

**From:** Richard Kahn <[REDACTED]>  
**To:** Jeffrey Epstein <jeevacation@gmail.com>  
**Subject:** Fwd: Apollo Global Management LLC: Fee Rate Reduction to Pressure FRE  
**Date:** Mon, 14 Mar 2016 10:03:33 +0000

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

Begin forwarded message:

**From:** "Morgan Stanley" <[REDACTED]>  
**Date:** March 14, 2016 at 12:17:06 AM EDT  
**To:** <[REDACTED]>  
**Subject:** Apollo Global Management LLC: Fee Rate Reduction to Pressure FRE  
**Reply-To:** <[REDACTED]>



The screenshot shows a dark blue header with the text "WEALTH MANAGEMENT" and several small icons. Below the header, the text "Subscription Notification: March 14" is displayed. The main body of the email features a large, bold, blue underlined link: "[Apollo Global Management LLC: Fee Rate Reduction to Pressure FRE](#)". Below the link, the sender is identified as "Michael J. Cyprys, CFA, CPA – Morgan Stanley" and the date is "March 14, 2016 4:01 AM GMT". The final paragraph of the email reads: "What's new: APO cut fees on its BDC, Apollo Investment Corporation (Ticker: AINV; not covered), a publicly traded Business Development Company that is managed by Apollo Global Management (Ticker: APO). The fee cut reduces base management fees from 2% to 1.5% on gross assets for fiscal year 2017 (from April 1, 2016 - March 31, 2017). Additionally, adjustments to the incentive fee could now make it as low as 15%,"

from 20% previously. The change in incentive fees is intended to simplify the fee structure and will replace additional fee waivers previously in place. Also, a subsidiary of APO has embarked on a program to purchase \$50m of AINV's stock.

APO cited the actions were taken to further align the interests of AINV shareholders and APO and its employees, who may receive AINV shares as compensation. All in, APO estimates its total investment in AINV as \$118m after the \$50m stock purchase.

Putting this into context: Some BDCs have recently been trading below their net asset value and investors have been looking for ways to maximize shareholder value. This has brought management and incentive fees paid to the BDC manager into the spotlight. Investors question whether the traditional 2 and 20 fee structure still makes sense for BDCs. Some managers have already acquiesced to investor demands and lowered their fees before this announcement from APO. Fifth Street recently lowered the management fees for its BDC from 2% to 1% on new assets only, not existing. The largest publicly traded BDC managed by Ares Management charges a 1.5% base mgmt fee.

Impact on our view: Aligning interests with AINV shareholders should be a positive longer term for APO but the reduction in base management fees from AINV suggests downside to our 2016-17 EPS and FRE estimates for APO. Risk is that the fee reduction extends beyond 2017 and aligns with lower base mgmt fees charged by peers. We estimate a 50bps decline in mgmt fees on \$3.2b of AINV's gross assets could reduce management fe

Click [here](#) to see the full report.

This alert is sent from:

Andrew Atlas, [REDACTED]

You received this because you asked to be alerted to:

APOLLO GLOBAL MANAGEMENT, LLC

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## **Disclosures:**

Please see the full report for risks, disclosures and other important information.

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