APOLLO

ALTERNATIVE ASSETS

AP ALTERNATIVE ASSETS, L.P.

Financial Report

As of December 31, 2006
and for the period from
June 15, 2006 (Commencement of Operations) to December 31, 2006

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Certain Information

Statement of Responsibility

The portions of this financial report that relate to AP Alternative Assets, L.P. ("AP Alternative Assets"), including the financial statements and other financial information of AP Alternative Assets contained herein, are the responsibility of and have been approved by AAA Guernsey Limited as the Managing General Partner of AP Alternative Assets. AAA Guernsey Limited is responsible for preparing such portions of this financial report to give a true and fair view of the state of affairs of AP Alternative Assets at the end the fiscal period and of the profit and loss for such period as well as to prepare such financial statements in accordance with the rules of Euronext Amsterdam N.V.'s Eurolist by Euronext (the "Euronext Rules") and is responsible for preparing the financial statements in accordance with applicable Guernsey law and accounting principles generally accepted in the United States of America ("U.S. GAAP").

The portions of this financial report that relate to AAA Investments, L.P., including the financial statements and other financial information of AAA Investments, L.P., contained herein, are the responsibility of and have been approved by AAA MIP Limited, as the General Partner of AAA Associates, L.P., which serves as the general partner of AAA Investments, L.P. AAA MIP Limited is responsible for preparing such portions of this financial report to give a true and fair view of the state of affairs of AAA Investments, L.P., at the end the fiscal period and of the profit and loss for such period as well as to prepare such financial statements in accordance with applicable Guernsey law and U.S. GAAP.

In preparing their financial reports, both AAA Guernsey Limited and AAA MIP Limited are required to (i) select suitable accounting policies and apply them consistently; (ii) make judgments and estimates that are reasonable and prudent; (iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Accounts; and (iv) prepare the financial statements on a going-concern basis unless it is inappropriate to presume that the Partnership will continue in business.

Directors and Advisors

The board of directors of AAA Guernsey Limited consists of Leon Black, Josh Harris, Marc Rowan, Beno Suchodolski, Louise MacBain, Paul Guilbert and Rupert Dorey. The address of each of these individuals is c/o AAA Guernsey Limited, Trafalgar Court, Les Banques, St. Peter Port, Guernsey, Channel Islands, GY1 3QL.

The board of directors of AAA MIP Limited consists of Leon Black, Josh Harris and Brooks Newmark. The address of each of these individuals is c/o AAA MIP Limited, Trafalgar Court, Les Banques, St. Peter Port, Guernsey, Channel Islands, GY1 3QL.

Northern Trust International Fund Administration Services (Guernsey) Limited has been retained to serve as the Guernsey administrator for each of AP Alternative Assets and AAA Investments, L.P. The address of Northern Trust International Fund Administration Services (Guernsey) Limited is Trafalgar Court, Les Banques, St. Peter Port, Guernsey, Channel Islands, GY1 3QL.

Deloitte & Touche LLP has been retained to serve as the independent registered public accounting firm of each of AP Alternative Assets and AAA Investments, L.P. The address of Deloitte & Touche LLP in Guernsey is Regency Court, Glategny Esplanade, St. Peter Port, Guernsey, Channel Islands, GY1 3HW.

Certain Information

Apollo Alternative Assets, L.P. provides investment management, operational and financial services to AP Alternative Assets and AAA Investments, L.P. under a services agreement. The address of Apollo Alternative Assets, L.P. is Walker House, P.O. Box 908GT, Mary Street, George Town, Grand Cayman, Cayman Islands.

The website address for AP Alternative Assets, L.P. is www.apolloalternativeassets.com

About AP Alternative Assets

Overview

We commenced operations on June 15, 2006, and are a closed-end limited partnership established by Apollo under the laws of Guernsey. AP Alternative Assets is managed by Apollo Alternative Assets and invests in private equity and capital markets investment opportunities sponsored by Apollo. Apollo Alternative Assets implements our investment policies and procedures and carries out the day-to-day management and operations of our business pursuant to a services agreement. Apollo is a leading private equity, debt and capital markets investor with over 16 years of experience investing across the capital structure of leveraged companies.

We expect to invest substantially all of our capital in Apollo-sponsored entities, funds and private equity transactions. Our current portfolio consists of: (1) private equity co-investments in Apollo Investment Fund VI portfolio companies; (2) investments in Apollo Strategic Value Offshore Fund, Ltd. ("Apollo Strategic Value Fund"), an Apollo-sponsored fund focused on value-driven, distressed and special opportunity investments; (3) investments in AP Investment Europe Limited ("Apollo Investment Europe"), an Apollo-sponsored European mezzanine and leveraged debt investment fund; (4) investments in Apollo Asia Opportunity Offshore Fund, Ltd., ("Apollo Asia Opportunity Fund"), an Apollo-sponsored fund focused on debt and equity investment opportunities in the public and private markets in Asia; (5) other opportunistic investments; and (6) temporary investments. Over time, we expect to invest in additional Apollo-sponsored funds identified by Apollo Alternative Assets.

We have the ability to invest in, or co-invest with, all of Apollo's current and future private equity and capital markets investment funds. In our initial private placement, we targeted deployment of approximately 90% of our initial capital by the end of 2006. We have met this target by deploying approximately $1.3 billion as of December 31, 2006, through investments and private equity commitments. As of March 10, 2007, we have deployed approximately $1.6 billion. We expect that over time approximately 50% of our investments will be in private equity investments.

Competitive Strengths

We believe our competitive strengths include:

- Apollo's strong track record in targeted investment classes
- our diversified exposure to the investment strategies managed by Apollo
- our ability to rapidly deploy capital
- the active involvement of Apollo's experienced and cohesive investment team in our investments
- our ability to benefit from Apollo's collaborative investment platform

About Apollo

Founded in 1990, Apollo is a recognized leader in private equity and capital markets investing, having managed capital totaling more than $33 billion since inception. Apollo is led by Leon Black, as managing partner, as well as Josh Harris and Marc Rowan, who are founding partners of Apollo. The business employs 84 investment professionals and has principal offices in New York, London and Los Angeles. Apollo also maintains offices in Singapore and Paris.

The private equity business is the cornerstone of Apollo's investment activities. From its inception in 1990 through December 31, 2006, Apollo has invested approximately $15.5 billion in over 150 companies from its private equity business alone. Unlike many traditional private equity firms, we believe Apollo is unique in its ability to quickly adapt to changing market environments and take advantage of market dislocations through its traditional and distressed buyout approaches.

Apollo has consistently adhered to a value-oriented, conservative investment strategy, focusing on industries in which it has considerable knowledge. We believe Apollo's flexible approach to investment structures over the past 16 years has allowed it to identify attractive opportunities and to provide investors with superior returns throughout the various economic cycles that Apollo has faced. Apollo's investment discipline emphasizes downside protection and the preservation of capital. Approximately 90% of investments by private equity funds sponsored by Apollo have generated positive returns, and no such fund has ever lost capital.

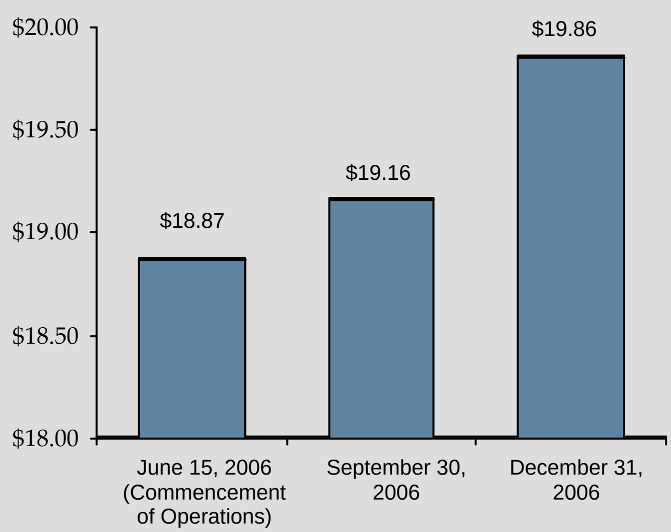
Apollo's capital markets operations were commenced in 1990 as a complement to its private equity investment activity. Apollo currently manages four capital markets-focused vehicles that we may invest in, or alongside of, that take advantage of the same disciplined, value-oriented investment philosophy employed with respect to private equity. Those vehicles – Apollo Strategic Value Fund, Apollo Investment Europe, Apollo Investment Corporation and Apollo Asia Opportunity Fund – focus primarily on debt and equity investment opportunities in the public and private markets. We believe each capital markets vehicle benefits from the market insight, management contacts, industry consultants, banking contacts and exposure to a broad array of potential investment opportunities of Apollo's private equity business. Similarly, we believe the Apollo private equity funds benefit from the capital markets vehicles' deep involvement in, and span of relationships within, the debt and equity markets.

Overview of Investment Results

As of December 31, 2006, we have deployed approximately $1,346 million through investments and private equity commitments. As of March 10, 2007, we have deployed approximately $1,620 million. The balance of our capital is invested in temporary investments.

As of December 31, 2006, the net asset value of AP Alternative Assets was $1,917 million, or $19.86 per unit. This reflects a net increase in net assets of approximately $69 million, or $0.71 per unit during the quarter. Since inception, the net asset value has increased more than 5% to approximately $96 million, or $0.99 per unit.

FIGURE 1: Net Asset Value



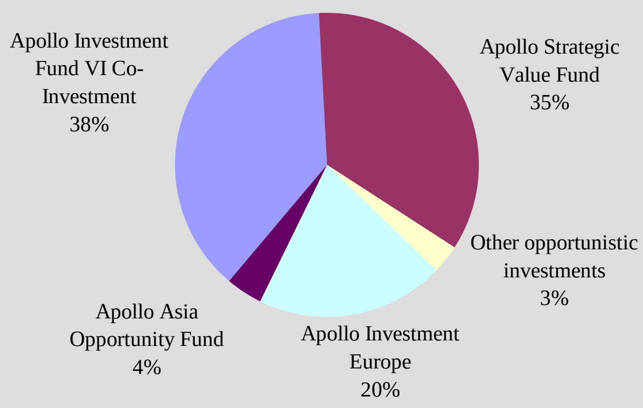
Overview of Investment Portfolio

Our initial investment was on June 15, 2006, and our overall investment pace is in line with expectations.

FIGURE 2: Portfolio Allocation

(Figures in thousands)

Apollo Investment Fund VI Co-Investment	$636,799
Apollo Strategic Value Fund	595,081
Apollo Investment Europe	340,949
Apollo Asia Opportunity Fund	65,000
Other opportunistic investments	53,591
Total	**$1,691,420**



Note: Portfolio allocation includes the net asset value of the portfolio as of December 31, 2006, in addition to all additional investments and private equity commitments made on or before March 10, 2007, but excludes temporary investments.

Private equity co-investment with Apollo Investment Fund VI

Apollo Investment Fund VI, a private equity fund sponsored by Apollo, has $10.1 billion of committed capital. We have an agreement to co-invest with Apollo Investment Fund VI pursuant to which we co-invest with the fund in each of its investments in an amount equal to 12.5% of the total amount invested by us and by Apollo Investment Fund VI, representing an aggregate co-investment opportunity projected to equal approximately $1.5 billion.

Apollo Investment Fund VI made its first investment in July 2006. As of December 31, 2006, Apollo Investment Fund VI had invested or committed to invest $3.9 billion, or approximately 39% of its capital, in eight companies, of which five were funded. The funded investments included Berry Plastics Group, Inc. ("Berry Plastics"), CEVA Logistics, Momentive Performance Materials Holdings, Inc. ("Momentive"), Rexnord Corporation ("Rexnord") and Verso Paper Holdings LLC ("Verso Paper").

As of March 10, 2007, Apollo Investment Fund VI had invested or committed to invest $4.4 billion, or approximately 43% of its capital, in ten companies of which six were funded. Apollo is the sole sponsor in nine of the ten transactions, and three of these transactions are complex corporate carve outs. Through our co-investment agreement with Apollo Investment Fund VI, we invested or committed to invest, approximately $625.6 million as of March 10, 2007. Our largest co-investment alongside Apollo Investment Fund VI is less than 3% of our net asset value.

As of December 31, 2006, each of these investments had been held for less than six months and marked at fair value, which is equal to cost, except for Verso Paper. The fair value of Verso Paper increased to $43.7 million from its cost basis of $32.5 million as a result of improving market conditions.

Our private equity co-investments have performed well over a relatively short period. As of March 10, 2007, we received proceeds from three of our private equity co-investments as the result of dividend recapitalizations. These proceeds totaled approximately $115.1 million, or 42% of our original co-investment in those companies, including $36.0 million from CEVA Logistics, $51.8 million from Rexnord and $27.3 million from Verso Paper.

FIGURE 3: Private Equity Co-Investments and Commitments

Investments as of March 10, 2007

Company	Status	Investment (in millions)	Industry	Description
Berry Plastics Corporation	Invested	$43.3	Packaging & materials	One of the world's leading manufacturers and suppliers of value-added plastic packaging products
CEVA	Invested	41.2	Distribution & transportation	Formerly TNT Group's logistics division which employs approximately 38,000 people, operates in 26 countries and manages 7.4 million square meters of warehouse space
Jacuzzi	Invested	13.4	Manufacturing & industrial	A global leader in whirlpool baths, outdoor spas and shower products marketed under the Jacuzzi, Sundance Spas, Bathcraft and Astracast brands. Upon the completion of Apollo Investment Fund VI's and our investment in Jacuzzi Brands, the Zurn business unit of Jacuzzi Brands was acquired by Rexnord Corporation
Momentive performance materials	Invested	56.6	Packaging & materials	Formerly General Electric's advanced materials division, which manufactures silicone-based products (including sealants, urethane additives, and adhesives), high-purity fused quartz and ceramics materials, and employs over 5,000 people worldwide
Rexnord	Invested	89.2	Manufacturing & industrial	A leading diversified, multi-platform manufacturer of highly-engineered products primarily focused on the power transmission and water management sectors. Concurrent with Apollo Investment Fund VI's and our investment in Jacuzzi Brands, the Zurn water management business unit of Jacuzzi Brands was acquired by Rexnord, representing approximately $34.4 million of the co-investment reflected as an investment in Rexnord
Verso	Invested	32.5	Packaging & materials	Formerly International Paper's coated papers division, which produces annually approximately 2 million tons of coated freesheet and coated groundwood papers for the magazine, catalog and retail insert markets

Commitments as of March 10, 2007

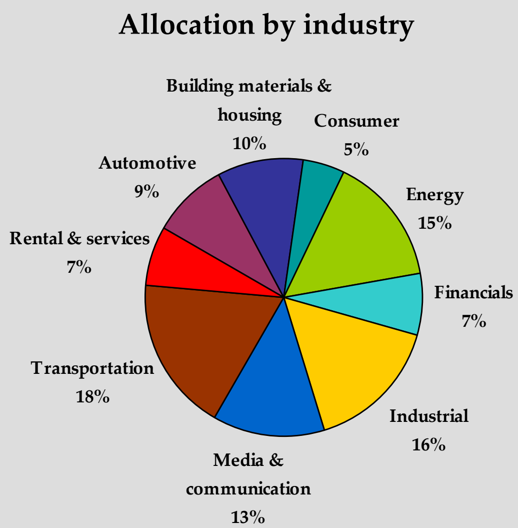
Company	Status	Industry	Description
Harrah's Entertainment, Inc.	Committed	Media, cable & leisure	One of the premier gaming and lodging companies in the world, with a #1 or #2 share in each market in which it competes. The company owns, operates, or manages 56 casinos in eight countries, representing approximately 40,000 hotel rooms and 3 million square feet of casino gaming space under the Harrah's, Caesars, Horseshoe and Bally's brand names, among others
Oceania Cruises	Committed	Media, cable & leisure	A leading cruise line focused on the destination-oriented, upper premium cruise market. Oceania owns three 684-berth vessels and offers itineraries in the Mediterranean, Far East, South America, the Caribbean, Australia and New Zealand
Realogy	Committed	Financial & business services	Leading provider of residential real estate and relocation services in the world. Through its portfolio of leading brands (Coldwell Banker, Century 21, Sotheby's International Realty, ERA, Corcoran Group and Coldwell Banker Commercial), Realogy is the world's largest real estate brokerage franchisor and the largest U.S. residential real estate brokerage firm. Realogy is also the largest U.S. provider and a leading global provider of outsourced employee relocation services, as well as a provider of title and settlement services
Smart&Final	Committed	Distribution & transportation	Los Angeles-based operator of 185 non-membership warehouse stores under the Smart & Final name that sell perishable and non-perishable food items, beverages, paper products, cleaning supplies, cooking equipment and janitorial supplies to both the traditional household customer and small business owners. These stores are located in Northern and Southern California, Nevada, Arizona and Mexico. In addition, the company operates 52 wholesale cash & carry warehouse stores under the Cash & Carry banner in Oregon, Washington and California that sell to "mom and pop" restaurant owners that are too small to purchase their products from the large foodservice companies

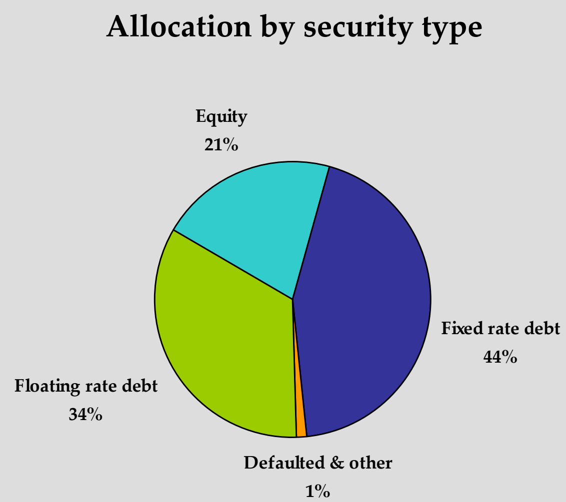
Investment in Apollo Strategic Value Fund

The Apollo Strategic Value Fund primarily invests in the securities of leveraged companies in North America and Europe through distressed, value-driven and special opportunity investments. This flexible investment strategy is intended to enable the Apollo Strategic Value Fund to capture investment opportunities as they arise across the capital structure of a company through the purchase or sale of senior secured bank debt, second lien debt, high yield debt, trade claims, credit derivatives, preferred stock and equity. The Apollo Strategic Value Fund primarily focuses on companies in sectors before, during and after a distressed cycle and other undervalued securities with near-term catalysts for value readjustment. Once an investment opportunity is identified, the investment team seeks to invest at the most favorable point within the capital structure to optimize the Apollo Strategic Value Fund's risk/return profile.

As of December 31, 2006, we had invested $550.0 million in Apollo Strategic Value Fund, including a $50 million investment in the fourth quarter of 2006.

FIGURE 4: Apollo Strategic Value Fund Portfolio





Note: Information is as of December 31, 2006.

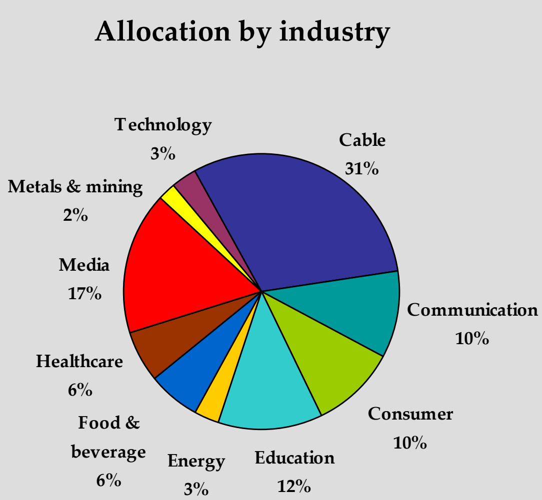
As of December 31, 2006, Apollo Strategic Value Fund had investments spread across a wide spectrum of industries, and the largest investment of Apollo Strategic Value Fund is less than 3% of our net asset value. From its inception on June 15, 2006 through December 31, 2006, the Apollo Strategic Value Fund earned a 22.6% gross annualized return and a 15.9% net annualized return. From our initial investment on June 15, 2006 through December 31, 2006, the Investment Partnership earned a net gain of $45.1 million on our investment. For the quarter ended December 31, 2006, our net investment gain was $35.0 million. The greatest contributors to this strong performance were the fund's investments in the airline and energy sectors.

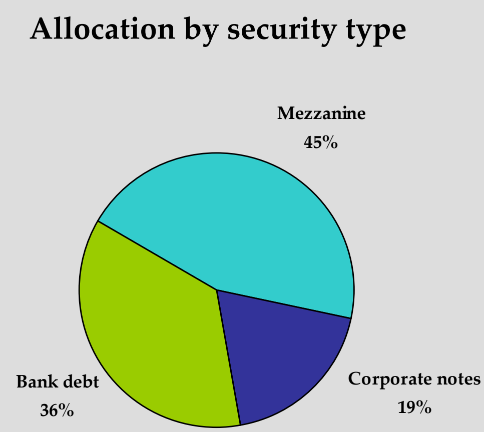
Investment in Apollo Investment Europe

Apollo Investment Europe invests in mezzanine, debt and equity investments, primarily European companies. The fund seeks to generate current income and capital appreciation though its flexible investment strategy which is intended to capture opportunities across the capital structure. Apollo Investment Europe invests primarily in public and private middle-market companies through mezzanine investments and senior secured loans, as well as in direct equity investments.

As of December 31, 2006, we had invested approximately $238.7 million in Apollo Investment Europe, including an investment of approximately $46.5 during the fourth quarter. As of March 10, 2007, we had invested $326.1 million in the fund.

FIGURE 5: Apollo Investment Europe Portfolio





Note: Information is as of December 31, 2006.

As of December 31, 2006, Apollo Investment Europe's investments were allocated across a spectrum of industries, and the largest investment of Apollo Investment Europe was less than 3% of our net asset value. From inception on July 14, 2006 through December 31, 2006, the Apollo Investment Europe earned a 17.7% gross annualized return and a 13.0% net annualized return. From our initial investment on July 14, 2006 through December 31, 2006, the Investment Partnership earned a net gain of $14.9 million on our investment. For the quarter ended December 31, 2006, our net investment gain was $12.7 million.

Investment in Apollo Asia Opportunity Fund

Apollo Asia Opportunity Fund is an investment vehicle that seeks to generate attractive risk-adjusted returns across market cycles by capitalizing on investment opportunities in the Asian markets. The fund primarily invests in the securities of public and private companies in need of capital for acquisitions, refinancings, monetization of assets and distressed financings, among other special situations. Apollo Asia Opportunity Fund's flexible investment strategy as a provider of capital is intended to enable it to take advantage of the Asian capital markets. The fund's investment team has the ability to source unique deal flow through their local relationships with entrepreneurs, management teams and regional financial institutions. We believe this local expertise is complemented by Apollo's global reach across its core industry verticals.

In December 2006, AP Alternative Assets made an initial commitment to the fund of $100 million and subsequently committed an additional $100 million for a total commitment to the fund of $200 million. The fund's first investment was made in February 2007. As of March 10, 2007, we have invested $65 million in Apollo Asia Opportunity Fund.

Introduction

The following discussion contains forward-looking statements that involve numerous risks and uncertainties. Our actual results could differ materially from those discussed in the "Forward-Looking Statements" as a result of these risks and uncertainties, including those set forth under "Forward-Looking Statements" and "Risk Factors," below. For a more detailed description of our business and related risks, see our Prospectus. Management's Discussion and Analysis of Financial Condition and Results of Operations should be read together with Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Prospectus. The following discussion should also be read in conjunction with our financial statements and related notes and the financial statements and related notes to the financial statements of the Investment Partnership, which are included elsewhere in this report.

We have prepared this report using a number of conventions, which you should consider when reading the information contained herein. Unless the context suggests otherwise, references to:

- "we," "us," "our" and "our partnership" are to AP Alternative Assets, L.P. ("AAA", "AP Alternative Assets" or the "Partnership"), a Guernsey limited partnership;
- our "Managing General Partner" are to AAA Guernsey Limited, a Guernsey limited company, which serves as our general partner;
- the "Investment Partnership" are to AAA Investments, L.P. ("AAA Investments"), a Guernsey limited partnership, through which our investments are made;
- the "Investment Partnership's General Partner" are to AAA Associates, L.P., a Guernsey limited partnership, which serves as the general partner of the Investment Partnership;
- the "Managing Investment Partner" are to AAA MIP Limited, a Guernsey limited company, which serves as the general partner of the Investment Partnership's General Partner; and
- "Apollo" are, as the context may require, to Apollo Advisors, L.P., Apollo Management, L.P., Apollo Management IV, L.P., Apollo Management V, L.P., Apollo Management VI, L.P. (manager to Apollo Investment Fund VI, L.P., herein referred to as "Apollo Investment Fund VI"), Apollo Investment Management, L.P., Apollo Europe Management, L.P., Apollo Asia Management, L.P. and Apollo Alternative Assets, L.P., each of which is a limited partnership formed to act as manager of a particular Apollo fund (and its co-investment entities), and any other entity formed to act as manager of an Apollo fund, and to any other persons that, directly or indirectly through one or more intermediaries, control, are controlled by or are under common control with Apollo Alternative Assets, L.P. ("Apollo Alternative Assets"), the investment manager to AAA and to the Investment Partnership, which provides certain investment management, operational and financial services to us and others involved in our investments.

Additionally, unless the context suggests otherwise, we use the term "our investments" to refer both to AP Alternative Asset's limited partner interest in the Investment Partnership, which is the only investment that we record in our statement of assets and liabilities, and to investments that are made through the Investment Partnership. Although the investments that the Investment Partnership makes with our capital do not appear as investments in the Partnership's financial statements, AAA is the primary beneficiary of such investments and bears substantially all the risk of loss. We also use the term "our investments" to refer to portfolio investments of the investment funds in which the Investment Partnership invests. While there may be other investors in those portfolio company investments, the Investment Partnership, and therefore the Partnership, is generally entitled to share ratably in the returns generated by such investments and suffer substantially all the risk of loss with respect to such investments.

Our financial statements and the financial statements of the Investment Partnership were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are presented in U.S. dollars. On June 7, 2006, the Netherlands Authority for the Financial Markets (AFM) sent us a letter in which it temporarily approves the preparation of our financial statements in accordance with U.S. GAAP instead of the Dutch financial reporting rules or International Financial Reporting Standards ("IFRS"). According to this letter, the temporary approval was applicable until the Dutch Financial Supervision Act came into force or until new relevant legislation was adopted at a European Level. On January 1, 2007, the Dutch Financial Supervision Act came into effect. Consequently, on December 8, 2006, we applied for an exemption from preparing our financial statements in conformity with the Dutch financial reporting rules or IFRS. Until today, the AFM has not yet issued a formal response with respect to our request. The AFM has orally indicated that the temporary approval remains in effect until it has issued a formal response with respect to our request.

We are subject to the ongoing supervision of the Guernsey Financial Services Commission. The Partnership is also registered with the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten) as a foreign investment institution under Article 2:73 of the Netherlands Financial Supervision Act ("FSA"), as a result of which it is excepted from the need to obtain a license under the FSA, but it is subject to certain ongoing obligations, including reporting obligations, under that legislation.

We utilize an annual reporting schedule comprised of four three-month quarters, with an annual accounting period ending on December 31. Our quarterly periods end on March 31, June 30, September 30 and December 31. The financial results presented herein include activity during the period from June 15, 2006 (Commencement of Operations) to December 31, 2006.

Forward-Looking Statements

This report contains certain forward-looking statements. Forward-looking statements speak only as of the date of the document in which they are made and relate to expectations, beliefs, projections (including anticipated economic performance and financial condition), future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts and are subject to risks and uncertainties including, but not limited to, statements as to:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- the adequacy of our cash resources and working capital; and
- the timing of cash flows, if any, from the operations of our portfolio companies.

In some cases, you can identify forward-looking statements by terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "should," "will," and "would," or the negative of those terms or other comparable terminology.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us or are within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Factors and events that could cause our business, financial condition, liquidity and results of operations to vary materially include, among other things, general economic conditions, securities market conditions, private equity market conditions, the level and volatility of interest rates and equity prices, competitive conditions, liquidity of global markets, international and regional political conditions, regulatory and legislative developments, monetary and fiscal policy, investor sentiment, availability and cost of capital, technological changes and events, outcome of legal proceedings, changes in currency values, inflation, credit ratings and the size, volume and timing of transactions, as well as other risks described elsewhere in this report and our prospectus.

The foregoing is not a comprehensive list of the risks and uncertainties to which we are subject. Except as required by applicable law, we undertake no obligation to update or revise any forward-looking statements to reflect any change in our expectations, or any changes in events, conditions or circumstances on which the forward-looking statement is based. In light of these risks, uncertainties and assumptions, the events described by our forward-looking statements might not occur. We qualify any and all of our forward-looking statements by these cautionary factors.

Business Description

AP Alternative Assets

The Partnership is a Guernsey limited partnership (managed by Apollo Alternative Assets) whose business consists of making investments in, and co-investments with, Apollo-sponsored private equity funds or capital markets-focused funds. The Partnership has one investment, AAA Investments, L.P., which is referred to as the "Investment Partnership."

We anticipate that, over time, approximately 50% or more of our capital will be invested in private equity. Private equity investments consist mainly of (i) co-investments alongside Apollo's private equity funds, or (ii) purchases of secondary interests in such funds. Our partnership currently has a co-investment agreement with Apollo's current private equity fund, Apollo Investment Fund VI, which represents an aggregate co-investment opportunity of approximately $1.5 billion.

In addition to our private equity investments, capital is deployed through investments in, or co-investment arrangements with, Apollo's capital markets-focused funds, including (i) Apollo Strategic Value Offshore Fund, Ltd. ("Apollo Strategic Value Fund"), an Apollo-sponsored fund that primarily invests in the securities of leveraged companies in North America and Europe through distressed investments, value-driven investments and special opportunities, (ii) AP Investment Europe Limited ("Apollo Investment Europe"), an Apollo-sponsored European mezzanine and leveraged debt investment vehicle, (iii) Apollo Investment Corporation, an Apollo-sponsored U.S. mezzanine and leveraged debt investment vehicle and (iv) Apollo Asia Opportunity Offshore Fund, Ltd. ("Apollo Asia Opportunity Fund"), the Apollo-sponsored vehicle focused on value-driven, mezzanine and special opportunity corporate investments in the Asia Pacific region. We may also invest in additional capital markets funds, private equity funds and opportunistic investments identified by Apollo Alternative Assets.

AAA Investments

The Investment Partnership is also a Guernsey limited partnership. The Investment Partnership's General Partner is responsible for managing the business and affairs of the Investment Partnership and in its sole discretion may allocate assets and liabilities of the Investment Partnership to the relevant class of interests in accordance with the terms and conditions of the Investment Partnership's limited partnership agreement. The Investment Partnership's General Partner also determines the amount of all distributions, profits and losses relating to each class, as well as corresponding expense allocations to each class.

We, the Managing General Partner, the Investment Partnership and its General Partner and the Managing Investment Partner, have entered into a services agreement with Apollo Alternative Assets pursuant to which Apollo Alternative Assets has agreed to provide each of us with certain investment, financial advisory, operational and other services. Under the services agreement, Apollo Alternative Assets is also responsible for each of our day-to-day operations and is subject at all times to the supervision of our respective governing bodies, including the board of directors of the Managing General Partner and the board of directors of the Managing Investment Partner. The Investment Partnership's limited partnership agreement provides that investments made by the Investment Partnership must comply with the investment policies and procedures that are established for the Partnership. Due to the exclusion for investment companies included in Financial Accounting Standards Board ("FASB") Interpretation No. 46, "Consolidation of Variable Interest Entities," as amended by Interpretation No. "FIN" 46R, we do not consolidate the results of operations, assets, or liabilities of the Investment Partnership in our financial statements. Our operating expenses are limited to the expenses that we directly incur in connection with our direct operations. These expenses consist primarily of our share of the total management fee that is payable under our services agreement, expenses of Apollo Alternative Assets and its affiliates that are attributable to our operations and reimbursable under our services agreement, the directors' fees that our Managing General Partner pays its independent directors, the fees and expenses of our Guernsey administrator, professional fees, interest expense on any borrowings, organization costs and other general and administrative costs.

Operating expenses of the Investment Partnership consist primarily of its share of the management fees that are payable under our services agreement, the expenses of certain Apollo entities that are directly attributed to its operations and reimbursable under our services agreement, certain transaction and other costs incurred when making investments and other professional fees, interest expense on any borrowings, organization costs and administrative costs.

The offering costs incurred by the Partnership and the Investment Partnership were not significantly different than those disclosed in the prospectus, of which no material costs were attributable to the Managing General Partner or related parties. As of December 31, 2006, all purchases made by the Partnership or the Investment Partnership of non-cash and non-temporary investments were with related parties and direct expenses for management fees or incentive fees were paid to the related parties.

Portfolio and Investment Activity

The period from June 15, 2006 (Commencement of Operations) to December 31, 2006, represented the first operating period of the Partnership and the Investment Partnership. Accordingly, capital is being deployed as we continue to identify investment opportunities that meet or exceed our risk-reward standards, with approximately 56.7% of the Investment Partnership's net assets invested at December 31, 2006. Consistent with the investment criteria outlined for the Partnership, as of December 31, 2006, the Investment Partnership has invested in three categories of investments: (1) private equity co-investments alongside Apollo Investment Fund VI; (2) investments in Apollo Strategic Value Fund; and (3) investments in Apollo Investment Europe.

(1) **Private equity co-investments in Apollo Investment Fund VI portfolio companies:**

During the period from June 15, 2006 (Commencement of Operations) to December 31, 2006, the Investment Partnership invested an aggregate of $228.4 million across five portfolio companies: (1) Momentive, , formerly General Electric's advanced materials division, which manufactures silicone-based products, (including sealants, urethane additives and adhesives), high-purity fused quartz and ceramic materials, and employs 5,000 people worldwide ($56.6M); (2) Rexnord, a leading diversified multi-platform manufacturer of highly engineered products primarily focused on power transmission and water management sectors ($54.8M); (3) CEVA Logistics, formerly TNT Group's logistics division, which employs 38,000 people, operates in 26 countries and manages 7.4 million square meters of warehouse space ($41.2M); (4) Berry Plastics , one of the world's leading manufacturers and suppliers of value-added plastic packaging products ($43.3M); and (5) Verso Paper, formerly International Paper's coated papers division, which produces annually approximately 2 million tons of coated freesheet and coated groundwood papers for the magazine, catalog and retail insert markets ($32.5M).

At December 31, 2006, the Investment Partnership carried the portfolio investments at fair value. Due to the recent purchase dates, there were no significant changes from original expectations as of December 31, 2006, with the exception of one investment, Verso Paper, which increased due to improving market conditions in the coated paper industry. At December 31, 2006, the fair value of this overall category of investments is approximately 12.5% of the net asset value of the Investment Partnership.

Subsequent to December 31, 2006 and through March 10, 2007, the Investment Partnership made an additional co-investment in one portfolio company, Jacuzzi Brands, and three of the five portfolio companies have distributed a combined total of approximately $115.1 million of dividends or approximately 42% of our original co-investments in those companies. The proceeds consist of $36.0 million from CEVA Logistics, $51.8 million from Rexnord and $27.3 million from Verso Paper. The following is the co-investment made:

- a co-investment of approximately $47.8 million in Jacuzzi Brands, a global leader in whirlpool baths, outdoor spas and shower products marketed under the Jacuzzi, Sundance Spas, Bathcraft and Astracast brands. Upon the completion of our co-investment in Jacuzzi Brands, the Zurn business unit of Jacuzzi Brands was acquired by Rexnord. This was an existing investment of the Investment Partnership representing approximately $34.4 million of the co-investment amount.

Subsequent to December 31, 2006 and through March 10, 2007, the Investment Partnership made the following potential co-investment commitments, which are estimated at approximately $350.0 million:

- a co-investment commitment in Harrah's Entertainment, Inc., one of the premier gaming and lodging companies in the world, with a #1 or #2 share in each market in which it competes. The company owns, operates, or manages 56 casinos in eight countries, representing approximately 40,000 hotel rooms and 3 million square feet of casino gaming space under the Harrah's, Caesars, Horseshoe and Bally's brand names, among others.

- a co-investment commitment in Realogy Corporation, a leading provider of residential real estate and relocation services in the world. Through its portfolio of leading brands (Coldwell Banker, Century 21, Sotheby's International Realty, ERA, Corcoran Group and Coldwell Banker Commercial), Realogy is the world's largest real estate brokerage franchisor and the largest U.S. residential real estate brokerage firm. Realogy is also the largest U.S. provider and a leading global provider of outsourced employee relocation services and a provider of title and settlement services.

- a co-investment commitment in Oceania Cruise Holdings, Inc., a leading cruise line focused on the destination-oriented, upper premium cruise market. Oceania owns three 684-berth vessels and offers itineraries in the Mediterranean, Far East, South America, the Caribbean, Australia and New Zealand.

- a co-investment commitment in Smart & Final Inc., a Los Angeles-based operator of 185 non-membership warehouses under the Smart & Final name that sell perishable and non-perishable food items, beverages, paper products, cleaning supplies, cooking equipment and janitorial supplies to both the traditional household customer and small business owners. These stores are located in Northern and Southern California, Nevada, Arizona and Mexico. In addition, the company operates 52 wholesale cash-and-carry warehouse stores under the Cash & Carry banner in Oregon, Washington and California that sell to "mom and pop" restaurant owners that are too small to purchase their products from the large foodservice companies.

Whether these commitments will be consummated depends on the satisfaction of a number of conditions, some or all of which may not be in the control of AAA or the Investment Partnership. No assurances can be made as to whether or when these commitments will be consummated, if at all.

(2) **Investments in Apollo Strategic Value Fund:**

During the period ended December 31, 2006, the Investment Partnership invested an aggregate of $550.0 million in the Apollo Strategic Value Fund.

At December 31, 2006, the net portfolio of Apollo Strategic Value Fund consisted of approximately 44% fixed rate debt, 34% floating rate debt, 21% equity and 1% defaulted and other positions, all such percentages based on market values.

At December 31, 2006, the fair value of investments in this category approximated $595.1 million, an increase in value of $45.1 million, which was unrealized during the period. At December 31, 2006, this category of investments approximated 31.0% of the Investment Partnership's net asset value.

(3**) Investments in Apollo Investment Europe:**

During the period ended December 31, 2006, the Investment Partnership invested an aggregate of $238.7 million in Apollo Investment Europe.

The net portfolio of Apollo Investment Europe at December 31, 2006, was comprised of investments representing approximately 36% bank debt and 64% mezzanine financing/corporate debt.

At December 31, 2006, the Investment Partnership carried this investment at $253.5 million, an increase in value of $14.9 million, which was unrealized during the period. At December 31, 2006, this category of investment approximated 13.2% of the Partnership's net asset value.

Subsequent to December 31, 2006, and through March 10, 2007, the Investment Partnership made additional investments in Apollo Investment Europe approximating $87.4 million.

Current Commitments and Subsequent New Investments

As of December 31, 2006, the Investment Partnership committed $100.0 million to the Apollo Asia Opportunity Fund. Subsequent to December 31, 2006 and through March 10, 2007, the Investment Partnership made investments of $65.0 million drawn against its commitment in Apollo Asia Opportunity Fund and further committed an additional $100.0 million during the same time period. Additionally, approximately $53.6 million was invested in another opportunistic investment.

Results of Operations

Operating Results of AP Alternative Assets, L.P., for the period from June 15, 2006 (Commencement of Operations) to December 31, 2006

The following table sets forth an overview of AP Alternative Assets, L.P.'s operating results for the period from June 15, 2006 (Commencement of Operations) to December 31, 2006, with amounts in thousands:

Investment Income	$ 29,090
Investment Expense	(3,097)
General and Administrative Expenses	(1,335)
Net Investment Income	24,658
Net change in Unrealized Appreciation on Investments in AAA Investments, L.P.	71,121
Net Increase in Net Assets Resulting from Operations	$ 95,779

Investment Income—Investment income allocated from the Investment Partnership was $29.1 million, which represented interest and dividend income from cash management activities and portfolio investments.

Investment Expense and General and Administrative Expenses—These were approximately $4.4 million, which included our direct expenses as well as fees allocated from the Investment Partnership for professional services, fees and expenses of our Managing General Partner's board of directors and other administrative costs.

Net Change in Unrealized Appreciation on Investments in AAA Investments, L.P.—We recorded net unrealized appreciation of our limited partner interests in the Investment Partnership of approximately $71.1 million due to the net underlying increase in the unrealized value of investments held by the Investment Partnership. See Schedule of Investments included in the Investment Partnership's December 31, 2006, financial statements.

Net Increase in Net Assets Resulting from Operations—The net increase in net assets resulting from operations was approximately $95.8 million, or $0.99 per common unit, for the period from June 15, 2006, (Commencement of Operations) to December 31, 2006.

Operating Results of the Investment Partnership for the period from June 15, 2006 (Commencement of Operations) to December 31, 2006

The following table sets forth an overview of the Investment Partnership's operating results for the period from June 15, 2006 (Commencement of Operations) to December 31, 2006, with amounts in thousands:

Investment Income – interest, dividends and gains on short-term investments	$ 29,106
Expenses	(3,099)
Net Investment Income	26,007
Net Change in Unrealized Appreciation on Investments	71,160
Net Increase in Net Assets resulting from Operations	$ 97,167

The Investment Partnership's General Partner was allocated income and expenses related to its $1.0 million capital contribution, which it made to the Investment Partnership in respect of its general partner interest.

Investment Income—Investment income approximated $29.1 million, which represented interest, dividends, and gains on short-term investments. Interest, dividends, and gains on short term investments on temporary investments were earned at an average rate of approximately 5.30% for the period from June 15, 2006 (Commencement of Operations) to December 31, 2006.

Expenses—General and administrative expenses approximated $3.1 million, which includes organization costs and other fees for professional services.

Net Change in Unrealized Appreciation on Investments—At December 31, 2006, our investments were valued as described below under "Critical Accounting Policies – Valuation of Limited Partner Interests and Investments," which resulted in unrealized appreciation aggregating approximately $71.2 million from our investment in the Apollo Strategic Value Fund, co-investments in Apollo Investment Fund VI and Apollo Investment Europe. See "Portfolio and Investment Activity" above.

Net Increase in Net Assets Resulting from Operations—The net increase in net assets resulting from operations was approximately $97.2 million for the period from June 15, 2006 (Commencement of Operations) to December 31, 2006.

Liquidity and Capital Resources

Our Initial Offering

Upon completion of our initial offering and related transactions, we had 96,546,000 common units outstanding. The expenses of the initial offering – including managers' commissions, placement fees, legal and accounting fees, travel costs and other expenses – were approximately $108.1 million, which were included as a capital transaction in our statement of assets and liabilities. The transactions related to our initial offering and related transactions resulted in gross proceeds approximating $1,930.9 million and aggregate net proceeds of approximately $1,822.8 million.

During the period from June 15, 2006 (Commencement of Operations) to December 31, 2006, in connection with the offering of our common units, we issued and sold 93,700,000 common units to investors in a global offering, including 3,700,000 common units to Apollo affiliates. The issue price for the common units was $20 per common unit, resulting in gross proceeds, before managers' commissions, placement fees and other offering expenses, of $1,874.0 million. In addition, 2,846,000 common units were issued and sold pursuant to an over-allotment option, resulting in additional gross proceeds of approximately $56.9 million.

To provide capital for making investments, we contributed the $1,822.8 million of net proceeds to the Investment Partnership. Additionally, the General Partner of the Investment Partnership made a $1.0 million cash contribution to the Investment Partnership in respect of its general partner interest.

The directors of the Managing General Partner do not hold any material direct personal interests in the Partnership or the Investment Partnership.

The Partnership's Sources of Cash and Liquidity Needs

The Partnership's primary use of cash is to make capital contributions to the Investment Partnership for use in investments, to make distributions to our unitholders in accordance with our distribution policy and to pay our operating expenses. Taking into account generally expected market conditions, we believe that the sources of liquidity described below will be sufficient to fund our working capital requirements.

Our initial source of liquidity consisted of the capital contributions that we received in connection with the initial offering of common units and related transactions. We contributed all of these net proceeds to the Investment Partnership for use in connection with our investments. As a result, our future liquidity depends primarily on cash distributions made to us by the Investment Partnership, capital contributions that we receive in connection with the issuance of additional equity and the issuance of indebtedness, if any.

We expect to receive cash distributions from the Investment Partnership from time to time to assist us in making cash distributions to our unitholders in accordance with our distribution policy and to allow us to pay our operating expenses as they become due. We believe that the Investment Partnership will fund its distributions with returns generated by its investments. The ability of the Investment Partnership to make cash distributions to us will depend on a number of factors, including among others, the actual results of operations and financial condition of the Investment Partnership, restrictions on cash distributions that are imposed by applicable law or the charter documents of the Investment Partnership, the timing and amount of cash generated by investments that are made by the Investment Partnership, any contingent liabilities to which the Investment Partnership may be subject, the amount of taxable income generated by the Investment Partnership and other factors that the Managing Investment Partner deems relevant. There was a distribution declared of approximately $1.2 million on behalf of the unitholders as of December 31, 2006, or approximately $0.01 per common unit.

We may also issue additional common units and other securities to other investors with the objective of increasing our available capital. We generally expect to contribute to the Investment Partnership any cash proceeds that we receive from the issuance of common units or other securities to the extent that such cash is not used to fund distributions to our unitholder or to pay operating expenses. We expect that such contributions will be used by the Investment Partnership to make investments that meet our investment criteria as set forth in our investment policies and procedures and our limited partnership agreement.

During the period from June 15, 2006 (Commencement of Operations) to December 31, 2006, our cash flows used in operating activities approximated $1.8 billion, due primarily to the acquisition of limited partner interests in the Investment Partnership. The $1.8 billion was provided from financing activities representing the net proceeds received in connection with issuance of common units.

The Investment Partnership's Sources of Cash and Liquidity Needs

The Investment Partnership uses its cash primarily to fund investments, to make distributions to us, to pay its operating expenses and to fund any distributions to Apollo affiliates pursuant to the carried interest that is applicable to our investments. Taking into account generally expected market conditions, we believe that the sources of liquidity described below will be sufficient to fund the working capital requirements of the Investment Partnership.

The Investment Partnership used the cash that it received from us in connection with the initial offering and related transactions to fund its initial liquidity needs.

The Investment Partnership receives cash from time to time from the investments that it makes. The source of cash is in the form of capital gains and dividends on equity investments, payments of interest and principal on fixed income investments and cash consideration received in connection with the disposal of investments. Temporary investments made in connection with our cash management activities provide a more regular source of cash than less liquid private equity, capital markets and opportunistic investments, but generate returns that are generally lower than returns generated by private equity, capital markets and opportunistic investments. Other than amounts that are used to pay expenses or that are distributed to us, any returns generated by investments made by the Investment Partnership are reinvested in accordance with our investment policies and procedures.

We may make further capital contributions to the Investment Partnership from time to time in the future with the objective of increasing the amount of investments that are made on our behalf. We believe that any further capital contributions will consist primarily of the capital contributions that we receive from investors in connection with future issuances of common units, including common units issued to affiliates of Apollo pursuant to our services agreement.

The Investment Partnership may enter into one or more credit facilities and other financial instruments from time to time with the objective of funding our liquidity needs, increasing the amount of cash that it has available for working capital or for making additional investments or temporary investments. These debt financing arrangements may include a working capital facility that may be used to fund short-term liquidity needs, warehousing credit facilities under which specific investments will be pledged as collateral to a warehouse lender and repurchase agreements pursuant to which particular investments will be sold to counterparties with an agreement to repurchase the investments at a price equal to the sale price plus an interest factor. The Investment Partnership may also use match-funded, non-recourse debt in the form of securitization transactions, collateralized debt obligations or one or more extendible asset-backed commercial paper programs in order to leverage investments. Depending on the circumstances, other forms of indebtedness may also be used. At December 31, 2006, the Investment Partnership had not entered into any debt financing arrangements.

During the period from June 15, 2006 (Commencement of Operations) to December 31, 2006, cash flows used in operating activities of the Investment Partnership were $991.4 million due primarily to purchases approximating $788.7 million of investments in Apollo-sponsored funds and co-investments approximating $228.4 million in portfolio companies of an Apollo-sponsored private equity fund. Net cash flows approximating $1.8 billion were received from financing activities representing contributions received from June 15, 2006 (Commencement of Operations) to December 31, 2006. Net cash in flows for such period were approximately $832.4 million.

Commitments and Contingencies

As is common with investments in private equity funds, we expect that the Investment Partnership will generally follow an over-commitment approach when making investments in order to maximize the amount of our capital that is invested at any given time. When an over-commitment approach is followed, the aggregate amount of capital committed by the Investment Partnership to, or to co-investment programs with, private equity funds at a given time may exceed the aggregate amount of cash that the Investment Partnership has available for immediate investment. Because the general partners of Apollo-sponsored private equity funds are permitted to make calls for capital contributions and because we may be obliged to make payments on completion of co-investments following the expiration of a relatively short notice period when an over-commitment approach is used, the Investment Partnership is required to time investments and manage available cash in a manner that allows it to fund capital commitments when capital calls are made.

The Investment Partnership has committed to a co-investment agreement with Apollo Investment Fund VI pursuant to which the Investment Partnership is committed to co-invest with Apollo Investment Fund VI in each of Apollo Investment Fund VI's investments, with Apollo Investment Fund VI allocated 87.5% of each investment and 12.5% allocated to the Investment Partnership, which represents an aggregate co-investment opportunity projected to total approximately $1.5 billion.

Legal Proceedings

As with any business, we may become subject to various legal actions, including claims and litigations arising in the ordinary course of business. Additionally, we may also become involved in reviews, investigations or proceedings by governmental and self-regulatory agencies regarding our business. Although the ultimate outcome of these matters cannot be ascertained at this time, we do not believe that we or the Investment Partnership have any pending or threatened legal or other proceedings that, if adversely determined, would have a material adverse effect on our financial position, results of operations or cash flows.

Risk Factors

Market Risks

We are exposed to a number of market risks due to the types of investments that we make and the manner in which we and the Investment Partnership raise capital. Our exposure to market risks will relate primarily to damages to the values of publicly traded securities that are held for investment, movements in prevailing interest rates and changes in foreign currency exchange rates. We may seek to mitigate such market risks through the use of hedging arrangements and derivative instruments, which could subject us to additional market risk. Apollo Alternative Assets, as the service provider under our services agreement, is responsible for monitoring all market risks and for carrying out risk management activities relating to our investments.

Securities Market Risks

Our investments may include investments in publicly traded securities. The Investment Partnership and the private equity funds with which it invests may also make investments in portfolio companies whose securities are publicly traded or offered to the public in connection with the process of exiting an investment. The market prices and values of publicly traded securities may be volatile and are likely to fluctuate due to a number of factors beyond our control. These factors include actual or anticipated fluctuations in the quarterly and annual results of such companies or of other companies in the industries in which they operate, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, industry conditions, changes in government regulation, shortfalls in operating results from levels forecast by securities analysts, the general state of the securities markets and other material events, such as significant management changes, refinancings, acquisitions and dispositions. The Investment Partnership is required to value investments in publicly traded securities based on current market prices at the end of each accounting period, which may lead to significant changes in the net asset values and operating results that it reports from quarter to quarter.

Interest Rate Risks

We may incur indebtedness to fund our liquidity needs, and the Investment Partnership may incur indebtedness to fund its liquidity needs, to leverage investments and potentially to leverage certain of our temporary investments. The Investment Partnership may also make fixed income investments that are sensitive to changes in interest rates. As a result, we are exposed to risks associated with movements in prevailing interest rates. An increase in interest rates may make it more difficult or expensive for us or for the Investment Partnership to obtain financing, may negatively impact the values of fixed income investments and may decrease the returns that our investments generate.

We are also subject to additional risks associated with changes in prevailing interest rates due to the fact that a portion of our capital is invested in portfolio companies whose capital structures have a significant degree of indebtedness. Investments in highly leveraged companies are inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. A leveraged company's income and net assets also tend to increase or decrease at a greater rate than would be the case if money had not been borrowed. As a result, the risk of loss associated with an investment in a leveraged company is generally greater than for companies with comparatively less debt.

Foreign Currency Risks

Our functional currency and the functional currency of the Investment Partnership is the U.S. dollar, and as a result, the investments that are carried as assets in our financial statements and the investments that are carried as assets in the Investment Partnership's financial statements are stated in U.S. dollars. When valuing investments that are denominated in currencies other than the U.S. dollar, we and the Investment Partnership are required to convert the values of such investments into U.S. dollars based on prevailing exchange rates as of the end of the applicable accounting period. As a result, changes in exchange rates between the U.S. dollar and other currencies could lead to significant changes in the net asset values that we and the Investment Partnership report from quarter to quarter. Among the factors that may affect currency values are trade balances, levels 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.

Hedging Arrangements

When managing our exposure to market risk, Apollo Alternative Assets may enter into transactions in a variety of cash and derivative financial instruments to limit our exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates and currency exchange rates. Such derivative contracts may include forward contracts, options, swaps, caps, collars and floors. The scope of risk management activities undertaken by Apollo Alternative Assets will vary based on the level and volatility of interest rates, prevailing foreign currency exchange rates, the type of investments that are made and other changing market conditions. The use of hedging transactions and other derivative instruments to reduce the effects of a decline in the value of a position does not eliminate the possibility of fluctuations in the value of the position or prevent losses if the value of the position declines. However, such activities can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of the position. Such transactions may also limit the opportunity for gain if the value of a position increases. Moreover, it may not be possible to limit the exposure to a market development that is so generally anticipated that a hedging or other derivative transaction cannot be entered into at an acceptable price.

The success of any hedging or other derivative transactions that Apollo Alternative Assets enters into generally depends on its ability to correctly predict market changes. As a result, while Apollo Alternative Assets may enter into such transactions in order to reduce our exposure to market risks, unanticipated market changes may result in poorer overall investment performance than if the transaction had not been executed. In addition, the degree of correlation between price movements of the instruments used in connection with hedging activities and price movements in a position being hedged may vary. Moreover, for a variety of reasons, Apollo Alternative Assets may not seek to or be successful in establishing a perfect correlation between the instruments used in hedging or other derivative transactions and the position being hedged. An imperfect correlation could prevent Apollo Alternative Assets from achieving the intended result and create new risks of loss. In addition, it may not be possible to fully or perfectly limit our exposure against all changes in the values of our investments, because the values of our investments are likely to fluctuate as a result of a number of factors, some of which will be beyond our control.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the making of certain estimates and assumptions that could materially affect the amounts reported in the financial statements and related notes. For a description of our significant accounting policies, see Note 2 to the financial statements of the Partnership and the Investment Partnership. Critical accounting policies are those policies that are the most important to the financial statements and/or those that require significant management judgment related to matters that are uncertain. The following valuation policies are considered critical accounting policies due to the judgment and significance involved in their applications. The development and selection of these policies and their related disclosures have been reviewed by the board of directors of our Managing General Partner and the board of directors of the Managing Investment Partner.

Valuation of Investments

Our Managing General Partner's board of directors is responsible for reviewing and approving valuations of investments that are carried as assets in our financial statements, and the board of directors of the Managing Investment Partner is responsible for reviewing and approving valuations of investments that are carried as assets in the Investment Partnership's financial statements. Because valuing investments requires the application of valuation principles to the specific facts and circumstances of the investments, in satisfying their responsibilities, each board of directors utilizes the services of Apollo Alternative Assets to estimate the investment values. An investment for which a market quotation is readily available is valued using a market price for the investment as of the end of the applicable accounting period, and an investment for which a market quotation is not readily available is valued at the investment's fair value as of the end of the applicable accounting period as determined in good faith. While there is no single standard for determining fair value in good faith, the methodologies described below are generally followed when the fair value of individual investment is determined.

Value of Limited Partner Interest in the Investment Partnership

Our limited partner interest in the Investment Partnership does not have a readily available market value and is valued using fair value pricing. Such limited partner interest is generally valued at an amount that is equal to the aggregate value of the assets of the Investment Partnership that we would receive if such assets were sold in orderly dispositions over a reasonable period of time between willing parties other than in a forced or liquidation sale and the distribution of the net proceeds from such sales were distributed to our partnership in accordance with the Investment Partnership's limited partnership agreement. This amount is generally expected to be equal to the Investment Partnership's net asset value as of the valuation date, as adjusted to reflect the allocation of net assets to the Investment Partnership's

General Partner. The Investment Partnership's net asset value is expected to increase or decrease from time to time based on the amount of investment income, operating expenses and realized gains and losses on the sale or repayment of investments, if any, that it records and the net changes in the appreciation and depreciation of the investments that it carries as assets in its financial statements. Such investments consist of limited partner interests in Apollo-sponsored private equity funds, co-investments in portfolio companies of Apollo-sponsored private equity funds, opportunistic investments and temporary investments, which are valued using market prices or fair value pricing as described below.

Value of Interests in Apollo-sponsored Private Equity and Capital Market Funds

Our interests in Apollo-sponsored private equity funds do not have a readily available market and are generally valued using the following methodology. Each interest is generally valued at an amount that is equal to the aggregate unrealized value of the fund's portfolio company investments that the holder of the interest would receive if such investments were sold in orderly dispositions over a reasonable period of time between willing parties other than in a forced or liquidation sale and the distribution of the net proceeds from such sales were distributed to investors in accordance with the documentation governing the fund. The Investment Partnership may be required to value such investments at a premium or discount if other factors lead the Managing Investment Partner to conclude that the net asset values do not represent fair value. Each fund's net asset value will increase or decrease from time to time based on the amount of investment income, operating expenses and realized gains and losses on the sale or repayment of investments, if any, that the fund records and the net changes in the appreciation and depreciation of the investments that it carries as assets in its financial statements. Each fund's assets are expected to consist of investments in portfolio companies, which are expected to be individually valued using the valuation methodologies for co-investments in portfolio companies and other equity investments that are described below.

Values of Co-Investments in Portfolio Companies and Other Equity Investments

Depending on the circumstances, co-investments in portfolio companies of Apollo-sponsored private equity funds and equity investments that are made in other companies as opportunistic investments may be liquid investments, in which case the investments are valued using period-end market prices, or illiquid investments, in which case the investments are valued at their fair value as determined in good faith. When market prices are used, they do not necessarily take into account various factors which may affect the value that the Investment Partnership would actually be able to realize in the future, such as the possible illiquidity associated with a larger ownership positions, subsequent illiquidity in a market for a company's securities, future market price volatility or the potential for a future loss in market value based on poor industry conditions or the market's view of overall company and management performance.

When determining fair value when no market value exists, the value attributed to an investment is generally based on the enterprise value at which the underlying company could be sold in an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. A market multiple approach that considers a specific financial measure (such as EBITDA, adjusted EBITDA, cash flow, net income revenues, or net asset value) or a discounted cash flow or liquidation analysis is generally used. Consideration may also be given to such factors as the company's historical and projected financial data, valuations given to comparable companies, the size and scope of the company's operations, expectations relating to the market's receptivity to an offering of the company's securities, any control associated with interest in the company that is held by Apollo and its affiliates, including the Investment Partnership, information with respect to transactions or offers for the portfolio company's securities (including the transaction pursuant to which the investment was made and the period of time that has elapsed from the date of the investment to the valuation date), applicable restrictions on transfer, industry information and assumptions, general economic and market conditions and other factors deemed relevant.

Recent Accounting and Reporting Developments

The effective date for applying the provisions of FIN No. 46, "Consolidation of Variable Interest Entities," as amended by FIN 46R, was temporarily deferred by the FASB for investment companies that are not regulated by the U.S. Securities and Exchange Commission ("SEC") but that currently account for their investments in accordance with the specialized accounting guidance in the American Institute of Certified Public Accountants ("AICPA") Audit and Accounting Guide, Audits of Investment Companies (the "Guide"). A final determination regarding whether the provisions of FIN 46R should be applied by investment companies not regulated by the SEC is expected to be made by the FASB following the issuance of a final Statement of Position by the AICPA on the clarification of the scope of the Guide. Given this uncertainty, we have not determined the effect any such final determination, if any, may have on our financial statements or the financial statements of the Investment Partnership.

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes–an interpretation of FASB Statement No. 109" ("FIN 48"). This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("SFAS No. 109"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 must be implemented for fiscal years beginning after December 15, 2006. The adoption of FIN 48 did not have a material impact on our financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS No. 157 requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy (i.e., levels 1, 2, and 3, as defined). Additionally, companies are required to provide enhanced disclosure regarding instruments in the level 3 category, including a reconciliation of the beginning and ending balances separately for each major category of assets and liabilities. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently evaluating the impact of the adoption of SFAS No. 157 on the investments, which may affect entrance costs and volume discounts in the valuation of our investments.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities--Including an amendment of FASB No. 115." SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments and applies to all entities. However, the amendment to FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities, applies to all entities with available-for-sale and trading securities. Some requirements apply differently to entities that do not report net income. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of FASB Statement No. 157. We are currently evaluating the impact of the adoption of SFAS No. 159 on the investments, which may affect entrance costs and volume discounts in the valuation of our investments.

Financial Statements of AP Alternative Assets, L.P.

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INDEPENDENT AUDITORS' REPORT TO THE PARTNERS OF AP ALTERNATIVE ASSETS, L.P.

We have audited the financial statements of AP Alternative Assets, L.P. for the period from June 15, 2006 (Commencement of Operations) to December 31, 2006, which comprise the Statement of Assets and Liabilities, the Statement of Operations, the Statement of Changes in Net Assets, the Statements of Cash Flows and the related Notes 1 to 7. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Partnership's partners, as a body, in accordance with section 18 of The Limited Partnerships (Guernsey) Law, 1995. Our audit work has been undertaken so that we might state to the partners those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the Partnership's partners as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Managing General Partner and the Auditors

As described in the Statements of Responsibility, the Managing General Partner is responsible for preparing the financial statements in accordance with applicable Guernsey law, accounting principles generally accepted in the United States of America and the Dutch Investment Institution Supervision Act insofar applicable.

Our responsibility is to audit the financial statements in accordance with relevant Guernsey legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with accounting principles generally accepted in the United States of America, and have been properly prepared in accordance with The Limited Partnerships (Guernsey) Law, 1995, the Limited Partnership Agreement and the Dutch Investment Institution Supervision Act insofar applicable.

In addition, we report to you if, in our opinion, the Partnership has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Managing General Partner in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Partnership's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with accounting principles generally accepted in the United States of America, of the state of the Partnership's affairs as at December 31, 2006, and of its return for the period from June 15, 2006 (Commencement of Operations) to December 31, 2006;
- The financial statements have been properly prepared in accordance with The Limited Partnerships (Guernsey) Law, 1995, and the Limited Partnership Agreement
- The financial statements have been properly prepared in accordance with the Dutch Investment Institution Supervision Act insofar applicable.

Deloitte & Touche LLP
Chartered Accountants
Guernsey
March 21, 2007

AP ALTERNATIVE ASSETS, L.P.
STATEMENT OF ASSETS AND LIABILITIES
AS OF DECEMBER 31, 2006
(Amounts in thousands, except units and per unit amounts)

ASSETS – Investment in AAA Investments, L.P. (cost of $1,822,816)	$1,918,723
LIABILITIES – Accounts payable and accrued liabilities	1,333
NET ASSETS	$1,917,390
NET ASSETS CONSIST OF:	
Partners' capital contributions, net (96,546,000 common units outstanding)	$1,822,818
Net increase in net assets resulting from operations	95,779
Partners' capital distributions	(1,207)
	$1,917,390
Net asset value per common unit	$ 19.86
Market price at December 31, 2006	$ 18.50

See accompanying notes to financial statements.

AP ALTERNATIVE ASSETS, L.P.
STATEMENT OF OPERATIONS
FOR THE PERIOD FROM JUNE 15, 2006
(COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2006
(Amounts in thousands)

NET INVESTMENT INCOME ALLOCATED FROM AAA INVESTMENTS, L.P.	
Dividend and interest income	$ 29,090
Expenses	(3,097)
	25,993
EXPENSES – General and administrative expenses	(1,335)
NET INVESTMENT INCOME	24,658
NET CHANGE IN UNREALIZED APPRECIATION OF INVESTMENT IN AAA INVESTMENTS, L.P.	71,121
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ 95,779

See accompanying notes to financial statements.

AP ALTERNATIVE ASSETS, L.P.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD FROM JUNE 15, 2006
(COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2006
(Amounts in thousands, except unit amounts)

INCREASE IN NET ASSETS FROM OPERATIONS:	
Net investment income	$ 24,658
Net change in unrealized appreciation	71,121
Net increase in net assets resulting from operations	95,779
NET INCREASE FROM CAPITAL TRANSACTIONS:	
Partners' capital contributions (issued 96,546,000 common units)	$1,930,920
Offering costs	(108,102)
Partners' capital distributions	(1,207)
Net increase in net assets resulting from capital transactions	1,821,611
TOTAL INCREASE IN NET ASSETS	$1,917,390
NET ASSETS – Beginning of period	–
NET ASSETS – End of period	$1,917,390

See accompanying notes to financial statements.

AP ALTERNATIVE ASSETS, L.P.
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JUNE 15, 2006
(COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2006
(Amounts in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net increase in net assets resulting from operations	$ 95,779
Adjustments to reconcile net increase in net assets resulting from operations to cash and cash equivalents used in operating activities:	
Net investment income allocated from AAA Investments, L.P.	(25,993)
Net change in unrealized appreciation on investment in AAA Investments, L.P.	(71,121)
Changes in operating assets and liabilities:	
Purchase of limited partner interest in AAA Investments, L.P.	(1,822,816)
Increase in accounts payable and accrued liabilities	1,333
Net cash flows used in operating activities	(1,822,818)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Partners' capital contributions	1,930,920
Offering costs	(108,102)
Net cash flows from financing activities	1,822,818
NET CHANGE IN CASH AND CASH EQUIVALENTS	–
CASH AND CASH EQUIVALENTS – Beginning and end of period	$ –
Supplemental Schedule of Non-Cash Financing Activities –	
Partners' capital distribution declared and accrued on December 31, 2006, and paid on January 5, 2007	$ 1,207

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006, AND FOR THE PERIOD FROM JUNE 15, 2006 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2006

1. BUSINESS

AP Alternative Assets, L.P. ("AAA" or the "Partnership") is a Guernsey limited partnership that is comprised of (i) AAA Guernsey Limited (the "Managing General Partner"), which holds 100% of the general partner interests in AAA, and (ii) the holders of common units representing limited partner interests in AAA. In connection with the initial offering of the common units, AAA issued and sold (i) 90,000,000 common units to investors in a global offering and (ii) 3,700,000 common units to an affiliate of Apollo. The issue price for the common unit was $20 per common unit, resulting in gross proceeds, before managers' commission, placement fees and other offering expenses of $1,874.0 million. In addition, on September 7, 2006, the managers of the initial offering purchased 2,846,000 common units pursuant to an over-allotment option, resulting in additional gross proceeds of approximately $56.9 million.

Upon completion of the foregoing transaction, AAA had 96,546,000 common units outstanding. The common units are non-voting and were listed on Euronext Amsterdam N.V.'s Eurolist by Euronext ("Euronext Amsterdam") under the symbol "AAA" effective August 8, 2006. AAA has established a restricted deposit facility for a portion of its common units pursuant to which common units are deposited with a depositary bank in exchange for restricted deposit units that are evidenced by restricted depositary receipts, subject to compliance with applicable ownership and transfer restrictions. The restricted depositary units ("RDUs") have not been listed on any securities exchange.

The expenses of the initial offering, including managers' commissions, placement fees, legal and accounting fees, travel costs and other expenses, were approximately $108.1 million, which were reflected as a capital transaction in our statement of assets and liabilities. The transactions related to the initial offering resulted in aggregate net proceeds to AAA of approximately $1,822.8 million.

The Managing General Partner is a Guernsey limited company and is owned by individuals who are affiliated with Apollo Advisors, L.P., Apollo Management, L.P., Apollo Management IV, L.P., Apollo Management V, L.P., Apollo Management VI, L.P., Apollo Investment Management, L.P., Apollo Europe Management, L.P., and Apollo Alternative Assets, L.P. (collectively "Apollo"), each of which is a limited partnership formed to act as a manager of a particular Apollo fund (and its co-investment entities). The Managing General Partner is responsible for managing the business and affairs of AAA. The Partnership's business consists of making investments in, and co-investments with, Apollo-sponsored private equity funds and capital markets-focused funds. AAA currently has a co-investment agreement with Apollo Investment Fund VI, L.P. ("Apollo Investment Fund VI"), along with its parallel co-investment funds. In addition to investments in private equity, capital will be deployed through investments in, or co-investment arrangements with, Apollo's capital markets-focused funds, including the Apollo Strategic Value Offshore Fund, Ltd. ("Apollo Strategic Value Fund") (one of Apollo's debt and equity investment funds focused on value-oriented and distressed securities), AP Investment Europe, Limited ("Apollo Investment Europe") (the Apollo-sponsored European mezzanine and leveraged debt investment vehicle), Apollo Investment Corporation ("AIC Co-investments") (the Apollo-sponsored U.S. mezzanine and leveraged debt investment vehicle) and Apollo Asia Opportunity Offshore Fund, Ltd., ("Apollo Asia Opportunity Fund") (the Apollo-sponsored vehicle focused on value driven, mezzanine and special opportunity corporate investments in the Asia Pacific region). The Partnership may also invest in additional capital market funds, private equity funds and investments identified by Apollo Alternative Assets, L.P. ("Apollo Alternative Assets", the investment manager to both AAA and AAA Investments, L.P. (the "Investment Partnership") – see Note 4, "Relationship with Apollo and Related Party Transactions") and in temporary investments that are made in connection with cash management activities. AAA generally makes all of these investments through the Investment Partnership, of which AAA is the sole limited partner.

The Investment Partnership is a Guernsey limited partnership that is comprised of (i) AAA Associates, L.P. (the "General Partner"), which holds 100% of the general partner interests in the Investment Partnership and is responsible for managing its business and affairs, and (ii) AAA, which holds 100% of the limited partner interests in the Investment Partnership and does not participate in the management of the business and affairs of the Investment Partnership. At December 31, 2006, the General Partner's interest in the Investment Partnership was .055% and the limited partner's interests in the Investment Partnership was 99.945%. Because the General Partner is itself a Guernsey limited partnership, its general partner, AAA MIP Limited (the "Managing Investment Partner"), a Guernsey limited company that is owned by individuals who are affiliated with Apollo, effectively is responsible for managing the Investment Partnership's business and affairs.

The Partnership's investment policies and procedures, which were developed by Apollo Alternative Assets, currently provide that, among other things, over time the Investment Partnership will invest approximately 90% of its capital in Apollo-sponsored funds and private equity transactions and, subject to market conditions, target approximately 50% or more in private equity investments. In addition, the investment policies and procedures provide that the Investment Partnership cannot make any investment or commit to make any investment that would result in AAA or the Investment Partnership being deemed to have been formed for the purpose of making such investment for the purposes of the U.S. Investment Company Act of 1940, as amended and related rules. Depending on the facts and circumstances, this restriction may limit the amount of capital that we may invest, or commit to invest, in a single investment fund or other entity. We are required to limit the amount which we are permitted to invest in any single investment fund to 40% of our gross assets, although this limit will not apply to the aggregate amount we are able to commit to any co-investment program alongside any Apollo private equity fund. The Investment Partnership's limited partnership agreement provides that the investments it makes must comply with the investment policies and procedures that are established from time to time by the Managing General Partner's board of directors on behalf of AAA.

AAA's investment policies and procedures provide that we may make investments in common equity securities, preferred securities, limited partner interests, general partner interests, derivative instruments, debt securities and loans (including residential mortgage loans, residential mortgage-backed securities, commercial mortgages, commercial mortgage-backed securities, other asset-backed securities and bridge loans), money market securities, cash, cash equivalents, money market instruments, government securities and any other type of security, loan or financial instrument, provided that the investments otherwise comply with AAA's investment policies and procedures. Because AAA's investment policies and procedures require that its investments be made in a manner that permits it and the Investment Partnership to continue to be treated as partnerships for U.S. federal income tax purposes, neither AAA nor the Investment Partnership will be permitted to engage in lending activities that would result in AAA or the Investment Partnership being treated as engaged in a financial business.

Our investment policies and procedures anticipate that we may use leverage. As our service provider, Apollo Alternative Assets generally has broad discretion to determine the extent to which we leverage investments and is not required to obtain specific approval from our Managing General Partner's board of directors for the use of leverage.

In connection with the formation of AAA and the initial offering of its common units, certain of Apollo's investment professionals and senior advisors contributed $75 million in cash to AAA and the Investment Partnership, of which $74 million was contributed to AAA in exchange for common units and $1 million was contributed to the Investment Partnership in respect of general partner interests. In addition, under an investment agreement that the Partnership entered into with Apollo in connection with the initial offering, Apollo has agreed to cause its affiliates to acquire additional common units from AAA on a quarterly basis in an amount equal to 25% of the aggregate after-tax cash distributions, if any, that are made to AAA and its affiliates pursuant to the carried interests and incentive distribution rights that are applicable to investments that are made through the Investment Partnership. Common units issued to AAA's affiliates in connection with the initial offering or pursuant to the investment agreement are subject to a general prohibition on transfer for a period of three years from the date of issuance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are presented in U.S. dollars.

Due to the exclusion for investment companies included in Financial Accounting Standards Board ("FASB") Interpretation No. 46, "Consolidation of Variable Interest Entities" as amended by Interpretation No. ("FIN") 46R, AAA does not consolidate the results of operations, assets or liabilities of the Investment Partnership in its financial statements. The financial statements of the Investment Partnership, including a schedule of investments, are included elsewhere with this report and should be read in conjunction with the Partnership's financial statements.

AAA utilizes an annual reporting schedule comprised of four three-month quarters with an annual accounting period ending on December 31. The quarterly periods end on March 31, June 30, September 30 and December 31. The financial results presented herein include activity during the period from the Partnership's commencement of operations on June 15, 2006, upon receipt of the net proceeds from the initial offering, through December 31, 2006.

The preparation of financial statements in conformity with U.S. GAAP requires the making of certain estimates and assumptions that could materially affect the amounts reported in the financial statements and related notes. Actual results could differ materially from these estimates. The development and selection of these policies and their related disclosures have been reviewed by the board of directors of our Managing General Partner and the board of directors of the Managing Investment Partner.

Valuation of Limited Partner Interests—AAA records its investment in the Investment Partnership at fair value. Valuation of securities held by the Investment Partnership is further discussed in the notes to the Investment Partnership's financial statements, which are included elsewhere in this report.

An investment for which a market quotation is not readily available is valued at the investment's fair value as of the end of the applicable accounting period as determined in good faith by the Managing General Partner and the Managing Investment Partner. AAA's investments in limited partner interests in the Investment Partnership do not have a readily available market and are valued by the Managing

General Partner and are recorded at the determined fair value. Such limited partner interests are generally valued at an amount that is equal to the aggregate unrealized value of the assets of the Investment Partnership that AAA would receive if such assets were sold in orderly dispositions over a reasonable period of time between willing parties other than in a forced or liquidation sale, and the distribution of the net proceeds from such sale were distributed to AAA in accordance with the Investment Partnership's limited partnership agreement. This amount is generally expected to be equal to the Investment Partnership's net asset value as of the valuation date, as adjusted to reflect the allocation of net assets to the Investment Partnership's General Partner. The Investment Partnership's net asset value is expected to increase or decrease from time to time based on the amount of investment income, operating expenses and realized gains and losses on the sale or repayment of investments, if any, that it records and the net changes in the appreciation and depreciation of the investments that it carries as assets in its financial statements.

Net Investment Income—The Partnership records its proportionate share of the Investment Partnership's investment income, expenses and realized and unrealized gains and losses on investments.

Expenses—As the results of operations of the Investment Partnership are not consolidated in AAA's financial statements, the general and administrative expenses are limited to the expenses that AAA directly incurs. These expenses consist primarily of professional fees, directors' fees that the Managing General Partner pays to its independent directors and other administrative costs. There were no direct portfolio transaction expenses incurred during the period from June 15, 2006 (Commencement of Operations) to December 31, 2006.

Neither AAA nor its Managing General Partner employs any of the individuals who carry out the day-to-day management and operations of AAA. The investment professionals and other personnel that carry out investment and other activities are members of AAA's general partner or employees of Apollo. Their services are provided to AAA or for its benefit under the services agreement with AAA. None of these individuals, including the Managing General Partner's chief financial officer, are required to be dedicated full-time to the business of the Partnership.

Taxes—The Partnership is not subject to income taxes in Guernsey and is taxable as a partnership for U.S. federal income tax purposes. As a partnership, AAA incurs no U.S. federal income tax liability directly, and instead, each partner is required to take into account its allocable share of items of income, gain, loss and deduction in computing its U.S. federal income tax liability.

Distribution Policy—The Partnership intends to make cash distributions (which will be payable to all unitholders) in an amount in U.S. dollars that is generally expected to be sufficient to permit U.S. unitholders to fund their estimated U.S. tax obligations (including any federal, state and local income taxes) with respect to their distributive share of net income or gain, after taking into account any withholding tax imposed on the Partnership. For any particular unitholder, such distributions may not be sufficient to pay the unitholder's actual U.S. or non-U.S. tax liability. Under AAA's limited partnership agreement, distributions to the unitholders will be made only as determined by the Managing General Partner in its sole discretion. There was a distribution declared of approximately $1.2 million on behalf of the unitholders as of December 31, 2006 or approximately $0.01 per common unit.

Recent Accounting Pronouncements

Consolidation of Variable Interest Entities—The effective date for applying the provisions of FIN No. 46, "Consolidation of Variable Interest Entities", as amended by FIN 46R, was temporarily deferred by the FASB for investment companies that are not regulated by the U.S. Securities and Exchange Commission ("SEC"), but that currently account for their investments in accordance with the specialized accounting guidance in the American Institute of Certified Public Accountants ("AICPA") Audit and Accounting Guide, Audits of Investment Companies (the "Guide"). A final determination regarding whether the provisions of FIN 46R should be applied by investment companies not regulated by the SEC is expected to be made by the FASB following the issuance of a final Statement of Position by the AICPA on the clarification of the scope of the Guide. Given this uncertainty, AAA has not determined the effect any such final determination, if any, may have on its financial statements.

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes–an interpretation of FASB Statement No. 109" ("FIN 48"). This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("SFAS No. 109"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 must be implemented for fiscal years beginning after December 15, 2006. The adoption of FIN 48 did not have a material impact on our financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS No. 157 requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy (i.e., levels 1, 2, and 3, as defined). Additionally, companies are required to provide enhanced disclosure regarding instruments in the level 3 category, including a reconciliation of the beginning and ending balances separately for each major category of assets and liabilities. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently evaluating the impact of the adoption of SFAS No. 157 on the investments, which may affect entrance costs and volume discounts in the valuation of our investments.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities--Including an amendment of FASB No. 115." SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments and applies to all entities. However, the amendment to FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities, applies to all entities with available-for-sale and trading securities. Some requirements apply differently to entities that do not report net income. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of FASB Statement No. 157. We are currently evaluating the impact of the adoption of SFAS No. 159 on the investments, which may affect entrance costs and volume discounts in the valuation of our investments.

3. INVESTMENTS IN LIMITED PARTNER INTERESTS OF THE INVESTMENT PARTNERSHIP

For the period from June 15, 2006 (Commencement of Operations) to December 31, 2006, the Partnership's only investment consisted of limited partner interests in the Investment Partnership. AAA makes all of its investments through the Investment Partnership, and it is expected that AAA's only substantial assets will be limited partner interests in the Investment Partnership. Although investments made with the Partnership's capital by the Investment Partnership do not appear as investments in AAA's financial statements, the Partnership is the primary beneficiary of such investments and bears substantially all of the risk of loss.

4. RELATIONSHIP WITH APOLLO AND RELATED PARTY TRANSACTIONS

Subject to the supervision of the board of directors of the Managing General Partner and the board of directors of the Managing Investment Partner, Apollo, through a services agreement with Apollo Alternative Assets, is responsible for selecting, evaluating, structuring, performing due diligence, negotiating, executing, monitoring and exiting the investments of AAA, as well as investments of the Investment Partnership and for managing the uninvested cash of the Investment Partnership. These investment activities are carried out by Apollo's investment professionals and Apollo's investment committee pursuant to the services agreement or under the investment management agreements between Apollo and its private equity funds. As the service provider, Apollo Alternative Assets' involvement in the investments of the Investment Partnership relate primarily to investments in Apollo-sponsored capital market funds, direct co-investments in portfolio companies of Apollo-sponsored private equity funds, other investments and cash management activities. Apollo, and/or its affiliates, also receive directly from portfolio companies in which the Investment Partnership has direct or indirect investments, transaction, management and other fees related to services provided in connection with acquisitions of such portfolio companies and ongoing management services rendered to such portfolio companies.

Commitment—The Investment Partnership has committed to a co-investment agreement with Apollo Investment Fund VI pursuant to which the Investment Partnership is committed to co-invest with Apollo Investment Fund VI in each of Apollo Investment Fund VI's investments, with Apollo Investment Fund VI allocated 87.5% of each investment and 12.5% allocated to the Investment Partnership, which represents an aggregate co-investment opportunity projected to total approximately $1.5 billion.

Services Agreement and Management Fee—AAA, the Managing General Partner, the Investment Partnership, its General Partner, and the Managing Investment Partner have entered into a services agreement with Apollo Alternative Assets pursuant to which Apollo Alternative Assets has agreed to provide certain investment, financial advisory, operational and other services to them.

Under the services agreement, Apollo Alternative Assets is responsible for the day-to-day operations of the service recipients and is subject at all times to the supervision of their respective governing bodies, including the board of directors of the Managing General Partner and the board of directors of the Managing Investment Partner.

Under the services agreement, AAA and the other service recipients have jointly and severally agreed to pay Apollo Alternative Assets a quarterly management fee, payable in arrears, in an aggregate amount equal to one-fourth of the sum of (i) AAA's adjusted assets up to and including $3 billion multiplied by 1.25% plus (ii) AAA's adjusted assets in excess of $3 billion multiplied by 1%. For the purposes of the agreement, "adjusted assets" is primarily defined for any quarterly period as the Investment Partnership's invested capital less (i) amounts paid by the Partnership for any repurchase of limited partner interests in the Partnership, (ii) an amount equal to capital invested in Apollo-sponsored funds and (iii) the value of temporary investments and related distributable earnings.

The foregoing calculation of "adjusted assets" will be adjusted to exclude (i) one-time events pursuant to changes in U.S. GAAP as well as (ii) any non-cash items jointly agreed to by the Managing General Partner (with the approval of a majority of its independent directors) and Apollo. Generally, it is anticipated that adjusted assets for the purpose of the management fee will be approximately equal to our asset value, which includes the value of assets acquired with the proceeds of borrowings incurred by us, if any, less (i) the value of our capital investments in the Apollo-sponsored funds and (ii) the value of our temporary investments. The management fee under the services agreement therefore reflects the value of unrealized investments, other than in respect of capital invested in Apollo-sponsored funds. In respect of capital invested in Apollo-sponsored funds, Apollo will receive management fees directly from the relevant funds. There will be no double charging of management fees.

In addition, until such time as the profits on the investments of the Investment Partnership that are subject to a carried interest equal the managers' commissions and placement fees and the other fees and expenses that AAA incurred in connection with its initial offering and related transactions, the management fee that is payable under our services agreement in respect of the quarterly period is subject to reduction by the lower of (i) the aggregate amount of "allocable fund distributions" to Apollo and its affiliates during such period and (ii) (x) 5% of the gross income (other than income that qualifies as capital gain) earned by or allocated to AAA for U.S. federal income tax purposes during such period minus (y) any gross income earned by or allocated to our partnership for U.S. federal income tax purposes during such period that is not "qualifying income" as defined in Section 7704(d) of the U.S. Internal Revenue Code. To the extent that the amount of reductions to the management fee in a particular quarterly period exceed the amount of the management fee payable in respect of that period, Apollo Alternative Assets is required to credit the difference against any future management fees that may become payable under our services agreement. Under no circumstances, however, will credited amounts be reimbursed by Apollo Alternative Assets or any affiliate thereof or reduce the management fee payable under our services agreement below zero. The management fee will not be reduced as set forth in this paragraph if Apollo determines in good faith that such a reduction would jeopardize our classification as a partnership for U.S. federal income tax purposes. From the period June 15, 2006 (Commencement of Operations) to December 31, 2006, AAA's management fees were zero.

The services agreement contains certain provisions requiring AAA to indemnify Apollo and its affiliates with respect to all claims, liabilities, losses, costs, expenses or damages arising from the services agreement or the services provided by Apollo Alternative Assets, except to the extent that such claims, liabilities, losses, costs, expenses or damages are finally determined by a court of competent jurisdiction to have resulted from the indemnified person's willful misconduct or gross negligence. The Managing General Partner has determined that these guarantees have no material impact on the financial statements of AAA at December 31, 2006.

Carried Interests and Investments—Each investment that is made by the Investment Partnership is subject to one carried interest, which will generally entitle an affiliate of Apollo to receive a portion of the profits generated by the investment. There will not be any duplication of carried interest on a given investment. In particular:

- ***Private Equity Fund Investments***—The general partner of each Apollo-sponsored private equity fund in which an investment is made is generally entitled to a carried interest that will allocate to it 20% of the net realized returns generated by the fund after capital contributions in respect of realized investments and expenses that have been returned to limited partners and subject to achieving an 8% preferred return (with a full catch-up) on such capital contributions. The realized gains and losses of portfolio investments will not be netted across funds, and each carried interest will apply only to the results of an individual fund.

- ***Apollo Strategic Value Fund***—An affiliate of Apollo will be entitled to a carried interest for each year amounting to 20% of any appreciation in net asset value, subject to first making up any losses carried forward from prior years other than losses attributable to capital that the Investment Partnership withdraws from the Apollo Strategic Value Fund after losses were incurred.

- ***Apollo Investment Europe and AIC Co-investments***—An affiliate of Apollo will be entitled to receive a performance-based incentive fee in respect of Apollo Investment Europe and the General Partner will be entitled to receive a carried interest in respect to AIC Co-investments. The fee for Apollo Investment Europe and the carried interest for AIC Co-investments is calculated in two parts: the first payable quarterly and calculated as 20% of the investment income (excluding any realized capital gain) on investments of Apollo Investment Europe or AIC Co-Investments (as the case may be), subject to a preferred return of 7% per annum (with a full catch-up) and the second payable annually and calculated as 20% of the realized capital gains of Apollo Investment Europe or AIC Co-investments (as may be the case) and in each case net of realized capital losses and unrealized capital depreciation. The performance of Apollo Investment Europe will not be netted against the performance of AIC Co-investments.

- ***Co-investment Facilities***—The General Partner is generally entitled to a carried interest that will allocate to it 20% of the realized gains on each co-investment made pursuant to a co-investment facility (such as the agreement with Apollo Investment Fund VI) after capital contributions in respect of realized investments made pursuant to that co-investment facility have been recovered. The General Partner's carried interest in respect of each investment made pursuant to the co-investment agreement with Apollo Investment Fund VI is subject to the Investment Partnership first achieving a preferred return of 8% per annum on the capital invested pursuant to the agreement. Once such preferred return has been achieved, the General Partner will be entitled to the next 2% (25% of 8%) of net realized gains and, thereafter, such gains will be allocated as 80% to the Investment Partnership and as to 20% to the General Partner. Realized gains and losses on investments made pursuant to one co-investment facility will not be netted against other co-investment facilities in future Apollo private equity funds.

- ***Additional investments***—The General Partner is generally entitled to a carried interest that will allocate to it 20% of the realized returns of each of the additional investments made by the Investment Partnership. Realized gains and losses on an additional investment will not be netted against any other additional investments. The General Partner will not be entitled to a carried interest in respect to temporary investments.

Until such time as the profits on the Investment Partnership's investments that are subject to a carried interest equal to the managers' commissions and placement fees and other fees and expenses that AAA incurred in connection with AAA's initial offering and related transactions, the general partner of the Investment Partnership will forgo its carried interest otherwise earned through the Investment Partnership's co-investment facilities and carried interest earned on additional investments. In addition, until such time, subject to certain limitations, Apollo Alternative Assets will reduce the management fee that is payable under the services agreement based on the amount of distributions that are made in respect of carried interests allocated to Apollo by Apollo-sponsored funds and attributable to the Investment Partnership's investments.

5. FINANCIAL HIGHLIGHTS

Financial highlights for AAA for the period from June 15, 2006 to December 31, 2006, were as follows, with amount in thousands, except per unit and percentage amounts:

Per unit operating performance:	
Net asset value at the beginning of the period	$ –
Income from investment operations:	
Net investment income	0.26
Net unrealized appreciation on investment transactions	0.73
Total from investment operations	0.99
Capital contributions	20.00
Capital distributions	(0.01)
Offering costs	(1.12)
Net asset value at end of the period	$ 19.86
Total return (annualized)	9.79%
Percentage and supplemental data:	
Net assets at the end of the period	$ 1,917,390
Ratio to average net assets:	
Expenses (annualized)	0.30%
Net investment income (annualized)	2.68%

These financial highlights have been calculated using a methodology in accordance with U.S. GAAP. The total return and ratios to average net assets have been presented on an annualized basis and were calculated on an average basis.

6. CONTINGENCIES

As with any business, we may become subject to various legal actions including claims and litigations arising in the ordinary course of business. Additionally, we may also become involved in reviews, investigations or proceedings by governmental and self regulatory agencies regarding our business. Although the ultimate outcome of these matters cannot be ascertained at this time, we do not believe that we or the Investment Partnership have any pending or threatened legal or other proceedings that, if adversely determined, would have a material adverse effect on our financial position, results of operations or cash flows.

7. SUBSEQUENT EVENTS

Subsequent to December 31, 2006, and through March 10, 2007, the Investment Partnership made an additional co-investment in one portfolio company, Jacuzzi Brands, and three of the five portfolio companies have distributed a combined total of approximately $115.1 million of dividends, or approximately 42% of total portfolio invested capital. The proceeds consist of $36.0 million from CEVA Logistics, $51.8 million from Rexnord and $27.3 million from Verso Paper. The following is the co-investment made:

- a co-investment of approximately $47.8 million in Jacuzzi Brands, a global leader in whirlpool baths, outdoor spas and shower products marketed under the Jacuzzi, Sundance Spas, Bathcraft and Astracast brands. Upon the completion of our co-investment in Jacuzzi Brands, the Zurn business unit of Jacuzzi Brands was acquired by Rexnord Corporation. This was an existing investment of the Investment Partnership representing approximately $34.4 million of the co-investment amount.

Additionally, subsequent to December 31, 2006, and through March 10, 2007, the Investment Partnership made investments in the following:

- $87.4 million in Apollo Investment Europe,

- $65.0 million in Apollo Asia Opportunity Fund and drawn against its aggregate commitment of $200.0 million and

- $53.6 million in another opportunistic investment.

Subsequent to December 31, 2006, and through March 10, 2007, the Investment Partnership made the following potential co-investment commitments, which are estimated at approximately $350.0 million:

- a co-investment commitment in Harrah's Entertainment, Inc., one of the premier gaming and lodging companies in the world, with a #1 or #2 share in each market in which it competes. The company owns, operates, or manages 56 casinos in eight countries, representing approximately 40,000 hotel rooms and 3 million square feet of casino gaming space under the Harrah's, Caesars, Horseshoe and Bally's brand names, among others.

- a co-investment commitment in Realogy Corporation, a leading provider of residential real estate and relocation services in the world. Through its portfolio of leading brands (Coldwell Banker, Century 21, Sotheby's International Realty, ERA, Corcoran Group and Coldwell Banker Commercial), Realogy is the world's largest real estate brokerage franchisor and the largest U.S. residential real estate brokerage firm. Realogy is also the largest U.S. provider and a leading global provider of outsourced employee relocation services and a provider of title and settlement services.

- a co-investment commitment in Oceania Cruise Holdings, Inc., a leading cruise line focused on the destination-oriented, upper premium cruise market. Oceania owns three 684-berth vessels and offers itineraries in the Mediterranean, Far East, South America, the Caribbean, Australia and New Zealand.

- a co-investment commitment in Smart & Final Inc., a Los Angeles-based operator of 185 non-membership warehouses under the *Smart & Final* name that sell perishable and non-perishable food items, beverages, paper products, cleaning supplies, cooking equipment and janitorial supplies to both the traditional household customer and small business owners. These stores are located in Northern and Southern California, Nevada, Arizona and Mexico. In addition, the company operates 52 wholesale cash-and-carry warehouse stores under the *Cash & Carry* banner in Oregon, Washington and California that sell to “mom and pop” restaurant owners that are too small to purchase their products from the large foodservice companies.

Whether these commitments will be consummated depends on the satisfaction of a number of conditions, some or all of which may not be in our control. No assurances can be made as to whether or when these commitments will be consummated, if at all.

Financial Statements of AAA Investments, L.P.

Index to Financial Statements

Independent Auditors' Report to the Partners of AAA Investments, L.P.

We have audited the financial statements of AAA Investments, L.P. for the period from June 15, 2006 (Commencement of Operations) to December 31, 2006, which comprise the Statement of Assets and Liabilities, the Statement of Operations, the Statement of Changes in Net Assets, the Statements of Cash Flows and the related Notes 1 to 7. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Investment Partnership's partners, as a body, in accordance with section 18 of The Limited Partnerships (Guernsey) Law, 1995. Our audit work has been undertaken so that we might state to the partners those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Investment Partnership and the Investment Partnership's partners as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Managing Investment Partner and the Auditors

As described in the Statements of Responsibility, the Managing Investment Partner is responsible for preparing the financial statements in accordance with applicable Guernsey law, accounting principles generally accepted in the United States of America and the Dutch Investment Institution Supervision Act insofar applicable.

Our responsibility is to audit the financial statements in accordance with relevant Guernsey legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with accounting principles generally accepted in the United States of America, and have been properly prepared in accordance with The Limited Partnerships (Guernsey) Law, 1995, the Limited Partnership Agreement and the Dutch Investment Institution Supervision Act insofar applicable.

In addition we report to you if, in our opinion, the Investment Partnership has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Managing Investment Partner in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Investment Partnership's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with accounting principles generally accepted in the United States of America, of the state of the Investment Partnership's affairs as at December 31, 2006, and of its return for the period from June 15, 2006 (Commencement of Operations) to December 31, 2006;
- The financial statements have been properly prepared in accordance with The Limited Partnerships (Guernsey) Law, 1995, and the Limited Partnership Agreement
- The financial statements have been properly prepared in accordance with the Dutch Investment Institution Supervision Act insofar applicable.

Deloitte & Touche LLP
Chartered Accountants
Guernsey
March 21, 2007

AAA INVESTMENTS, L.P.
STATEMENT OF ASSETS AND LIABILITIES
AS OF DECEMBER 31, 2006
(Amounts in thousands)

ASSETS:	
Investments:	
Investment in Apollo Strategic Value Offshore Fund, Ltd. at fair value (cost of $550,000)	$ 595,081
Investment in AP Investment Europe Limited, at fair value (cost of $238,674)	253,549
Co-investments – Apollo Investment Fund VI, at fair value (cost of $228,385)	239,590
	1,088,220
Cash and cash equivalents	832,371
Other receivables	224
Other assets	644
TOTAL ASSETS	$ 1,921,459
LIABILITIES:	
Accounts payable and accrued liabilities	1,684
NET ASSETS	$ 1,919,775
NET ASSETS CONSIST OF:	
Partners' capital contributions	$ 1,822,608
Net increase in net assets resulting from operations	97,167
	$ 1,919,775

See accompanying notes to financial statements.

AAA INVESTMENTS, L.P.
SCHEDULE OF INVESTMENTS
AS OF DECEMBER 31, 2006
(Amounts in thousands, except percentage amounts)

Investments	Cost	Fair Value	Fair Value as a Percentage of Net Assets
Apollo Strategic Value Offshore Fund, Ltd.			
Class A - Series 1	$ 295,940	$ 322,943	16.8%
Class A - Series 2	98,658	106,787	5.6%
Class A - Series 3	98,673	105,533	5.5%
Class A - Series 4	49,340	52,454	2.7%
Class S - Series 1	7,389	7,364	.4%
	550,000	595,081	31.0%
AP Investment Europe Limited	238,674	253,549	13.2%
Co-investments in portfolio companies of Apollo Investment Fund VI:			
Momentive Performance Materials Holdings, Inc.	56,644	56,644	2.9%
Rexnord Corporation	54,756	54,756	2.9%
Verso Paper Holdings LLC	32,495	43,700	2.3%
Berry Plastics Group, Inc.	43,249	43,249	2.3%
CEVA Logistics	41,241	41,241	2.1%
	228,385	239,590	12.5%
	$1,017,059	$1,088,220	56.7%

See accompanying notes to financial statements.

AAA INVESTMENTS, L.P.
STATEMENT OF OPERATIONS
FOR THE PERIOD FROM JUNE 15, 2006
(COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2006
(Amounts in thousands)

INVESTMENT INCOME – Interest and gains from short-term investments	$ 29,106
EXPENSES – General and administrative expenses	3,099
NET INVESTMENT INCOME	26,007
Net change in unrealized appreciation on investments	71,160
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ 97,167

See accompanying notes to financial statements.

AAA INVESTMENTS, L.P.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD FROM JUNE 15, 2006
(COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2006
(Amounts in thousands)

	General Partner	Limited Partners	Total
INCREASE IN NET ASSETS FROM OPERATIONS:			
Net investment income	$ 14	$ 25,993	$ 26,007
Net change in unrealized appreciation	39	71,121	71,160
Net increase in net assets resulting from operations	53	97,114	97,167
INCREASE IN NET ASSETS FROM CAPITAL TRANSACTIONS:			
Partners' capital contributions	1,000	1,822,816	1,823,816
Partners' capital distributions	(1)	(1,207)	(1,208)
Net increase from capital transactions	999	1,821,609	1,822,608
INCREASE IN NET ASSETS	1,052	1,918,723	1,919,775
NET ASSETS – Beginning of period	–	–	–
NET ASSETS – End of period	$ 1,052	$ 1,918,723	$ 1,919,775

See accompanying notes to financial statements.

AAA INVESTMENTS, L.P.
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JUNE 15, 2006
(COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2006
(Amounts in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net increase in net assets resulting from operations	$ 97,167
Adjustments to reconcile net increase in net assets resulting from operations to cash and cash equivalents used in operating activities:	
Net change in unrealized appreciation	(71,160)
Changes in operating assets and liabilities:	
Purchases of investments in Apollo Strategic Value Offshore Fund Ltd.	(550,000)
Purchases of an investment in AP Investment Europe Limited	(238,674)
Purchases of co-investments in portfolio companies of Apollo Investment Fund VI	(228,385)
Increase in other assets	(644)
Increase in accounts payable and accrued expenses	475
Increase in other receivables	(224)
Net cash flows used in operating activities	(991,445)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Partners' capital contributions	1,823,816
Net cash flows provided by financing activities	1,823,816
NET INCREASE IN CASH AND CASH EQUIVALENTS	832,371
CASH AND CASH EQUIVALENTS – Beginning of period	–
CASH AND CASH EQUIVALENTS – End of period	$ 832,371
Supplemental Schedule of Non-Cash Financing Activities – Partners' capital distribution declared and accrued on December 31, 2006 and paid on January 5, 2007	$ 1,208

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006, AND FROM THE PERIOD JUNE 15, 2006 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2006

1. BUSINESS

AAA Investments, L.P. (the "Investment Partnership") is a Guernsey limited partnership that is comprised of (i) AAA Associates, L.P. (the "General Partner"), which holds 100% of the General Partner interests in the Investment Partnership and is responsible for managing its business and affairs, and (ii) AP Alternative Assets, L.P. ("AAA" or the "Partnership"), which holds 100% of the limited partner interests in the Investment Partnership and does not participate in the management of the business and affairs of the Investment Partnership. Because the General Partner is itself a Guernsey limited partnership, its general partner, AAA MIP Limited (the "Managing Investment Partner"), a Guernsey limited company that is owned by individuals who are affiliated with Apollo Advisors, L.P., Apollo Management, L.P., Apollo Management IV, L.P., Apollo Management V, L.P., Apollo Management VI, L.P., Apollo Investment Management, L.P., and Apollo Europe Management, L.P. (collectively "Apollo"), each of which is a limited partnership formed to act as a manager of a particular Apollo fund (and its co-investment entities), effectively is responsible for managing the Investment Partnership's business and affairs.

In connection with the formation of the Investment Partnership, the General Partner made a $1.0 million cash contribution in respect of its general partner interest. To provide the Investment Partnership with additional capital for making investments, AAA contributed approximately $1.8 billion, which represented substantially all of the cash contributions that AAA received in connection with its initial offering and related transactions to the Investment Partnership. In exchange, AAA received 100% of the limited partner interests in the Investment Partnership. Distributable earnings (losses) are allocated in accordance with the limited partnership agreement. At December 31, 2006, the General Partner's interest in the Investment Partnership was .055% and the limited partner's interest in the Investment Partnership was 99.945%.

The Investment Partnership is the partnership through which AAA and the General Partner make investments. These investments include investments in Apollo-sponsored private equity funds and capital markets-focused funds. The investments in private equity consist primarily of (i) co-investments alongside private equity funds sponsored by Apollo, and (ii) purchases of secondary interests in such funds. AAA currently has a co-investment agreement with Apollo Investment Fund VI, L.P. ("Apollo Investment Fund VI"), along with its parallel co-investment funds. In addition to investments in private equity, capital will be deployed through investments in, or co-investment arrangements with, Apollo's capital markets-focused funds, including the Apollo Strategic Value Offshore Fund, Ltd. ("Apollo Strategic Value Fund") (an Apollo-sponsored debt and equity investment fund focused on value-oriented and distressed securities), AP Investment Europe Limited ("Apollo Investment Europe") (the Apollo-sponsored European mezzanine and leveraged debt investment vehicle), Apollo Investment Corporation ("AIC Co-investments") (the Apollo-sponsored U.S. mezzanine and leveraged debt investment vehicle) and Apollo Asia Opportunity Offshore Fund, Ltd. ("Apollo Asia Opportunity Fund") (the Apollo-sponsored vehicle focused on value driven, mezzanine and special opportunity corporate investments in the Asia Pacific region). AAA may also invest in additional capital markets funds, private equity funds and investments identified by Apollo Alternative Assets, L.P. ("Apollo Alternative Assets," the investment manager to both the Investment Partnership and the Partnership – see Note 4, "Relationship with Apollo and Related Party Transactions") and in temporary investments that are made in connection with cash management activities. The Investment Partnership's limited partnership agreement provides that the investments made by the Investment Partnership must comply with the investment policies and procedures that are established from time to time by the board of directors of AAA's general partner, AAA Guernsey Limited (the "Managing General Partner").

The Investment Partnership's limited partnership agreement provides that the investments it makes must comply with the investment policies and procedures that are established from time to time by the Managing General Partner's board of directors on behalf AAA. The Partnership's investment policies and procedures, which were developed by Apollo Alternative Assets, currently provide that, among other things, over time the Investment Partnership will invest approximately 90% of its capital in Apollo-sponsored funds and private equity transactions and, subject to market conditions, target approximately 50% or more in private equity investments. In addition, the investment policies and procedures provide that the Investment Partnership cannot make any investment or commit to make any investment that would result in AAA or the Investment Partnership being deemed to have been formed for the purpose of making such investment for the purposes of the U.S. Investment Company Act of 1940 and related rules. Depending on the facts and circumstances, this restriction may limit the amount of capital that we may invest, or commit to invest, in a single investment fund or other entity. We are required to limit the amount which we are permitted to invest in any single investment fund to 40% of our gross assets, although this limit will not apply to the aggregate amount we are able to commit to any co-investment program alongside any Apollo private equity fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are presented in U.S. dollars.

The Investment Partnership utilizes an annual reporting schedule comprised of four three-month quarters with an annual accounting period ending on December 31. The quarterly periods end on March 31, June 30, September 30 and December 31. The financial results presented herein include activity during the period from the commencement of operations of the Investment Partnership on June 15, 2006, through December 31, 2006.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require the making of certain estimates and assumptions that could materially affect the amounts reported in the financial statements and related notes. Actual results could differ materially from these estimates. The development and selection of these policies and their related disclosure have been reviewed by the board of directors of our Managing General Partner and the board of directors of the Managing Investment Partner.

Valuation of Investments—The investments carried as assets in the Investment Partnership's financial statements are recorded at fair value. The Managing General Partner's board of directors is responsible for reviewing and approving valuations of investments that are carried as assets in the Investment Partnership's financial statements. Because valuing investments requires the application of valuation principles to the specific facts and circumstances, of the investments, in satisfying its responsibilities, the Managing General Partner's board of directors utilizes the services of Apollo Alternative Assets, who will make calculations as to investment value, and the services of an independent valuation firm, who performs certain agreed upon procedures with respect to valuations that are prepared by Apollo Alternative Assets to confirm that such valuations are not unreasonable. An investment for which a market quotation is readily available is valued using a market price for the investment as of the end of the applicable accounting period, and an investment for which a market quotation is not readily available is valued at the investment's fair value as of the end of the applicable accounting period as determined in good faith. While there is no single standard for determining fair value in good faith, the methodologies described below are generally followed when the fair value of individual investments is determined.

Values of Interests in Apollo-sponsored Private Equity and Capital Market Funds—The Investment Partnership's interests in Apollo-sponsored private equity funds or its capital market funds do not have a readily available market value and generally will be valued using fair value pricing. Each interest is generally valued at an amount that is equal to the aggregate unrealized value of the fund's portfolio company investments that the holder of the interest would receive if such investments were sold in orderly dispositions over a reasonable period of time between willing parties other than in a forced or liquidation sale and the distribution of the net proceeds from such sales were distributed to investors in accordance with the documentation governing the fund. The Investment Partnership may be required to value such investments at a premium or discount to net asset value if other factors lead the Managing General Partner's board of directors to conclude that net asset value does not represent fair value. Each fund's net asset value is expected to increase or decrease from time to time based on the amount of investment income, operating expenses and realized gains and losses on the sale or repayment of investments, if any, that the fund records and the net changes in the appreciation and depreciation of the investments that it carries as assets in its financial statements.

Values of Co-Investments in Portfolio Companies of Apollo-sponsored Private Equity Funds and Other Equity Investments—Depending on the circumstances, the Investment Partnership's co-investments in portfolio companies of Apollo-sponsored private equity funds and equity investments that are made in other companies as investments may be liquid investments, in which case the investments are valued using period-end market prices, or illiquid investments, in which case the investments are valued at their fair value as determined in good faith. When market prices are used, they do not necessarily take into account various factors which may affect the value that would actually be able to be realized in the future, such as the possible illiquidity associated with a larger ownership position, subsequent illiquidity in a market for a company's securities, future market price volatility or the potential for a future loss in market value based on poor industry conditions or the market's view of overall company and management performance.

When determining fair value pricing when no market value exists, the value attributed to an investment is based on the enterprise value at which the company could be sold in an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. A market multiple approach that considers a specific financial measure (such as Earning before income tax, depreciation and amortization "EBITDA", adjusted EBITDA, cash flow, net income, revenues or net asset value) or a discounted cash flow or liquidation analysis is generally used. Consideration may also be given to such factors as the company's historical and projected financial data, valuations given to comparable companies, the size and scope of the company's operations, the company's strengths, weaknesses, expectations relating to the market's receptivity to an offering of the company's securities, the size of Apollo's holding in the portfolio company and any control associated with interests in the company that are held by Apollo and its affiliates, including the Investment Partnership, information with respect to transactions or offers for the portfolio company's securities (including the transaction pursuant to which the investment was made and the period of time that has elapsed from the date of the investment to the valuation date), applicable restrictions on transfer, industry information and assumptions, general economic and market conditions and other factors deemed relevant.

Value of Temporary Investments—The investments that the Investment Partnership will carry as assets in its financial statements are expected to include investments that constitute temporary investments. Initially, these temporary investments will result primarily from cash proceeds received with the issuance of common units prior to those proceeds being fully invested in investments over time. In addition, from time to time this cash is expected to be in the form of distributions and dividends on equity investments, payments of interest and principal on fixed income investments and cash consideration received in connection with the disposal of investments. Temporary investments will be valued using readily available market prices.

Cash and Cash Equivalents—Cash and cash equivalents consist of cash held in bank and liquid investments with maturities, at the date of acquisitions, not exceeding 90 days. Surplus cash may be invested in government securities, cash, cash equivalents, money market instruments, asset-backed securities and other investment grade securities. At December 31, 2006, cash and cash equivalents were primarily comprised of investments in a money market funds sponsored by a U.S. money center bank. During the period from June 15, 2006 (Commencement of Operations) to December 31, 2006, interest on cash and cash equivalents was earned at an average rate of 5.30%, while 5.17% was the rate as of December 31, 2006. The Company adopted Financial Accounting Standards Board Statements No. 107 ("SFAS 107"), Disclosures About Fair Value of Financial Instruments, and has concluded that the company's assets and liabilities are presented at estimated fair value.

Other Assets—At December 31, 2006, other assets were primarily comprised of prepaid insurance, which will be amortized on a straight-line basis over the related policy periods.

Income Recognition—The assets of the Investment Partnership generate investment income in the form of capital gains, dividends and interest. Income is recognized when earned. The Investment Partnership also records income in the form of unrealized appreciation or depreciation of its investments, as well as from realized gains and losses on the sale of investments. Any new unrealized appreciation or depreciation in the value of investments is recorded as an increase or decrease in the unrealized appreciation or depreciation of investments. This occurs at the end of each month-end accounting period when investments are valued. See "Valuation of Investments," above. Security transactions are accounted for on the trade date (the date the order to buy or sell is executed). Capital gains and losses on sales of securities are determined on the identified costs basis.

During the period from June 15, 2006 (Commencement of Operations) to December 31, 2006, investment income was comprised of dividend and interest income related to cash management activities.

Expenses—Expenses are recorded as incurred. Under a services agreement, the Investment Partnership, along with the service recipients, have agreed to pay Apollo Alternative Assets a quarterly management fee and to pay expenses incurred by Apollo that are attributable to the Investment Partnership's operations and reimbursable under the services agreement, See Note 4, "Relationship with Apollo and Related Party Transactions." There were no direct transaction expenses (apart from any costs that may be included as part of the overall cost of a portfolio position), incurred in connection with portfolio transactions for the period from June 15, 2006 (Commencement of Operations) to December 31, 2006.

Taxes—The Investment Partnership is not subject to income taxes in Guernsey and is taxable as a partnership for U.S. federal income tax purposes. As a partnership, the Investment Partnership is not a taxable entity and incurs no U.S. federal income tax liability. Instead, each partner is required to take into account its allocable share of items of income, gain, loss and deduction of the Investment Partnership in computing its U.S. federal income tax liability.

Recent Accounting Pronouncements

Consolidation of Variable Interest Entities—The effective date for applying the provisions of FIN No. 46, "Consolidation of Variable Interest Entities", as amended by FIN 46R, was temporarily deferred by the FASB for investment companies that are not regulated by the U.S. Securities and Exchange Commission ("SEC"), but that currently account for their investments in accordance with the specialized accounting guidance in the American Institute of Certified Public Accountants ("AICPA") Audit and Accounting Guide, "Audits of Investment Companies" (the "Guide"). A final determination regarding whether the provisions of FIN 46R should be applied by investment companies not regulated by the SEC is expected to be made by the FASB following the issuance of a final Statement of Position by the AICPA on the clarification of the scope of the Guide. Given this uncertainty, the Investment Partnership has not determined the effect any such final determination, if any, may have on its financial statements.

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes–an interpretation of FASB Statement No. 109" ("FIN 48"). This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("SFAS No. 109"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 must be implemented for fiscal years beginning after December 15, 2006. The adoption of FIN 48 did not have a material impact on our financial statements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS No. 157 requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy (i.e., levels 1, 2, and 3, as defined). Additionally, companies are required to provide enhanced disclosure regarding instruments in the level 3 category, including a reconciliation of the beginning and ending balances separately for each major category of assets and liabilities. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We are currently evaluating the impact of the adoption of SFAS No. 157 on the investments, which may affect entrance costs and volume discounts in the valuation of our investments.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities--Including an amendment of FASB No. 115." SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments and applies to all entities. However, the amendment to FASB Statement No. 115, Accounting for Certain

Investments in Debt and Equity Securities, applies to all entities with available-for-sale and trading securities. Some requirements apply differently to entities that do not report net income. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of FASB Statement No. 157. We are currently evaluating the impact of the adoption of SFAS No. 159 on the investments, which may affect entrance costs and volume discounts in the valuation of our investments.

3. INVESTMENTS

At December 31, 2006, investments were valued as described above in Note 2, "Summary of Significant Accounting Policies – Valuation of Investments," which resulted in net unrealized appreciation from the Investment Partnership's investments in Apollo Strategic Value Fund and Apollo Investment Europe. For the period from June 15, 2006 (Commencement of Operations) to December 31, 2006, there were purchases of investments as noted on the Statement of Cash Flows and there were no sales of such investments.

4. RELATIONSHIP WITH APOLLO AND RELATED PARTY TRANSACTIONS

Subject to the supervision of the board of directors of the Managing Investment Partner and the board of directors of the Managing General Partner, Apollo, through the services agreement with Apollo Alternative Assets, is responsible for selecting, evaluating, structuring, performing due diligence, negotiating, executing, monitoring and exiting the investments and for managing the uninvested cash of the Investment Partnership. These investment activities are carried out by Apollo's investment professionals and Apollo's investment committee pursuant to the services agreement or under the investment management agreements between Apollo and its private equity funds. As the service provider, Apollo Alternative Assets' involvement in the investments of the Investment Partnership relates primarily to investments in Apollo-sponsored private equity funds and capital market funds, direct co-investments in portfolio companies of Apollo-sponsored private equity funds, other investments and cash management activities. Apollo, and/or its affiliates, also receive directly from portfolio companies in which the Investment Partnership has direct or indirect investments, transaction, management and other fees related to services provided in connection with acquisitions of such portfolio companies and ongoing management services rendered to such portfolio companies.

Commitment—The Investment Partnership has committed to a co-investment agreement with Apollo Investment Fund VI pursuant to which the Investment Partnership is committed to co-invest with Apollo Investment Fund VI in each of Apollo Investment Fund VI's investments, with Apollo Investment Fund VI allocated 87.5% of each investment and 12.5% allocated to the Investment Partnership, which represents an aggregate co-investment opportunity projected to total approximately $1.5 billion.

Services Agreement and Management Fee—The Investment Partnership, the General Partner, the Managing Investment Partner, AAA and the Managing General Partner have entered into a services agreement with Apollo Alternative Assets pursuant to which Apollo Alternative Assets has agreed to provide certain investment, financial advisory, operational and other services to them.

Under the services agreement, Apollo Alternative Assets is responsible for the day-to-day operations of the services recipients and is subject at all times to the supervision of their respective governing bodies, including the board of directors of the Managing Investment Partner and the board of directors of the Managing General Partner.

Under the services agreement, the Investment Partnership and the other service recipients have jointly and severally agreed to pay Apollo Alternative Assets a management fee, quarterly in arrears, in an aggregate amount equal to one-fourth of the sum of (i) AAA's adjusted assets up to and including $3 billion multiplied by 1.25% plus (ii) AAA's adjusted assets in excess of $3 billion multiplied by 1%. For the purposes of the agreement, "adjusted assets" is primarily defined for any quarterly period as AAA's invested capital less (i) amounts paid by AAA for any repurchase of interests in AAA, (ii) any amount equal to capital invested in Apollo-sponsored funds and (iii) value of temporary investments and related distributable earnings.

The foregoing calculation of "adjusted assets" will be adjusted to exclude (i) one-time events pursuant to changes in U.S. GAAP as well as (ii) any non-cash items jointly agreed to by the Managing General Partner (with the approval of a majority of its independent directors) and Apollo. Generally, it is anticipated that adjusted assets for the purpose of the management fee will be approximately equal to our asset value, which includes the value of assets acquired with the proceeds of borrowings incurred by us, if any, less (i) the value of our capital investments in the Apollo-sponsored funds and (ii) the value of our temporary investments. The management fee under the services agreement therefore reflects the value of unrealized investments, other than in respect of capital invested in Apollo-sponsored funds. In respect of capital invested in Apollo-sponsored funds, Apollo will receive management fees directly from the relevant funds. There will be no double charging of management fees.

In addition, until such time as the profits on the investments of the Investment Partnership that are subject to a carried interest equal the managers' commissions and placement fees and the other fees and expenses that AAA incurred in connection with AAA's initial offering and related transactions, the management fee that is payable under our services agreement in respect of the quarterly period is subject to reduction by the lower of (i) the aggregate amount of "allocable fund distributions" to Apollo and its affiliates during such period and (ii) (x) 5% of the gross income (other than income that qualifies as capital gain) earned by or allocated to AAA for U.S. federal income tax purposes during such period minus (y) any gross income earned by or allocated to our partnership for U.S. federal income tax purposes during such period that is not "qualifying income" as defined in Section 7704(d) of the U.S. Internal Revenue Code. To the extent that the amount of reductions to the management fee in a particular quarterly period exceed the amount of the management fee payable in respect of that period, Apollo Alternative Assets is required to credit the difference against any future management fees that may become payable under our services agreement. Under no circumstances, however, will credited amounts be reimbursed by Apollo Alternative Assets or any affiliate thereof or reduce the management fee payable under our services agreement below zero. The management fee will not be reduced as set forth in this paragraph if Apollo determines in good faith that such a reduction would jeopardize our classification as a partnership for U.S. federal income tax purposes. For the period ended December 31, 2006, the Investment Partnership's management fees were zero.

The services agreement contains certain provisions requiring the Investment Partnership to indemnify Apollo and its affiliates with respect to all claims, liabilities, losses, costs, expenses or damages arising from the services agreement or the services provided by Apollo Alternative Assets, except to the extent that such claims, liabilities, losses, costs, expenses or damages are finally determined by a court of competent jurisdiction to have resulted from the indemnified person's willful misconduct or gross negligence. The Managing Investment Partner has determined that these guarantees have no material impact on the financial statements of the Investment Partnership at December 31, 2006.

Carried Interests and Investments—Each investment that is made by the Investment Partnership is subject to one carried interest, which will generally entitle an affiliate of Apollo to receive a portion of the profits generated by the investment. There will not be any duplication of carried interest on a given investment. In particular:

- ***Private Equity Fund Investments***—The general partner of each Apollo-sponsored private equity fund in which an investment is made is generally entitled to a carried interest that will allocate to it 20% of the net realized returns generated by the fund after capital contributions in respect of realized investments and expenses have been returned to limited partners and subject to achieving an 8% preferred return (with a full catch-up) on such capital contributions. The realized gains and losses of portfolio investments will not be netted across funds and each carried interest will apply only to the results of an individual fund.

- ***Co-investment Facilities***—The General Partner is generally entitled to a carried interest that will allocate to it 20% of the realized gains on each co-investment made pursuant to a co-investment facility (such as the agreement with Apollo Investment Fund VI) after capital contributions in respect of realized investments made pursuant to that co-investment facility have been recovered. The General Partner's carried interest in respect of each investment made pursuant to the co-investment agreement with Apollo Investment Fund VI is subject to the Investment Partnership first achieving a preferred return of 8% per annum on the capital invested pursuant to the agreement. Once such preferred return has been achieved, the General Partner will be entitled to the next 2% (25% of 8%) of net realized gains and, thereafter, such gains will be allocated as 80% to the Investment Partnership and as to 20% to the General Partner. Realized gains and losses on investments made pursuant to one co-investment facility will not be netted against other co-investment facilities in future Apollo private equity funds.

- ***Apollo Strategic Value Fund***—An affiliate of Apollo will be entitled to a carried interest for each year amounting to 20% of any appreciation in net asset value, subject to first making up any losses carried forward from prior years other than losses attributable to capital that the Investment Partnership withdraws from Apollo Strategic Value Fund after losses were incurred.

- ***Apollo Investment Europe and AIC Co-investments***—An affiliate of Apollo will be entitled to receive a performance-based incentive fee in respect of Apollo Investment Europe. The General Partner will be entitled to receive a carried interest in respect to AIC Co-investments. The fee for Apollo Investment Europe and the carried interest for AIC Co-investments is calculated in two parts: the first payable quarterly and calculated as 20% of the investment income (excluding any realized capital gain) on investments of Apollo Investment Europe or AIC Co-Investments (as the case may be), subject to a preferred return of 7% per annum (with a full catch-up) and the second payable annually and calculated as 20% of the realized capital gains of Apollo Investment Europe or AIC Co-investments (as may be the case) and in each case net of realized capital losses and unrealized capital depreciation. The performance of Apollo Investment Europe will not be netted against the performance of AIC Co-investments.

- ***Additional investments***—The General Partner is generally entitled to a carried interest that will allocate to it 20% of the realized returns of each of the additional investments made by the Investment Partnership. Realized gains and losses on an additional investment will not be netted against any other additional investments. The General Partner will not be entitled to a carried interest in respect to temporary investments.

Until such time as the profits on the Investments Partnership's investments that are subject to a carried interest equal the commissions and placement fees and other fees and expenses that AAA incurred in connection with the Partnership's initial offering and related transactions, the General Partner will forego its carried interest otherwise earned through the Investment Partnership's co-investment facilities and carried interest earned on additional investments. In addition, until such time, subject to certain limitations, Apollo Alternative Assets will reduce the management fee that is payable under the services agreement based on the amount of distributions that are made in respect of carried interests allocated to Apollo by Apollo-sponsored funds and attributable to the Investment Partnership's investments.

5. FINANCIAL HIGHLIGHTS

Financial highlights for the Investment Partnership for the period from June 15, 2006 (Commencement of Operations) to December 31, 2006, were as follows:

Total return (annualized)	9.91%
Ratios to average net assets:	
Expenses (annualized)	0.21%
Net investment income (annualized)	2.78%

These financial highlights have been calculated using a methodology in accordance with U.S. GAAP. The total return and ratios to average net assets have been presented on an annualized basis and were calculated on an average basis.

6. CONTINGENCIES

As with any business, we may become subject to various legal actions including claims and litigations arising in the ordinary course of business. Additionally, we may also become involved in reviews, investigations or proceedings by governmental and self-regulatory agencies regarding our business. Although the ultimate outcome of these matters cannot be ascertained at this time, we do not believe that we have any pending or threatened legal or other proceedings that, if adversely determined, would have a material adverse effect on our financial position, results of operations or cash flows.

7. SUBSEQUENT EVENTS

Subsequent to December 31, 2006 and through March 10, 2007, the Investment Partnership made an additional co-investment in one portfolio company, Jacuzzi Brands, and three of the five portfolio companies have distributed a combined total of approximately $115.1 million of dividends, or approximately 42% of our original co-investments in those companies. The proceeds consist of $36.0 million from CEVA Logistics, $51.8 million from Rexnord and $27.3 million from Verso Paper. The following is the co-investment made:

- a co-investment of approximately $47.8 million in Jacuzzi Brands, a global leader in whirlpool baths, outdoor spas and shower products marketed under the Jacuzzi, Sundance Spas, Bathcraft and Astracast brands. Upon the completion of our co-investment in Jacuzzi Brands, the Zurn business unit of Jacuzzi Brands was acquired by Rexnord Corporation. This was an existing investment of the Investment Partnership representing approximately $34.4 million of the co-investment amount.

Additionally, subsequent to December 31, 2006, and through March 10, 2007, the Investment Partnership made investments in the following:

- $87.4 million in Apollo Investment Europe,
- $65.0 million in Apollo Asia Opportunity Fund and drawn against its aggregate commitment of $200.0 million and
- $53.6 million in another opportunistic investment.

Subsequent to December 31, 2006 and through March 10, 2007, the Investment Partnership made the following potential co-investment commitments, which are estimated at approximately $350.0 million:

- a co-investment commitment in Harrah's Entertainment, Inc., one of the premier gaming and lodging companies in the world, with a #1 or #2 share in each market in which it competes. The company owns, operates, or manages 56 casinos in eight countries, representing approximately 40,000 hotel rooms and 3 million square feet of casino gaming space under the Harrah's, Caesars, Horseshoe and Bally's brand names, among others.

- a co-investment commitment in Realogy Corporation, a leading provider of residential real estate and relocation services in the world. Through its portfolio of leading brands (Coldwell Banker, Century 21, Sotheby's International Realty, ERA, Corcoran Group and Coldwell Banker Commercial), Realogy is the world's largest real estate brokerage franchisor and the largest U.S. residential real estate brokerage firm. Realogy is also the largest U.S. provider and a leading global provider of outsourced employee relocation services and a provider of title and settlement services.

- a co-investment commitment in Oceania Cruise Holdings, Inc., a leading cruise line focused on the destination-oriented, upper premium cruise market. Oceania owns three 684-berth vessels and offers itineraries in the Mediterranean, Far East, South America, the Caribbean, Australia and New Zealand.

- a co-investment commitment in Smart & Final Inc., a Los Angeles-based operator of 185 non-membership warehouses under the *Smart & Final* name that sell perishable and non-perishable food items, beverages, paper products, cleaning supplies, cooking equipment and janitorial supplies to both the traditional household customer and small business owners. These stores are located in Northern and Southern California, Nevada, Arizona and Mexico. In addition, the company operates 52 wholesale cash-and-carry warehouse stores under the *Cash & Carry* banner in Oregon, Washington and California that sell to "mom and pop" restaurant owners that are too small to purchase their products from the large foodservice companies.

Whether these commitments will be consummated depends on the satisfaction of a number of conditions, some or all of which may not be in our control. No assurances can be made as to whether or when these commitments will be consummated, if at all.