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**From:** Richard Kahn <[REDACTED]>  
**Sent:** Thursday, August 2, 2018 5:00 PM  
**To:** jeffrey E.  
**Subject:** Fwd: Apollo Global Management LLC: Softer 2Q Results But Strong Forward Look; Reiterate Overweight

Richard Kahn  
HBRK Associates Inc.  
575 Lexington Avenue 4th Floor  
New York, NY 10022  
[REDACTED]

Begin forwarded message:

From: =/b>"Morgan Stanley" <[REDACTED]>

Subject: =/b>Apollo Global Management LLC: Softer 2Q Results But Strong Forward Look; Reiterate =verweight

Date: =/b>August 2, 2018 at 12:32:56 PM =DT

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Michael J. Cyprys, =FA, CPA – Morgan Stanley

August =, 2018 4:32 PM GMT

Apollo's softer 2Q =results reflect a deceleration in performance fee marks in Fund VIII, =hich will likely weigh on the stock near-term. But appreciation can =99t be judged in a single quarter, particularly on the back of 16% =ppreciation in LTM and 29% during 2017. Looking ahead, we expect Fund =III performance to rebound, and also expect portfolio monetization =ctivity to accelerate in 2019-2020 boosting cash earnings and the =ividend. We see opportunities in continued growth in management fee =arnings, driven by organic flows as well as potential strategic actions =o grow the platform, which will deliver future earnings power. =eiterate Overweight. APO reported 2Q EPS of 27c, below MSe 46c and =oncensus 54c. Net performance fee revenue of \$38.3m fell short of MSe =f \$111.8m from lower PE marks. Accrued carry receivable balance was =lat q/q and up 9.5% y/y to \$756.1m, attributable to a softer quarter in =und VIII performance fees. Fee related earnings of \$185.7m slightly =elow MSe of 192.1b, a 40% step up q/q, driven by the activation of fees =n Fund IX. FRE margin improved to 54.4% vs MSe 53.9% and 1Q18 of =6.6%. Cash earnings of 53c was better than MSe of 48c from realized =nvestment income. Dividend of 43c in line with Mse and 5c above =onsensus. Fundraising of \$24.1b and net flow to fee-paying AUM of \$20.3b =ere driven by the close of an insurance strategic transaction.

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