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Sent: Thursday, September 27, 2018 1:26 PM
To: Jeffrey Epstein
Subject: Fwd: Apollo Global Management LLC: Management Meeting Takeaways

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

Subject: =/b>Apollo Global =anagement LLC: Management Meeting Takeaways

Date: =/b>September 27, 2018 at 12:16:02 =M EDT

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Apollo Global =anagement LLC: Management Meeting Takeaways

Michael J. Cyprys, CFA, CPA – Morgan Stanley

September 27, 2018 4:01 AM MT

Our recent meeting with APO mgmt raises our confidence in cash earnings ramp over next several years driven by Fund VIII portfolio harvesting, new PE initiatives and significant growth potential in credit that could see step function growth. Attractive valuation at 1.1x cash EPS; Overweight.

3 Key Takeaways (details inside): 1) Next stage of growth to come from a range of PE and credit initiatives. In PE, Hybrid Value (a special situations fund), energy, and potentially a new longer-dated PE strategy to drive growth. In credit, APO's permanent capital vehicles have excess capital that could support \$85b of assets. While timing of credit deals is hard to predict, the recent Voya transaction is resulting in increased dialogue and mgmt sees a strong pipeline of potential activity. Further, APO is building out origination capabilities to support additional growth. 2) We see termination risk of the Athene contract as highly unlikely post last week's contract revision which removes an overhang and should support multiple expansion on APO's sticky management fee stream on long duration/permanent capital. The contract was recently renewed for a four year term and automatically renewed thereafter every two years. The new contract is positive for the stock and removes a key investor concern. The fee rates under the new arrangement are neutral to PS. Risk of termination in next four years is essentially a gross negligence standard as it could only be for "cause". Hereafter, the contract could only be terminated because of poor investment performance or if the fee rate is not a market rate; however, APO has a two year cure period and termination requires a 2/3 vote of the independent board members. 3) C-Corp conversion unlikely near-term in our view, but we wouldn't be surprised if APO eventually converts assuming KKR's successful conversion remains the case. APO would incur a known economic cost, that is tax leakage, in amount of 15% of earnings if they converted. The

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