. ("Acra Re") received its Class C (Life) and Class 3A (P&C) licenses from the Bermuda Monetary Authority in July 2018. Acra Re will provide collateralized reinsurance cover to Apollo affiliated and/or managed insurance companies. Acra Re is owned by the Acra Re Company Purpose Trust, a Bermuda purpose trust, the trustee of which is Conyers Trust Company (Bermuda) Limited. Acra Re is registered as a segregated accounts company under the Bermuda Segregated Accounts Act 2000. An Apollo Credit Manager will manage the investment portfolio of Acra Re and receive a Management Fee. AGS will receive structuring fees for originating insurance/reinsurance transactions on behalf of Acra Re.

Acra Re II Ltd. ("Acra Re II"), recently incorporated as a Bermuda insurance company in November 2018, received a Class C (Life) from the Bermuda Monetary Authority in December 2018 and is owned by Athene Life Re Ltd. ("Athene Life Re"). It is intended that Acra Re II will reinsure business from Athene Life Re and/or its subsidiaries. Acra Re II will pay to Athene Life Re a fee based on reserves annually, a shared services fee annually on the total reserves of each such entity, and will reimburse Athene Life Re at cost for certain incremental costs, subject to a cap. Acra Re II will pay a Management Fee to AAM based on the underlying assets in the applicable portfolio, equivalent to the asset management fees paid by AAM on the margin.

#### **MidCap Finco Designated Activity Company**

MidCap Finco Designated Activity Company, a private company limited by shares incorporated under the laws of Ireland, and its subsidiaries (collectively referred to as "MidCap Financial") have entered into a Management Agreement pursuant to which Apollo Capital Management acts as the investment manager of MidCap Financial's credit business. MidCap Financial is a middle-market focused specialty finance firm that provides financing to middle market companies in a wide variety of industries. MidCap Financial focuses on the sourcing of asset-backed, leveraged real estate, rediscount and venture loans. In addition to Management Fees payable to Apollo Capital

Management pursuant to the Management Agreement, Apollo Capital Management is entitled to be reimbursed by MidCap Financial for expenses Apollo Capital Management incurs with respect to the professionals of Apollo Capital Management that are charged with managing the investment portfolio of MidCap Financial and its subsidiaries, subject to an annual cap. Apollo Capital Management is also entitled to be reimbursed by MidCap Financial for certain operating expenses and internal expenses, subject to certain limitations.

MidCap Financial Services, LLC (“MFS”), a subsidiary of MidCap Financial, provides sourcing, due diligence and portfolio management services to MidCap Financial pursuant to a services agreement, which are overseen by Apollo Capital Management pursuant to the Management Agreement. In consideration for the services provided under the services agreement, MidCap Financial pays MFS an arm’s-length fee in connection with providing such services.

Investment opportunities sourced for MidCap Financial may be appropriate for other Clients, and therefore, personnel from MidCap Financial Services, LLC and Apollo Capital Management may communicate from time to time about such investment opportunities. MidCap Financial is subject to Apollo’s policies and procedures.

MidCap Financial Services Capital Management, LLC (“MidCap Financial Capital Management”) is an indirect wholly owned subsidiary of MidCap Financial. MidCap Financial Capital Management is registered as an investment adviser with the SEC and provides investment advisory services to CLOs and related CLO warehouse vehicles (“CLO Warehouses”) that primarily invest in senior secured loans sourced by MidCap Financial or made available to MidCap Financial by third parties that include Apollo Capital Management.

Clients of Apollo Capital Management, AAM and AAM’s clients may invest in CLOs, CLO Warehouses and loans in which the CLOs managed by MidCap Financial Capital Management also maintain an investment. Apollo and AAM have implemented their own respective allocation policies and procedures that are intended to, among other things, mitigate conflicts of interest that arise from such transactions.

MidCap Financial Capital Management also contracts with Apollo Capital Management for the provision of certain administrative and back office services associated with its asset management business, including certain compliance services.

### **Redding Ridge Asset Management LLC and Redding Ridge Asset Management (UK) LLP**

Redding Ridge Asset Management LLC (“RRAM”), a Delaware series limited liability company and a wholly owned subsidiary of Redding Ridge Holdings LP (“RR Holdings”), a Cayman Islands exempted limited partnership. Interests in RR Holdings are held by: Apollo Principal Holdings VII, L.P., a Delaware limited partnership and indirect subsidiary of AGM; Apollo ND Services LLC, a Delaware limited liability company and indirect subsidiary of AGM; certain Apollo Credit Funds; and certain third party investors.

RRAM was established and provided seed capital by Apollo and certain third party investors to facilitate compliance with the U.S. Risk Retention Rules. RRAM has independently registered with the SEC as an investment adviser. The U.S. Risk Retention Rules require a sponsor of a

securitization transaction (or its “majority-owned affiliate”) to retain at least 5% of the economic interest in the credit risk of the securitized assets. However, following a decision of the U.S. Court of Appeals for the District of Columbia issued on February 9, 2018 (the “DC Circuit Ruling”), collateral managers of “open-market CLOs” (described in the ruling as CLOs where assets are acquired from “arm’s-length negotiations and trading on an open market”) are no longer required to retain an interest in such “open-market CLOs” under the U.S. Risk Retention Rules. As a result of the DC Circuit Ruling, RRAM is no longer required under the U.S. Risk Retention Rules to retain an interest in “open-market CLOs” in which it acts as collateral manager.

RRAM may, however, elect to act as the “originator” or “sponsor” (in each case, as defined in the EU Capital Regulation Requirements) for purposes of compliance with the EU Capital Regulation Requirements for U.S. CLOs in which it acts as collateral manager. Currently, RRAM acts as the “originator” or “sponsor” (in each case, as defined in the EU Capital Regulation Requirements) of such U.S. CLOs that comply with the EU Capital Regulation Requirements and holds the risk retention interest under the EU Capital Regulation Requirements in such CLOs.

A number of entities that are affiliated with Apollo Capital Management provide services to RR Holdings and its wholly owned subsidiary RRAM. Interests in RR Holdings are held by Apollo Principal Holdings VII, L.P., a Delaware limited partnership and indirect subsidiary of AGM, certain private investment funds managed by subsidiaries of AGM and certain third party investors. RRAM primarily advises and holds certain CLO securities, including “risk retention” interests in, pooled investment vehicles that are CLOs and CLO Warehouses.

Services provided to RRAM by certain affiliates of Apollo Capital Management may include: (i) identifying potential investment opportunities within the specific investment and business strategies of the CLOs and CLO Warehouses which RRAM manages; (ii) providing research, assessments and other information on potential investment opportunities; (iii) passing along information that was provided from third parties with respect to potential investment opportunities; (iv) providing middle, back-office and other administrative services, including, but not limited to, supporting legal, tax, compliance and risk functions; and (v) providing advice and expertise related to the initial organization and structure of RRAM and its affiliates and permission for RRAM to use the Apollo Capital Management’s contacts at various institutions to effectively identify investors, vendors and/or third party service providers.

RRAM, RR Holdings and the CLOs and related CLO Warehouses in which they invest will bear fees, costs or expenses in connection with these services. In consideration for providing such services, certain affiliates of Apollo Capital Management receive service fees pursuant to an administrative services agreement and a credit research services agreement with RRAM and incentive allocations pursuant to the RR Holdings limited partnership agreement. These affiliates are also reimbursed for certain costs and expenses pursuant to such service agreements and the RR Holdings limited partnership agreement.

Affiliates of Apollo Capital Management share certain employees with RRAM. Conflicts of interest may arise from the fact that certain employees of affiliates of Apollo Capital Management are shared employees with RRAM and are involved in the management of advisory clients. Participation in specific investment opportunities may be appropriate at times for Clients of the Apollo Credit Managers. Investment programs with respect to CLOs and other financial



instruments are expected to overlap. In light of the various relationships between RRAM and Apollo Capital Management and its affiliates, there may be an incentive for Apollo Capital Management and its affiliates to pursue investment opportunities in a way that is favorable to RRAM. Apollo Capital Management and RRAM have implemented their own respective allocation policies and procedures that are intended to, among other things, mitigate this potential conflict.

Apollo Credit Managers and its Clients may invest in CLOs and CLO Warehouses or loans in which RRAM also maintains an investment. Any such transactions will be undertaken in accordance with applicable provisions of the Advisers Act and Apollo's policies and procedures.

RRAM performs limited services for Apollo Credit Management (CLO), LLC relating to the optimization and refinancing of existing CLOs that are managed by Apollo Credit Management (CLO), LLC. RRAM also performs limited services to MidCap Financial Services Capital Management, LLC, an indirect wholly owned subsidiary of MidCap Financial, relating to the structuring and optimizing of CLOs and other securitizations that are managed by MidCap Financial Services Capital Management, LLC.

Redding Ridge Asset Management (UK) LLP ("RRAM UK"), a limited liability partnership organized in the UK, is a subsidiary of RRAM. RRAM UK acts as investment manager and/or collateral manager to certain CLOs that are primarily collateralized by loans to EU obligors. RRAM UK is registered with the SEC as an investment adviser and is authorized and regulated by the FCA. The services detailed above provided by certain affiliates of Apollo Capital Management to RRAM are also provided to RRAM UK, and similarly, affiliates of Apollo Capital Management also share certain employees with RRAM UK. The potential conflicts of interests that may arise in connection with the relationship between affiliates of Apollo Capital Management and RRAM may also arise between affiliates of Apollo Capital Management and RRAM UK. To mitigate these conflicts of interest, Apollo, RRAM and RRAM UK have implemented policies and procedures between their respective businesses.

#### **AP Alternative Assets, L.P.**

The Apollo Credit Managers are affiliated with AP Alternative Assets, L.P. ("AAA"), a limited partnership established under the laws of Guernsey, whose common units are traded on Euronext in Amsterdam, the regulated market of Euronext N.V., under the symbol "AAA." AAA has invested its capital through, and is the sole limited partner of, AAA Investments, L.P. ("AAA Investments"). AAA Investments has substantially all of its capital invested in Athene Holding.

In accordance with the services agreement among AAA, AAA Investments and other service recipients party thereto ("AAA Services Agreement"), affiliates of Apollo Capital Management received a Management Fee for managing the assets of AAA Investments. The Management Fee was terminated on December 31, 2014, although services will continue through December 31, 2020.

A portion of AAA Investments' investment in Athene Holding is subject to carried interest, which will generally entitle affiliates of Apollo Capital Management to realize a portion of the profits generated by the investment (generally, a percentage of net realized gains). Carried interest is paid

in cash or in common shares of Athene Holding at the election of the general partner of AAA Investments.

The Apollo Credit Managers' affiliation with AAA and AAA Investments is subject to the conflicts of interest set forth below in Item 10.

### **Apollo Investment Consulting, LLC**

Apollo Consulting, which consists of U.S. or non-U.S. entities formed by Apollo, facilitates strategic arrangements with, or engagements (including on an independent contractor or employment basis) of, any persons that the Apollo Credit Managers determine in good faith to be industry executives, advisors, consultants (including operating consultants and sourcing consultants), operating executives, subject matter experts or other persons acting in a similar capacity, to provide consulting, sourcing or other services to or in respect of a Client and portfolio investments (including with respect to potential portfolio investments of a Client). As mentioned in "Operating Expenses" above, Clients bear the fees, costs or expenses of certain services provided by, and allocable overhead of, Apollo Consulting (including compensation of its employees, including those that perform a "front office" function, such as sourcing, or other investment related functions, as well as industry executives, advisors, consultants and operating executives contracted or engaged directly or indirectly by a Client, the Apollo Credit Managers, any portfolio investment (including with respect to potential portfolio investments of a Client) or any Affiliated Service Provider. Certain industry executives, advisors, consultants and operating executives may be exclusive to Apollo or a Client and may in certain circumstances (including in connection with sourcing arrangements) be employees of Apollo. In addition, to the extent these consultants serve as a board member or in a similar capacity of a portfolio investment, these consultants receive multiple sources of compensation, including from both a Client and directly from a Client's portfolio investment for specific services provided with respect to that investment (e.g., fees received for serving as a director, trustee or in a similar capacity of the portfolio investment). Consultants are entitled to retain those sources of compensation and such compensation does not reduce the fees paid by a Client to Apollo Credit Managers. While the expertise or responsibilities of a consultant will at times be similar in certain respects to those of a full-time Apollo investment professional employed by Apollo, the fees, costs, expenses or other compensation described above may nonetheless be borne by Clients or their portfolio investments, due to, among other things, factors that distinguish these engagements from those of Apollo investment professionals.

### **Affiliated Loan Origination and/or Servicing Businesses**

Affiliates of the Apollo Credit Managers and certain Clients and/or their portfolio investments are engaged in the loan origination and/or servicing businesses. In connection with their lending activities, such loan origination and/or servicing businesses may receive certain fees, including, arranger, brokerage, placement, syndication, solicitation, underwriting, agency, origination, sourcing, structuring, collateral management or loan administration, advisory, servicing, commitment, facility, float or other fees, discounts, spreads, commissions and concessions and other fees received as part of such loan origination and/or servicing businesses. Such fees may be charged on a cost reimbursement or on a cost-plus basis. A Client or the issuers of financial instruments held by a Client may acquire loans originated, structured, placed and/or arranged by

such affiliated loan origination and/or servicing businesses and in respect of which such businesses receive fees. For example, loans, such as term loans and revolvers, originated by Apollo affiliates, Clients and/or their respective portfolio investments may involve the appointment of MidCap Financial as a service provider. In such a role, MidCap Financial will receive fees, compensation and reimbursement for costs or expenses from the borrower. Subject to the Governing Documents of a Client, these fees will not be applied to reduce Management Fees or other fees payable by a Client or any of its investments or otherwise directly or indirectly benefit such Client or any of its investors. Such fees will otherwise be borne by the Client or by the issuers of financial instruments held by the Client.

### **Selection of Service Providers**

Except as may otherwise be provided under the terms of a Client's Governing Documents, the Apollo Credit Managers or one or more of their affiliates will select service providers for Clients (including Affiliated Service Providers) for purposes of the provision of services or in connection with financial transactions. The Apollo Credit Manager or applicable affiliate will also determine the compensation of such providers without review by or the consent of an advisory board, the investors or an independent party. Clients, regardless of the relationship to the Apollo Credit Managers, their affiliates or the person performing the services, bear the fees, costs and expenses related to such services. This may create an incentive for an Apollo Credit Manager or an applicable affiliate to select an Affiliated Service Provider or to select service providers based on the potential benefit to the Apollo Credit Manager, rather than to Clients. For example, Apollo Capital Management may select service providers that use its or its affiliates' premises, for which Apollo Capital Management or one of its affiliates may receive overhead, rent or other fees, costs and expenses in connection with such on-site arrangement.

Apollo Capital Management or one or more of its affiliates may engage the same service provider to provide services to a Client that also provides services to Apollo Capital Management or any such affiliate, which creates a potential conflict of interest to the extent the interests of such parties are not aligned. For example, a law firm may at the same time act as legal counsel to a Client, its general partner or similar person, its investment adviser or other affiliates of Apollo Capital Management.

The Apollo Credit Managers and their affiliates address these conflicts of interest by using reasonable diligence to ascertain whether each service provider (including law firms) provides its service on a "best execution" basis, taking into account factors such as expertise, operational and regulatory controls, availability and quality of service and the competitiveness of compensation rates in comparison with other service providers satisfying the Apollo Credit Managers' or their affiliates' service provider selection criteria. In addition, in the event such service providers are affiliates of the Apollo Credit Managers (as opposed to third parties), the engagement of such providers must typically comply with the conditions applicable to affiliate transactions, if any, set forth in the Clients' Governing Documents.

### **Certain Conflicts of Interest in Providing Services to Clients**

*Multiple Clients and Other Apollo Clients.* Certain inherent conflicts of interest arise from the fact that: (i) the Apollo Credit Managers provide investment management services to more than one

Client; (ii) Clients may have one or more overlapping investment objectives or strategies; and (iii) the Apollo Credit Managers are affiliated with other Apollo Managers that provide investment management services to other Apollo Funds that also may have overlapping investment objectives or strategies. In addition, the investment strategies employed by an Apollo Credit Manager for current and future Clients and/or by Apollo Managers for other Apollo Funds could conflict with the strategies employed by another Apollo Credit Manager for current and future Clients, and may affect the prices and availability of the securities and other assets in which such Clients invest. An Apollo Credit Manager or another Apollo Manager also may advise Apollo Funds or Co-Investment Vehicles with conflicting investment objectives or strategies. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Apollo Funds or Co-Investment Vehicles.

As part of Apollo's integrated platform, certain management persons of the Apollo Credit Managers provide services to other pooled investment vehicles or investment companies sponsored by Apollo. By way of example, management persons of the Apollo Credit Managers that are involved in providing portfolio management services to certain Clients have direct incentive compensation arrangements with other Apollo Funds that pay incentive fees to their general partners. Such management persons are incentivized to (i) dedicate additional time and resources to other Apollo Funds with which such persons have a direct incentive compensation arrangement and (ii) allocate attractive investment opportunities to such Apollo Funds instead of Clients, each of which may have a detrimental effect on the performance of these Clients.

Apollo Credit Managers address these conflicts of interest by providing in Apollo's Code of Ethics, as described in Item 11, that all supervised persons have a duty to act in the best interests of each Client, providing training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under Apollo's policies and procedures, and through the implementation of the investment allocation procedures described above in Item 6.

Similarly, Apollo Credit Managers, from time to time and without notice, also in-source and/or outsource to their respective affiliates and third parties, certain of their processes or functions to provide, among other things, investment accounting and risk management services.

*Diverse Membership.* Investors in Clients include taxable and tax-exempt entities and persons domiciled or organized in various jurisdictions and subject to different tax and regulatory regimes. When investors and Clients co-invest alongside each other, they may have conflicting investment, tax and other interests, relating to, among other things, the nature of investments made by the Client, the structuring or the acquisition of investments and the nature and timing of disposition of investments. As a result, conflicts of interest may arise in connection with decisions made by the Apollo Credit Managers, including as to the nature and structure of investments, that may be more beneficial for one type of investor than for another type of investor. The results of a Client's activities may affect individual investors differently, depending upon their individual financial and tax situations. For example, the timing of a cash distribution or of an event of realization of gain or loss and its characterization as long-term or short-term gain or loss may affect investors differently. In addition, Clients may make investments that may have a negative impact on related investments made by investors in separate transactions. Furthermore, under the new U.S. partnership audit regime, decisions made by the Apollo Credit Managers (or other partnership representative) in connection with tax audits (including whether or not to make an election under

those rules) may be more beneficial to one type of investor than another type of investor. Also, if a Client were required to qualify as a venture capital operating company or a real estate operating company for purposes of the Employee Retirement Income Security Act of 1974, as amended, this could restrict, at any given time, the level of investment which the Client would be able to make in entities that do not qualify as operating companies and/or pursuant to which the Client was unable to attain management rights. In selecting, structuring and managing investments appropriate for Clients, the Apollo Credit Managers consider the investment and tax objectives of the Client or Clients as a whole, not the investment, tax or other objectives of any investor individually. However, there can be no assurance that a result will not be more advantageous to some Clients or investors than to others or to affiliates of the Apollo Credit Managers than to a particular Client or investor.

*Directors of Portfolio Companies.* Additional conflicts of interest arise because Apollo partners, principals and employees (including personnel of the Apollo Credit Managers) serve as directors of, or acquire observer rights with respect to, certain companies in which Clients invest. In the event an Apollo Credit Manager or a related person (i) obtains material non-public information in such capacity with respect to any such company or (ii) is subject to trading restrictions pursuant to the internal policies of such company, the Apollo Credit Managers may be prohibited from engaging in transactions with respect to the securities or instruments of such company. Such a prohibition may have an adverse effect on Clients. In addition to any fiduciary duties that Apollo partners, principals and employees owe to Clients, as directors of portfolio companies, these Apollo partners, principals and employees may owe fiduciary duties to shareholders of the portfolio companies, which may be other Clients, and to persons other than Clients.

In general, such director or similar positions are often important to Clients' (and any other Apollo Funds with a similar investment focus) investment strategies and may have the effect of enhancing the ability of the Apollo Credit Managers and their affiliates to manage investments. However, such positions may have the effect of impairing the ability of the Apollo Credit Managers to sell the related securities when, and upon the terms, they may otherwise desire. In addition, because of the potential conflicting fiduciary duties that Apollo partners, principals and employees owe to a portfolio investment, on one hand, and that the Apollo Credit Managers owe to the Clients, on the other hand, such positions may place the Apollo partners, principals and employees in a position where they must make a decision that is either not in the best interests of Clients or not in the best interests of the shareholders of the portfolio investment. Should an Apollo partner, principal or employee make a decision that is not in the best interests of the shareholders of a portfolio investment, such decision may subject one or more Apollo Credit Managers and Clients to claims that they would not otherwise be subject to as an investor, including claims of breach of the duty of loyalty, securities claims and other director-related claims. In general, Clients will indemnify the Apollo Credit Managers and their partners, principals and employees from such claims. In addition, the Apollo partners, principals and employees may make decisions for a portfolio investment that negatively impact returns received by a Client investing in the portfolio investment or in other investments or, conversely, an Apollo Credit Manager could make a decision that negatively impacts a portfolio investment and the returns for other Clients that may be invested in the portfolio investment. In addition, because of conflicting fiduciary duties, Apollo Credit Managers may be restricted in choosing investments for Clients, which could negatively impact returns received by the Client. For example, an Apollo Credit Manager would be restricted

in choosing investments for a Client if an Apollo partner, principal or employee obtained certain material non-public information.

*Standards of Care and Indemnification.* The Governing Documents of most Clients contain provisions that, subject to applicable law, reduce or modify the duties that certain persons would otherwise owe to such Client or its investors. Pursuant to the typical standard of care set forth in the exculpation and indemnification provisions of the applicable Governing Documents, the Apollo Credit Managers and each of their affiliates (including AGM) and each officer, director, partner, member, manager, shareholder and employee of the foregoing and each member of the advisory board, if applicable (including, solely in connection with matters relating to the advisory board, the investor and/or other person on whose behalf the advisory board member is serving), will be indemnified and held harmless from losses sustained from any act or omission in connection with Clients' activities, absent bad faith, gross negligence, willful misconduct, fraud or willful or reckless disregard of their duties and may receive advances for any fees, costs and expenses incurred in the defense or settlement of any claim that may be subject to a right of indemnification. For example, in their capacity as directors of portfolio companies, the officers, directors, partners, members, managers, employees and shareholders of the Apollo Credit Managers or their respective affiliates may be subject to derivative or other similar claims brought by shareholders of such companies. The fees, costs, expenses (whether or not advanced) and other liabilities resulting from such indemnification obligations are Operating Expenses and will be paid or otherwise borne by Clients (including by satisfaction out of unpaid capital contributions of their respective limited partners, shareholders or other investors).

The application of the foregoing standards may result in Clients or investors in such Clients having a more limited right of action than they would have had in the absence of such standards. As a result, even though such exculpation and indemnification provisions in a Client's Governing Documents will not act as a waiver of an investor's right under U.S. securities law (which is not permitted to be waived), the application of the foregoing standards may result in such Client bearing significant financial losses even where such losses were caused by the negligence (even if heightened) of such covered persons. Such financial losses may have an adverse effect on the returns to the Client or an investor in a Client and, if the Client's assets are insufficient to satisfy such Client's indemnification obligations, an investor may be required to return amounts distributed to it, subject to any limitations set forth in such Client's Governing Documents.

*Client Advisory Boards.* Certain Clients have advisory boards that consist of representatives of certain investors in such Clients. Certain Clients also have the ability to create subcommittees of their advisory boards to address certain categories of topics, such as expense allocations, valuations and other topics. Any approval or consent given by a subcommittee will be treated as an approval or consent given by the applicable advisory board. Any approval or consent given by such advisory boards (or subcommittees) tends to be binding on such Clients and all of their investors. Advisory boards are also authorized to give approvals or consents required under the Advisers Act, including under Section 206(3) of the Advisers Act. To the extent that an investor is not represented by a member of a Client's advisory board, such investor will have no influence over matters submitted to the advisory board for approval. Although the Apollo Credit Managers have adopted Apollo's policies and procedures designed to manage conflicts among Clients, members of the advisory boards may themselves have conflicts of interest that do not disqualify such members from voting or consenting to matters submitted for consideration or review to the

advisory boards on which they serve. In such instances, the Apollo Credit Managers expect that such members of the advisory board will make every effort to act in the best interest of the Client that it represents; however, there can be no assurances that such conflicts of interest will be entirely eliminated.

The Governing Documents of a Client will typically provide that the advisory board of such Client review or consent to a particular transaction or conflict of interest. However, in certain instances (e.g., when a portfolio investment is publicly traded or if a Client does not control the portfolio investment), the Apollo Credit Manager may defer to the judgment of the board of directors (or equivalent governing body) of the applicable portfolio investment of such Client to review or consent to a particular transaction or conflict of interest.

*Information Barriers and the Restricted List.* Apollo currently operates without ethical screens or information barriers that other firms implement to separate persons who make investment decisions from others who might possess material non-public information that could influence such decisions. In an effort to manage possible risks arising from Apollo's decision not to implement such screens, the Apollo Credit Managers maintain a Code of Ethics, as described in Item 11, and provide training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under Apollo's policies and procedures. In addition, Apollo's Compliance maintains a list of restricted securities as to which Apollo may have access to material non-public information and in which Clients are not permitted to trade without prior approval from the Compliance. In the event that any Apollo employee obtains such material non-public information, the Apollo Credit Managers will be restricted in acquiring or disposing investments on behalf of Clients, which could impact the returns generated for Clients. Similarly, if one Apollo Manager (e.g., the Apollo Credit Managers) acquires confidential or material non-public information, the other Apollo Managers (e.g., Apollo Private Equity Managers and Apollo Real Asset Managers) will be restricted in acquiring or disposing investments on behalf of their clients.

Notwithstanding the maintenance of a restricted list and other internal controls, it is possible that the internal controls relating to the management of material non-public information could fail and result in an Apollo Credit Manager, or one of its investment professionals, buying or selling a security while Apollo is in possession of material non-public information. Inadvertent trading while Apollo is in possession of material non-public information could have adverse effects on the reputation of the Apollo Credit Managers, resulting in the imposition of regulatory or financial sanctions and, as a consequence, negatively impact the Apollo Credit Managers' ability to perform investment management services on behalf of Clients. In addition, while Apollo currently operates without information barriers on an integrated basis, Apollo could be required by certain regulations, or decide that it is advisable, to establish information barriers. In such event, Apollo's ability to operate as an integrated platform could also be impaired, which would limit the Apollo Credit Managers' access to Apollo personnel and impair their ability to manage Clients' investments in the manner in which they currently manage investments.

*Investment Activity by Apollo and Affiliates.* From time to time, various potential and actual conflicts of interest arise from the overall advisory, investment and other activities of the Apollo Credit Managers, their affiliates and their personnel. The Apollo Credit Managers will endeavor to resolve conflicts with respect to investment opportunities in a manner they deem equitable to the extent possible under the prevailing facts and circumstances. The Apollo Credit Managers'

affiliates invest, on behalf of themselves, in securities and other instruments that would be appropriate for, are held by or may fall within the investment guidelines of a Client. The Apollo Credit Managers' affiliates give advice or take action for their own accounts that may differ from, conflict with or be adverse to, advice given to or action taken for Clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for, one or more Clients. Potential conflicts also arise due to the fact that the Apollo Credit Managers' affiliates may have investments in some Clients but not in others or may have different levels of investments in the various Clients and that each Client may pay different levels of fees.

Apollo, together with the Clients, engage in a broad range of business activities and invest in portfolio companies whose operations may be substantially similar to and/or competitive with the portfolio companies and other investments in which Clients have invested. The performance and operation of such competing businesses could conflict with and adversely affect the performance and operation of Clients' portfolio investments and may adversely affect the prices and availability of other investments or of business opportunities or transactions available to such portfolio investments. Apollo will seek to resolve conflicts in a manner that Apollo determines in its discretion to be fair and equitable.

*Capital Structure Investments.* The Apollo Credit Managers and their affiliates have ongoing relationships with many companies whose securities have been acquired by, or are being considered for investment by, Clients. From time to time, an Apollo Credit Manager will acquire securities or other financial instruments of an issuer for one Client, which are senior or junior securities or financial instruments of the same issuer that are held by, or acquired for, another Client or Apollo Fund (e.g., one Client may acquire senior debt while another Client or Apollo Fund may acquire subordinated debt). Conflicts of interest may arise in such circumstances. For example, in the event such issuer enters bankruptcy, the Client holding securities which are senior in bankruptcy preference may have the right to aggressively pursue the issuer's assets to fully satisfy the issuer's indebtedness to the Client, and as a fiduciary, the Apollo Credit Manager might have an obligation to pursue such remedy on behalf of such Client. As a result, another Client holding assets of the same issuer which are more junior in the capital structure may not have access to sufficient assets of the issuer to completely satisfy its bankruptcy claim against the issuer and may suffer a loss.

In addressing certain of the potential conflicts of interest described herein, Apollo and/or the applicable Apollo Credit Manager may, but will not be obligated to, take one or more actions on behalf of a Client, including any one or more of the following: (i) causing a Client to remain passive in a situation in which it is otherwise entitled to vote, which may mean that such Client defers to the decision or judgment of an independent, third party investor in the same class of equity or debt securities or other financial instruments held by another Client; (ii) referring the matter to one or more persons that is not affiliated with Apollo to review or approve of an intended course of action with respect to such matter; (iii) consulting with the Client on such matter or otherwise requesting that the limited partners (or an advisory board) approve such matter; (iv) establishing ethical screens or information barriers to separate Apollo investment professionals or assigning different teams of Apollo investment professionals, in each case, who are supported by separate legal counsel and other advisers, to act independently of each other in representing different Clients or Clients that hold different classes, series or tranches of an issuer's capital



structure; (v) as between two Clients, ensuring (or seeking to ensure) that the underlying investors therein own interests in the same securities or financial instruments and in the same proportions so as to preserve an alignment of interest; or (vi) causing a Client to divest itself of a security or financial instrument or particular class, series or tranche of an issuer's capital structure it might otherwise have held on to, including causing a Client to sell a security or financial instrument to one or more other Clients (or vice versa), limited partners or investors in such other Client. There can be no assurance that any of these measures will be feasible or effective in any particular situation, and it is possible that the outcome for the Client will be less favorable than might otherwise have been the case if Apollo had not had duties to other Clients.

The Apollo Credit Managers recognize that conflicts arise under such circumstances and will endeavor to treat all Clients fairly and equitably. To that end, the Apollo Credit Managers have adopted and implemented Apollo's policies and procedures, which are designed to address such potential conflicts of interest. The application of such policies and procedures are expected to vary based on the particular facts and circumstances surrounding each investment by two or more Clients in different classes, series or tranches of an issuer's capital structure (as well as across multiple issuers or borrowers within the same overall capital structure), and as such, investors should expect some degree of variation, and potentially inconsistency, in the manner in which potential or actual conflicts are addressed. While the Apollo Credit Managers have adopted and implemented Apollo's policies and procedures for addressing the conflicts between Clients in these situations are intended to resolve the conflicts in an impartial manner, there can be no assurance that the Apollo Credit Managers' own interests will not influence its conduct.

*Insurance Coverage.* The Apollo Funds, other than the publicly traded funds managed by subsidiaries of Apollo, are covered under Apollo's professional liability insurance policy and do not separately maintain professional liability insurance. To the extent a claim arises relating to any of the insureds during a policy period that erodes some or all limits under Apollo's policy, there will be less coverage, or potentially no coverage, available for all insureds under the policy for the remainder of the policy period.

*Loan Participations; Assignments.* From time to time, certain Clients may offer to other Clients participations in and/or assignments or sales of loans and other securities that the Client has originated or purchased. In the event of such an offer to other Clients, the price of the participation, assignment or sale will not be set by the Apollo Credit Manager or general partner but rather will be established based on third party valuations. In determining the target amount to allocate to a particular loan origination, the Client will take into consideration the fact that it anticipates selling, assigning or offering participations in such investment to third parties and to other Clients as described above. If the Client is not successful in offering such participations, assignments or sales, the Client will be forced to hold such excess until such time as it can be disposed. This may result in the Client being "overweighted" with respect to a particular borrower, issuer or company.

*Other Agreements and Arrangements.* The general partner, on its own behalf or on behalf of a Client, may enter into a side letter or similar written agreement with a limited partner without the approval of any other limited partner, that has the effect of establishing rights under, or altering or supplementing the terms of or confirming the interpretation of, the applicable Governing Documents in order to meet certain requirements or requests of such investor. Such other agreements will generally be based on such factors as the size of a limited partner's investment, a

limited partner's existing relationships with Apollo or any particular regulatory or legal considerations applicable to a limited partner, but the general partner may enter into such other agreements for any reason it deems necessary, advisable, desirable or convenient. As a result, returns may vary from limited partner to limited partner depending on any arrangements applicable to a given limited partner's investment in the Client. The general partner will not be obligated to offer or disclose such terms to any other limited partner.

The Apollo Credit Managers and their affiliates may enter into arrangements from time to time with third party service providers and suppliers to facilitate the negotiation of terms that are more favorable than those that any individual Client or portfolio investment could obtain for itself. Examples include, but are not limited to, fee discounts or bulk purchasing programs that leverage the combined purchasing power of portfolio investments and Apollo. While the Apollo Credit Managers believe that all Clients benefit from these arrangements, they may involve conflicts of interest between Clients and/or between Clients and Apollo. For example, a small portfolio investment owned by one Client may benefit from the purchasing power of a larger portfolio investment owned by another Client; or Apollo may benefit from a discount (e.g., for office supplies or travel services) that was negotiated on the basis of the combined purchasing power of Apollo and portfolio investments owned by Clients.

The Apollo Credit Managers and their affiliates may also enter into formal or informal arrangements with portfolio investments to facilitate the sharing of data and/or data analytics. Subject to applicable legal, regulatory and contractual requirements, these information sharing arrangements are designed to allow Apollo, its Clients and its Clients' portfolio investments to better discern economic or other trends and developments. The Apollo Credit Managers believe that all Clients benefit from these arrangements in ways that would be impossible without the ability to aggregate data from across Apollo's businesses and its Clients' portfolio investments. However, information sharing may involve conflicts of interest between Clients and/or between Clients and Apollo. For example, data analytics based on inputs from one portfolio investment may inform business decisions by other portfolio investments, or investment decisions by the Apollo Credit Managers and their affiliates, without the source of the data being directly compensated. The Apollo Credit Managers and their affiliates may utilize such data outside of Client activities in a manner that may provide a material benefit to Apollo, without directly compensating or otherwise benefiting Clients. As a result, Apollo may have an incentive to pursue investments (on its own behalf or on behalf of Clients) based on the data that may be accessible as a result of owning such investments, and/or to utilize such data in a manner that benefits Apollo and/or investments held by other Clients.

It is impractical, and in many cases impossible, to measure exactly the benefits that any individual entity may derive from these kinds of arrangements, or to provide for specific and direct monetary compensation from the recipients of a particular benefit to the sources of the data or the purchasing power (as applicable) that enabled the benefit to be obtained. As a result, Clients may not be directly compensated for their role in obtaining such benefits, and any such benefits that Apollo receives will not be subject to management fee offset provisions or otherwise shared with Clients. However, the Apollo Credit Managers believe that these arrangements provide benefits for all Clients that would not be obtainable without the conflicts of interest that they entail, and that on the whole the benefits of such arrangements exceed any impact of such conflicts.

## ITEM 11

### Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

#### Code of Ethics

The Apollo Credit Managers have adopted a Code of Ethics (the “Code of Ethics”) designed to ensure compliance with Rule 204A-1 under the Advisers Act. The Code of Ethics applies to all partners, principals, directors, officers, employees and supervised persons of Apollo (each a “Covered Person”). The Apollo Credit Managers strive to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. Accordingly, the Code of Ethics incorporates the following general principles that all Covered Persons are expected to uphold:

- (i) Covered Persons must at all times place the interests of Clients first;
- (ii) all personal securities transactions must be conducted in a manner consistent with the Code of Ethics and any actual or potential conflicts of interest or any abuse of a Covered Persons’ position of trust and responsibility must be avoided;
- (iii) Covered Persons must not take inappropriate advantage of their positions;
- (iv) information concerning the identity of securities and financial circumstances of the Clients, including investors in Clients, must be kept confidential; and
- (v) independence in the investment decision-making process must be maintained at all times.

Finally, Covered Persons are required to comply with applicable federal securities laws at all times.

#### Personal Trading Restrictions

The Code of Ethics requires that Covered Persons’ personal investment activities comply with all applicable laws and regulations. In addition, Covered Persons are required to obtain prior approval for all securities transactions (including, but not limited to, investments in private placements and limited offerings) other than those involving: government and municipal securities; exchange-traded funds and closed-end funds; mutual funds (i.e., open-ended investment companies); variable annuities; commodities; and transactions in fully-managed accounts. Covered Persons are prohibited from purchasing securities in initial public offerings.

The Code of Ethics provides that approval will not be granted for securities of companies on Apollo’s restricted list. Further, approval will not be granted for short sales and proposed securities transactions in securities of companies with a market capitalization for the outstanding equity on the date of trade of more than \$100 million and less than \$10 billion. This “market-capitalization band” may be changed from time to time.

## **Personal Securities Holdings and Transaction Reports**

Subject to limited exceptions, each Covered Person must periodically submit to the Chief Compliance Officer or designee a report of the holdings and transactions in the accounts in which the following persons have a direct or indirect beneficial ownership interest or over which the following persons exercise any investment control, influence or discretion: (i) the Covered Person; (ii) any member of the Covered Person's immediate family and to whose support the Covered Person significantly contributes, which may include the Covered Person's spouse, children, stepchildren, grandchildren, parents, grandparents, stepparents, siblings, persons with whom a Covered Person has an adoptive or in-law relationship; or (iii) any other person to whom the Covered Person significantly contributes (each individual identified in clauses (ii) and (iii) a, "Relevant Person").

The holdings report must contain, at a minimum: (i) the title and type of security and, as applicable, the exchange ticker symbol or CUSIP number, number of shares and principal amount of each reportable security in which the Relevant Persons have any direct or indirect beneficial ownership; (ii) the name of any broker, dealer or bank with which the Relevant Persons maintain an account in which any securities are held for the Relevant Person's direct or indirect benefit; (iii) if securities are held other than with a broker, dealer or bank, the location of the securities; and (iv) the date that the Covered Person submits the report to the Chief Compliance Officer or designee.

The transaction reports must contain, at a minimum: (i) the date of the transaction, the title and, as applicable, the exchange ticker symbol or CUSIP number, the interest rate and maturity date, the number of shares and the principal amount of each reportable security involved; (ii) the nature of the transaction (i.e., purchase, sale or any other type of acquisition or disposition); (iii) the price of the security at which the transaction was effected; (iv) the name of the broker, dealer, bank or other financial institution with or through which the transaction was effected; (v) if not effected through a broker, dealer or bank, the location of the securities and a description of how the transaction was effected; and (vi) the date that the Covered Person submits the report to the Chief Compliance Officer or designee.

Submission to the Chief Compliance Officer or designee of a duplicate copy of the most recent periodic financial institution statements of the Relevant Persons, will be sufficient to fulfill the holdings and transactions report requirement if such financial institution statements include all required information for all securities. The Chief Compliance Officer or designee will ensure that duplicate account information for all accounts of Relevant Persons is sent directly to the Chief Compliance Officer, designee or electronically through Apollo's personal trading system.

The Code of Ethics requires each Covered Person to prepare or certify, on at least an annual basis, reports of securities holdings and transactions.

## **Material Non-Public Information**

The Code of Ethics includes policies and procedures concerning inside information (the "Insider Trading Policies") that are designed to prevent the misuse of material non-public information. Covered Persons are required to certify to their compliance with the Code of Ethics, including the Insider Trading Policies, on a periodic basis. The Insider Trading Policies prohibit the Apollo

Credit Managers and Covered Persons from trading for Clients or themselves, or recommending trading in securities of a company, while in possession of material non-public information (“Inside Information”) about the company, and from disclosing such information to any person not entitled to receive it.

By reason of their various activities, Apollo Credit Managers may have access to Inside Information, and as a result, be restricted from effecting transactions in certain investments that might otherwise have been initiated. For example, there may be certain cases where the Apollo Credit Managers or their personnel receive Inside Information due to their various activities on behalf of Apollo Credit Funds, which could result in either limited liquidity for a Client if it desires to engage in a disposition transaction or in the Apollo Credit Managers or their personnel being prohibited from using such information for the benefit of Clients. By way of another example, Apollo’s investment professionals must obtain approval from Compliance prior to engaging any expert network and must send affirmations indicating that they did not receive material non-public information and that the expert did not breach any duty of confidentiality. The Apollo Credit Managers seek to minimize those cases whenever possible, consistent with applicable law and the Insider Trading Policies, but there can be no assurance that such efforts will be successful and that such restrictions will not occur. Apollo’s investment professionals receive initial and annual training in the use of expert networks and paid consultants.

### **Other Provisions of the Code of Ethics**

Covered Persons are subject to additional standards of conduct relating to the use of funds and property, conflicts of interest and opportunities belonging to Clients, managing investments of related parties and general standards of conduct, including the conduct expected when dealing with Clients and the investors in Clients. In addition, Covered Persons are subject to Apollo’s anti-money laundering procedures. Covered Persons are required to certify periodically that they have complied with the terms of the Code of Ethics. Violations of the Code of Ethics are subject to the imposition of sanctions, up to and including termination.

A copy of the Code of Ethics will be provided to any Client or prospective Client upon request.

### **Cross Trades and Principal Transactions**

Apollo Credit Managers direct, from time to time and subject to applicable Client investment guidelines and restrictions, one Client to sell securities to another Client (or with other Apollo Funds) through a “cross trade.” Cross trades are executed with the assistance of a broker-dealer or as an “internal cross” where the Clients’ custodian(s) is instructed to book the transaction at a price determined in accordance with Apollo’s cross trades policies. No fees will be charged by Apollo Capital Management or its affiliates to Clients in connection with the completion of a cross trade. In certain cases, cross trades are viewed as principal transactions due to the ownership interest in the Client by Apollo Capital Management.

Cross trades and principal transactions give rise to conflicts of interest between Clients and between Clients and Apollo. For example, one Client could be advantaged to the detriment of another Client in the event that the securities being exchanged are not priced in a manner that

reflects their fair value. In addition, the Apollo Credit Managers could use their investment authority to transfer unappealing securities from one Client to another Client.

Clients may also have the opportunity to engage in commercial or consumer loan transactions provided or sponsored by an affiliate of the Apollo Credit Managers. There may be potential conflicts of interest relating to these transactions.

To the extent that any cross trades or affiliate transaction described above may be viewed as a principal transaction due to the ownership interest in the Client of Apollo and its personnel, Apollo will comply with the requirements of Section 206(3) of the Advisers Act and its internal policies and procedures. Specifically, the applicable Apollo investment professionals must provide notice to, and obtain the approval of, the Chief Compliance Officer or designee, the Client's portfolio manager and a member of the Legal department prior to executing a principal trade or cross trade. When reviewing a proposed principal trade or cross trade, the Chief Compliance Officer or designee will confirm, among other things: (i) that such trade is allowed by the applicable Client's investment guidelines; (ii) that the Apollo Credit Manager's valuation procedures were followed when pricing the transaction, including obtaining a third party valuation when appropriate; and (iii) in the case of principal trades, that notice of the specific trade was provided to the Client and written consent from the Client was obtained.

## **Family Offices**

Apollo's three managing partners have established family offices to provide investment advisory, accounting, administrative and other services to their respective family accounts (including certain charitable accounts) in connection with their personal investment activities unrelated to their investments in Apollo entities. The investment activities of the family offices, and the involvement of the managing partners in these activities, could give rise to potential conflicts between the personal financial interests of the managing partners and the interests of Apollo Clients. Each of the family offices employs its own professional staff at its own expense, and each of them conducts its day-to-day operations independently of Apollo. Apollo has adopted certain procedures designed to mitigate some of these potential conflicts including by way of example:

- (i) investment professionals, employed by the family offices, are required to refrain from making direct investments in portfolio investments that are controlled by Apollo Clients or that are the subject of announced transactions involving Apollo Clients;
- (ii) any investment opportunity sourced directly by a managing partner that could potentially usurp an Apollo Client opportunity must be reviewed by Apollo for allocation to an Apollo Client prior to review or investment by any managing partner's family office;
- (iii) the managing partners do not participate in decisions to invest in, nor do they have investment discretion with respect to, bank loans and certain liquid securities in which their respective family offices may invest, but they do make decisions on behalf of their respective family offices relating to allocations among strategies, asset classes, sectors and internal and external portfolio managers. For this purpose, the managing partners do not have access to individual position-level data concerning the investments held in

the family office accounts until after such investments are made. In order to seek to mitigate potential conflicts of interest, such investments are reviewed by Apollo for potential conflicts of interest with Apollo but are not reviewed with respect to allocation decisions on behalf of Clients; and

- (iv) the managing partners may provide guidance or participate in investment decisions on behalf of their respective family offices in connection with illiquid transactions. With respect to these investments, the family offices' investment professionals (but not the applicable Apollo managing partner himself) may source opportunities, but only opportunities which are not likely to overlap with the interests of Clients.

These procedures are designed to seek to mitigate conflicts of interest; however, there will be situations where a family office may, with respect to certain asset classes, review and invest in investment opportunities, which may have some overlap with the mandates of Clients.

### **Potential Duties to AGM Shareholders**

The Apollo Credit Managers, including Apollo Capital Management, are affiliates of AGM. The Class A shares of AGM are publicly traded on the New York Stock Exchange. As a result, the Apollo Credit Managers have duties or incentives relating to the interests of AGM's shareholders that may differ from, and that could conflict with, the interests of their Clients and their investors, such as conflicts arising from the allocation of expenses, fee offsets and investment opportunities (including without limitation, opportunities in the asset management and financial services industries). The Apollo Credit Managers will endeavor to resolve such conflicts in a manner they deem fair and equitable to the extent possible under the prevailing facts and circumstances. The Apollo Credit Managers will seek to allocate investment opportunities in the asset management and financial services industries between AGM and Clients in accordance with their respective Governing Documents and after evaluating such opportunities based on the facts and circumstances. Such investment opportunities may be reviewed by the AGM Allocations Committee. In the past, the application of such policies has resulted in the allocation by Apollo of certain investment opportunities relating to the investment management business to AGM rather than to clients (e.g., the acquisition of other financial service businesses), and Apollo may allocate such opportunities in a similar manner in the future.

## **ITEM 12**

### **Brokerage Practices**

#### **Execution**

Apollo Credit Managers have absolute discretion in selecting brokers to execute portfolio transactions and must use reasonable diligence to ascertain the best market price for all securities bought or sold in that market so that the price to the Clients is as favorable as possible under prevailing market conditions. The determinative factor is not always the lowest possible per security price or commission, but whether the transaction represents the best qualitative and quantitative execution for the Client. The Apollo Credit Managers consider the full range of a broker's services in assessing best execution and may not pay the lowest commission rates available.

The Apollo Credit Managers consider the following factors in selecting brokers for portfolio transactions:

- (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);
- (ii) the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution;
- (iii) the financial strength, integrity and stability of the broker;
- (iv) the broker firm's risk in positioning a block of securities;
- (v) the quality, comprehensiveness and frequency of available research services; and
- (vi) the competitiveness of commission rates in comparison with other brokers satisfying the Apollo Credit Managers' other selection criteria.

The Apollo Credit Managers are not required to weigh any of these factors equally.

The Apollo Credit Managers may invest on behalf of Clients in senior loans, debt securities, derivatives, hedges and other instruments, which typically do not involve brokers or brokerage commissions. In the case of loans, an assignment fee is often charged by the administrative agent for a particular loan and fees may be payable when buying and selling bank loans. The Apollo Credit Managers may buy or sell securities directly from or to dealers acting as principal at prices that include markups or markdowns and may buy securities from underwriters or dealers in public offerings at prices that include compensation of the underwriter or dealer.

### **Soft Dollars**

The Governing Documents of certain Apollo Credit Funds authorize the use of "soft dollars." The term soft dollars refers to the receipt by Apollo Credit Managers of products and services provided by brokers without any cash payment by Apollo Credit Managers, based on the volume of revenues generated from brokerage commissions for transactions executed for Apollo Credit Funds. Apollo Credit Managers do not enter into formal soft dollar arrangements with broker-dealers. The Apollo Credit Managers in the ordinary course may receive unsolicited research products and brokerage services from full service broker-dealers as part of their full range of services. Such unsolicited materials might benefit Clients and therefore could be construed as soft dollars.

Section 28(e) of the Securities and Exchange Act of 1934 (the "Exchange Act"), provides a "safe harbor" to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to investment managers in the performance of their investment decision-making responsibilities. Although certain Apollo Credit Managers have the discretion to use soft dollars to obtain services and products that would not be within the safe harbor afforded by Section 28(e) of the Exchange Act and for which it would otherwise be required to pay in cash, they have no plans to do so, and will notify the Apollo Credit Funds of any change to that policy.



Consistent with Section 28(e) of the Exchange Act, research products or services obtained by brokers for execution of transactions in connection with one or more Clients may be used by an Apollo Credit Manager or another Apollo Manager to service one or more other clients, including clients that may not have paid for the benefits. Apollo Credit Managers do not seek to allocate such benefits to their Clients in proportion to the amount of transactions each Client generates.

### **Order Aggregation**

If an Apollo Credit Manager determines that the purchase or sale of the same security is in the best interest of more than one Client, the Apollo Credit Manager may, but is not obligated to, aggregate orders in order to reduce transaction costs. When an aggregated order is filled through multiple trades at different prices from the same time period within a trade day, each participating Client will receive the average price with transaction costs allocated pro-rata based on the size of each Client's participation in the order (or allocation in the event of a partial fill) as determined by the Apollo Credit Manager. In the event of a partial fill, allocations generally will be made pro-rata based on the initial order, but may be modified on a basis that the Apollo Credit Manager deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. This may result in allocations of certain investments on other than a pro-rata basis. See Item 6 for additional information on investment allocations.

## **ITEM 13**

### **Review of Accounts**

The portfolio managers across Clients managed by the Apollo Credit Managers engage in ongoing monitoring of each investment. In addition, the Apollo Credit Managers conduct thorough, periodic reviews of Client accounts to assess trends that impact an individual investment's ability to generate cash, profitability, asset values, financing needs, potential liability and ability to service any debts.

The Apollo Investment Practices Committee (the "IPC") meets on a quarterly basis to review portfolio management, investment processes and related documents evidencing compliance with written policies and procedures for all Apollo Funds. The IPC provides oversight of issues relating to the investment and trading of Apollo Funds, such as allocations and best execution. The IPC ensures certain management reports and certifications are reviewed by members of Apollo's Compliance, Finance, Operations, Risk and Legal departments.

Certain Apollo Credit Funds deliver newsletters to investors on a periodic basis. The newsletters summarize the performance of the applicable Apollo Credit Fund, and provide a market outlook, exposure information and the net asset value. The Clients also deliver audited financial statements on an annual basis, within 120 days of the applicable Client's fiscal year end.

## **ITEM 14**

### **Client Referrals and Other Compensation**

The general partner of a Client enters into arrangements with, and compensates, unaffiliated third parties for investor referrals to the Client. These solicitation arrangements will be fully disclosed to affected investors. Generally, the terms of such arrangements will vary and allow the general

partner of the Client to cause the applicable Client to pay the placement agent a fee equal to a percentage of capital contributions, Management Fees, incentive fees, incentive allocations or a combination of such contributions or fees borne by each investor introduced to the Client by the placement agent and reimburse the placement agent for expenses incurred by it in connection with such arrangements. In these cases, and where contemplated by the applicable Governing Documents of the Client, the applicable Apollo Credit Manager reduces its Management Fee on a dollar-for-dollar basis to the extent any such placement agent fees and related costs and expenses are borne by the Client.

## **ITEM 15**

### **Custody**

Under the Advisers Act Rule 206(4)-2, the Apollo Credit Managers are deemed to have custody of the assets of certain Clients. These Clients receive annual audited financial statements from an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. These annual audited financial statements are then distributed to all investors no later than 120 days after the end of the applicable Client's fiscal year-end.

AAM Clients receive account statements on a quarterly or more frequent basis from their applicable custodians. AAM Clients should carefully review those account statements and are urged to compare those account statements to other statements they receive or have access to electronically, including statements provided by AAM, if any. AAM also has custody of certain of its Clients' funds and securities verified by actual examination at least annually by an independent public accounting firm at a time chosen by the accounting firm without prior notice to AAM (a "Surprise Examination"). The accounting firm's report concerning the Surprise Examination is publicly available on the Form ADV-E at the website provided on the cover page of this Brochure.

## **ITEM 16**

### **Investment Discretion**

For most accounts, the Apollo Credit Managers have full discretionary authority with respect to investment decisions, and their advice with respect to the Clients is provided in accordance with the investment objectives and guidelines as set forth in the applicable Governing Documents. The Governing Documents of Clients place limitations on the Apollo Credit Managers regarding their management of Clients, including: (i) the number of portfolio investments that Clients acquire; (ii) the size of portfolio investments; (iii) the amount of leverage that Clients use to acquire portfolio investments; and (iv) the percentage of portfolio investments acquired by Clients that are organized and operated primarily outside of the U.S.

Limited partners of a Client may also negotiate with the general partners in side letter agreements for more specific limitations applicable to the limited partner, such as prohibited investments in specified countries, that may result in such limited partner (but not the Client itself) not participating in such prohibited investments. Apollo Capital Management is delegated the authority to consummate investments on behalf of Clients by the terms of Governing Documents entered into between a Client and the relevant Apollo Credit Manager.

Similarly, the Apollo Credit Managers' investment decisions and advice with respect to a managed account will be in accordance with the investment objectives and guidelines in such managed account's Management Agreement, as well as any other instructions provided by the Client to the applicable Apollo Credit Manager. For certain separately managed accounts, Apollo provides non-discretionary investment advice. Non-discretionary investment advice is also provided in accordance with the relevant account's Management Agreement, as well as any other instructions provided by the Client to the applicable Apollo Credit Manager.

#### **ITEM 17**

##### **Voting Client Securities**

The Apollo Credit Managers have been delegated the authority to vote proxies regarding their Client accounts. The Apollo Credit Managers have conflicts of interest where they have a substantial business relationship with a company, and the failure to vote in favor of company management could harm the Apollo Credit Managers' relationship with management. Conflicts also arise in the event a senior executive of a company and principal of Apollo have a significant personal relationship that could affect how the adviser votes on a matter relating to the company.

The Apollo Credit Managers have adopted and implemented Apollo's policies and procedures which they believe are reasonably designed to ensure that the Apollo Credit Managers vote proxies, or elect not to vote proxies, in the best interests of their Clients. For example, if an Apollo representative sits on the board of directors of a portfolio investment that is the subject of a proxy, the Chief Compliance Officer or designee will undertake a review prior to any vote by the proxy recipient to determine whether a material conflict of interest exists between the applicable Apollo Credit Manager and the interests of its Client or between such Apollo Credit Manager and the portfolio investment shareholders. If a material conflict of interest is identified, the Chief Compliance Officer or designee will take such steps as he or she deems necessary to determine how to vote the proxy in the best interests of the Client, including, but not limited to, consulting with the Legal department, outside counsel, a proxy consultant or the investment professionals responsible for the relevant portfolio investment.

Clients may request from the applicable Apollo Credit Manager a copy of the proxy voting policy and a record of how proxies have been voted.

#### **ITEM 18**

##### **Financial Information**

Item 18 is not applicable. No Apollo Credit Manager is required to include a balance sheet for its most recent fiscal year, is aware of any financial condition reasonably likely to impair its ability to meet its contractual commitments to Clients or has been the subject of a bankruptcy petition at any time during the past ten years.