

A P O L L O

A L T E R N A T I V E   A S S E T S

**AP ALTERNATIVE ASSETS, L.P.**  
**Financial Report**

*As of March 31, 2016 and December 31, 2015  
and for the three months ended March 31, 2016 and 2015*

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# Certain Information

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## Statement of Responsibility

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The portions of this financial report that relate to AP Alternative Assets, L.P. (“AP Alternative Assets” or “AAA”), 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 of the fiscal period and of the profit or loss for such period, as well as, for preparing such financial statements in accordance with applicable Guernsey law, applicable Dutch law, and accounting principles generally accepted in the United States of America (“U.S. GAAP”). In accordance with their responsibilities, AAA Guernsey Limited has prepared the financial statements of AP Alternative Assets contained herein to give a true and fair view of the state of affairs of AP Alternative Assets at the end of the fiscal period and has prepared such financial statements in accordance with U.S. GAAP, and the board of directors of AAA Guernsey Limited has approved the financial statements.

The portions of this financial report that relate to AAA Investments, L.P. (“Investment Partnership”), including the consolidated financial statements and other financial information of the Investment Partnership, 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 the Investment Partnership. 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 of the fiscal period and of the profit or loss for such period, as well as, for preparing such consolidated 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 AP Alternative Assets and the Investment Partnership will continue in business. The directors are responsible for keeping proper records which disclose with reasonable accuracy at any time the financial position of the Partnerships and to enable them to ensure that the financial statements comply with applicable Guernsey law and U.S. GAAP. They are also responsible for safeguarding the assets of the Partnerships and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Certain Information

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## Directors and Advisors

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The board of directors of AAA Guernsey Limited currently consists of Imran Siddiqui, Gernot Lohr, Beno Suchodolski, Paul Guilbert and Rupert Dorey. The address for 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 currently consists of Imran Siddiqui, Gernot Lohr and Richard Gordon. The address for 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 AP Alternative Assets and the Investment Partnership. The address of Northern Trust International Fund Administration Services (Guernsey) Limited is Trafalgar Court, Les Banques, St. Peter Port, Guernsey, Channel Islands, GY1 3QL.

The purpose of this Financial Report is to comply with the requirements of the Netherlands Authority for the Financial Markets.

Deloitte LLP has been retained to serve as the independent auditor for AP Alternative Assets and the Investment Partnership. The address of Deloitte LLP in Guernsey is Regency Court, Glatigny Esplanade, St. Peter Port, Guernsey, Channel Islands, GY1 3HW.

Apollo Alternative Assets, L.P. provides investment management, operational and financial services to AP Alternative Assets and the Investment Partnership 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 is [www.apolloalternativeassets.com](http://www.apolloalternativeassets.com).

# About AP Alternative Assets

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## Overview

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AP Alternative Assets commenced operations on June 15, 2006, and is a closed-end limited partnership established by Apollo, as defined below, under the laws of Guernsey. AP Alternative Assets is managed by Apollo Alternative Assets, L.P. (“Apollo Alternative Assets” or “the Manager”) and is currently invested in an opportunistic investment sponsored by Apollo Global Management, LLC and its subsidiaries (collectively “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 global alternative investment manager with over 25 years of experience investing across the capital structure of leveraged companies.

Our investment mandate is to invest substantially all of our capital in Apollo-sponsored entities, funds and private equity transactions. As of March 31, 2016, our portfolio consisted of a single opportunistic investment in the economic equity of Athene Holding Ltd. (“Athene Holding” and together with its subsidiaries “Athene”), which was founded in 2009 to capitalize on favorable market conditions in the dislocated life insurance sector. Athene Holding is the ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed indexed annuities.

The net asset value of AP Alternative Assets as of March 31, 2016, was approximately \$2,481.5 million.

Competitive Strengths
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<p><b>We believe our competitive strengths include:</b></p>
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| <ul style="list-style-type: none"><li>• <b>the strong long-term track record of Apollo in targeted investment classes</b></li><li>• <b>the active involvement of Apollo’s experienced and cohesive investment team in our investments</b></li><li>• <b>our ability to benefit from Apollo’s integrated and collaborative investment platform and flexible approach towards investing across market cycles</b></li></ul> |
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# About AP Alternative Assets

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## About Apollo

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Founded in 1990, Apollo is a leading global alternative investment manager with a track record of successful private equity, credit and real estate investing. Apollo is led by its managing partners Leon Black, Joshua Harris and Marc Rowan. At March 31, 2016, Apollo had a team of 928 employees, including 354 investment professionals. Apollo has offices in New York, Los Angeles, Houston, Chicago, Bethesda, Toronto, London, Frankfurt, Madrid, Luxembourg, Mumbai, Delhi, Singapore, Hong Kong and Shanghai.

The private equity business is a key component of Apollo's investment activities. We believe Apollo has demonstrated the ability to adapt quickly to changing market environments and capitalize on market dislocations through its traditional and distressed investment approach. In prior periods of strained financial liquidity and economic recession, Apollo has made attractive private equity investments by buying the distressed debt of quality businesses, converting that debt to equity, creating value through active management and ultimately monetizing the investment. Apollo's combination of traditional buyout investing with a "distressed option" has been successful throughout prior economic cycles and has allowed its funds to achieve attractive long-term rates of return in different economic and market environments.

Apollo's investment approach is value-oriented and often contrarian in nature. The firm focuses on nine core industries in which it has considerable knowledge while emphasizing downside protection and the preservation of capital. Apollo has successfully applied this investment philosophy in flexible and creative ways over its 25 year history, allowing it to find attractive investment opportunities, deploy capital across the balance sheet of industry leading, or "franchise," businesses and create value throughout economic cycles.

Apollo's credit operations commenced in 1990 as a complement to its private equity investment activity. Apollo's credit platform is organized by several functional groups including U.S. performing credit, structured credit, opportunistic credit, non-performing loans and European credit. Within these groups Apollo manages a diverse range of credit-oriented investments that take advantage of the same disciplined, value-oriented investment philosophy employed with respect to Apollo's private equity investment activities.

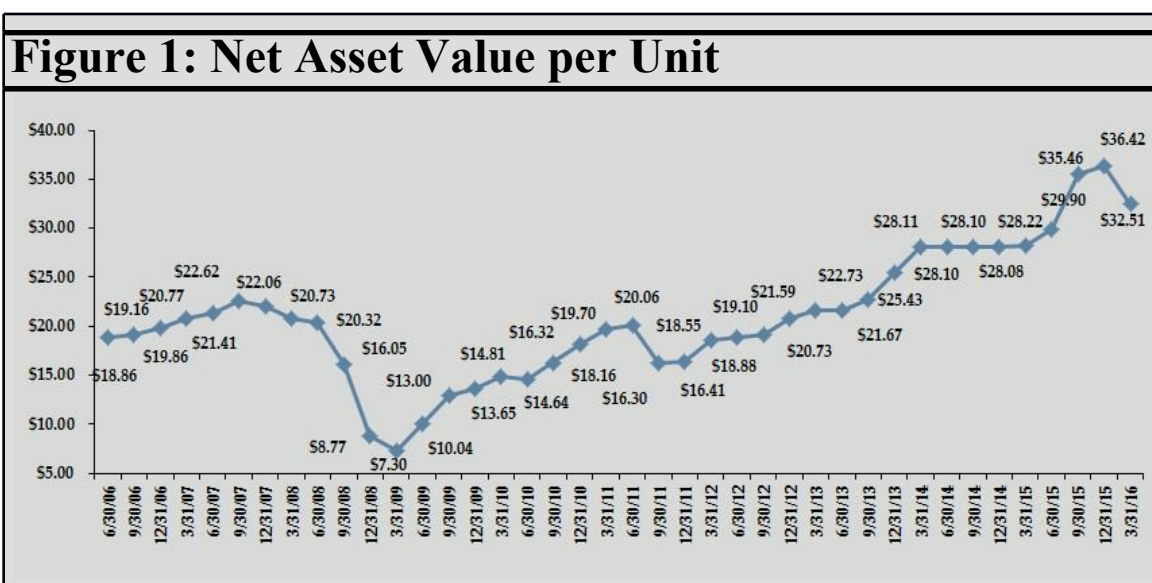
Apollo's investment professionals frequently collaborate and share information across disciplines including market insight, management, banking and consultant contacts, as well as, potential investment opportunities, which Apollo believes enables it to more successfully invest across a company's capital structure.

AP Alternative Assets has one investment comprised of the entire limited partner's interest in AAA Investments, L.P.

# About AP Alternative Assets

## Overview of Investment Results

As of March 31, 2016, the net asset value of AP Alternative Assets was approximately \$2,481.5 million, or \$32.51 per common unit. This reflects a net decrease in net assets after contributions, distributions and unit purchases of approximately \$298.3 million, or \$3.91 per common unit during the three months ended March 31, 2016.



## Overview of Investment Portfolio

The following portfolio allocation includes the fair value of the Investment Partnership's investment portfolio as of March 31, 2016, and excludes temporary investments.

**Figure 2: Portfolio Allocation**

(in thousands)

	Fair Value
Opportunistic Investment - Athene	\$ 2,621,809
<b>Total Investments</b>	<b>\$ 2,621,809</b>


# About AP Alternative Assets

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## Figure 3: Investments as of March 31, 2016

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As of March 31, 2016 our portfolio consisted of a single opportunistic investment in Athene.

Opportunistic Investment	
 <b>ATHENE</b> HOLDING	<b>Financial &amp; Business Services</b> <small>We are the largest equity holder in Athene Holding, which was founded in 2009 to capitalize on favorable market conditions in the dislocated life insurance sector. Athene Holding is the ultimate parent of various insurance company operating subsidiaries and is currently one of the largest fixed annuity companies in the United States. Through its subsidiaries, Athene Holding provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed indexed annuities.</small>



# Management's Discussion and Analysis of Financial Condition and Results of Operations

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## Introduction

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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, refer to our Prospectus which is available on the website ([www.apolloalternativeassets.com](http://www.apolloalternativeassets.com)). The following discussion should also be read in conjunction with our financial statements and related notes, as well as, the consolidated financial statements and related notes 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 and its subsidiaries 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 Global Management, LLC and its subsidiaries including any 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 Assets' 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.

Our financial statements and the consolidated 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 May 31, 2007, the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten, "AFM") sent us a letter in which it approved 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"). Pursuant to article 5:25v of the Dutch Financial Supervision Act (Wet op het Financieel Toezicht, "FSA"), currently no further dispensation is necessary for the preparation of our financial statements in accordance with U.S. GAAP.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

We are subject to the ongoing supervision of the Guernsey Financial Services Commission. The Partnership is also registered with the AFM as an investment institution domiciled in a designated state as referred to in Article 2:66(1) of the FSA, on the basis of which the Partnership is exempted from the requirement to obtain a license under the FSA, but is subject to certain ongoing obligations, including reporting obligations.

AAA is regulated by the Authorized Closed-ended Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission ("GFSC") with effect from December 15, 2008 under The Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended (the "New Rules"). Effective October 29, 2008, AAA became regulated under the New Rules and is deemed to be an authorized closed-ended investment scheme under the New Rules.

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 for the three months ended March 31, 2016 and 2015.

This financial report includes information required in accordance with Article 5:25e of the FSA and contains a discussion on the material events and transactions which relate to the period from January 1, 2016 through May 4, 2016. Other than as discussed in this financial report, there have been no other material events or transactions during this period which have impacted the financial position of AP Alternative Assets or its group companies.

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## Forward-Looking Statements

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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.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

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, factors and events that affect Athene's business, operations, financial condition, liquidity and prospects, 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.

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## Business Description

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### AP Alternative Assets

The Partnership is a Guernsey limited partnership (managed by Apollo Alternative Assets) whose business consists of one investment comprised of the limited partner interests in AAA Investments, L.P.

### AAA Investments

The Investment Partnership is a Guernsey limited partnership whose business purpose consists of making investments in and co-investments with, Apollo-sponsored private equity funds, credit funds or opportunistic investments. 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. The Investment Partnership held one investment as of March 31, 2016, an investment in the economic equity of Athene Holding.

We, 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 us with certain investment, financial advisory, operational and other services. Under the services agreement, Apollo Alternative Assets is also responsible for 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.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

We do not consolidate the results of operations, assets, or liabilities of the Investment Partnership in our financial statements. Therefore, operating expenses of the Investment Partnership are recognized only to the extent that they affect the fair value of the limited partner interests in the Investment Partnership. Our operating expenses are limited to the expenses that we directly incur in connection with our direct operations. These expenses consist primarily of 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 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, allocated overhead costs and administrative costs.

In general, the purchases and sales made by the Investment Partnership of non-cash and non-temporary investments are with related parties and direct expenses for management fees, broken deal costs, allocated overhead costs and incentive fees are paid to related parties.

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## Overview and Outlook

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As of March 31, 2016 and December 31, 2015, the net asset value of AP Alternative Assets was \$2,481.5 million, or \$32.51 per common unit, and \$2,779.7 million, or \$36.42 per common unit, respectively. For the three months ended March 31, 2016 and 2015, the net (decrease) increase in net assets from operations of AP Alternative Assets was \$(298.3) million, or \$(3.91) per common unit, and \$10.1 million, or \$0.14 per common unit, respectively.

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## Portfolio and Investment Activity

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Capital is currently deployed in a single opportunistic investment that we believe meets or exceeds our risk-reward standards. Consistent with the amended investment criteria outlined for the Partnership, as of March 31, 2016, the Investment Partnership had a concentration invested in this opportunistic investment.

On October 31, 2012, the Investment Partnership closed on an agreement to contribute substantially all of its investments to Athene Holding in exchange for common shares of Athene Holding, cash and a short term promissory note (the "Transaction").

On April 4, 2014, Athene Holding (together with its subsidiaries, "Athene") completed an initial closing of a private placement offering of common equity in which it raised \$1.048 billion of primary commitments from third-party institutional and certain existing investors in Athene Holding (the "Athene Private Placement"). In connection with the Athene Private Placement, Athene raised an additional \$80 million of third party capital at \$26 per share, all of which was used to buy back a portion of the shares of one of its existing investors at a price of \$26 per share in a transaction that was consummated on April 29, 2014. As announced on June 24, 2014, a second closing of the Athene Private Placement occurred in which Athene Holding raised \$170 million of commitments primarily from employees of Athene and its affiliates at a price per common share of Athene Holding of \$26. The Athene Private Placement offering was concluded in the first quarter of 2015 with a final

# Management's Discussion and Analysis of Financial Condition and Results of Operations

closing of \$60 million of additional commitments from affiliates of Athene. The Investment Partnership did not purchase any additional common shares of Athene Holding as part of the Athene Private Placement.

In accordance with the services agreement among AAA, the Investment Partnership and the other service recipients party thereto and Apollo Alternative Assets (the "Services Agreement"), Apollo Alternative Assets receives a management fee for managing the assets of the Investment Partnership. In connection with each of the consummation of the Transaction on October 31, 2012, and the initial closing of the Athene Private Placement on April 4, 2014, the Services Agreement was amended. Pursuant to the amendments, there were no management fees paid by the Investment Partnership with respect to the common shares of Athene Holding that were newly acquired by the Investment Partnership in the Transaction, which are those shares in excess of the shares of Athene Holding that prior to the Transaction, the Investment Partnership owned, or had committed to purchase (the "Excluded Athene Shares"). The Investment Partnership agreed to continue to pay Apollo Alternative Assets the same management fee on the Investment Partnership's investment in Athene (other than with respect to the Excluded Athene Shares), except that Apollo Alternative Assets agreed that the Investment Partnership's obligation to pay the existing management fee terminated on December 31, 2014 (although services will continue through December 31, 2020).

In connection with the Athene Private Placement, the AAA limited partnership agreement was amended to provide that AAA will distribute to its shareholders their pro rata portion of the common shares of Athene Holding (or proceeds thereof) as such shares are released from their contractual lock-up over a period beginning 7.5 months after Athene's IPO and ending 15 months following Athene's IPO pursuant to the Athene registration rights agreement.

In connection with the Athene Private Placement, Athene Holding amended its registration rights agreement to provide (i) investors who are party to such agreement, including the Investment Partnership, the potential opportunity for liquidity on their shares of Athene Holding through sales in registered public offerings over a 15 month period beginning on the date of Athene Holding's initial public offering (the "Athene IPO") and (ii) Athene Holding the right to cause certain investors who are party to the registration rights agreement to include in such offerings a certain percentage of their common shares of Athene Holding subject to the terms and conditions set forth in the agreement. However, pursuant to the registration rights agreement, any shares of Athene Holding held by Apollo will not be subject to such arrangements and instead will be subject to a lock-up period of two years following the effective date of the registration statement relating to the Athene IPO, but Athene Holding will not have the right to cause any shares owned by Apollo to be included in the Athene IPO or any follow-on offering.

In addition, the Investment Partnership's General Partner, is generally entitled to a carried interest that allocates to it 20% of the realized returns (net of related expenses including borrowing costs) on the investments of AAA Investments. The Investment Partnership's General Partner will not be entitled to receive any carried interest with respect to the Excluded Athene Shares. In addition, carried interest payable to the Investment Partnership's General Partner will be paid in common shares of Athene Holding (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding (unless such payment in shares would violate Section 16(b) of the U.S. Securities Exchange Act of 1934, as amended), or paid in cash if AAA sells the shares of Athene Holding.

As of March 31, 2016 and December 31, 2015, the Investment Partnership's economic ownership in Athene was 46.3% (calculated without giving effect to restricted common shares issued under Athene's management equity plan, as described in note 5 to the consolidated financial statements of AAA Investments, L.P.), and effectively 45% of the voting power. The economic ownership is based on the total shares allocable to its General Partner and Limited Partner. The net asset value of AAA excludes the net asset value of AAA Investments that is allocable to its General Partner which may be settled in cash or shares.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

The accompanying schedule shows the Investment Partnership's investments as of March 31, 2016 and December 31, 2015:

<i>(dollars in thousands)</i>	Shares	Cost	Fair Value	Fair Value as a Percentage of Net Assets
<b>As of March 31, 2016:</b>				
Opportunistic Investment – Athene	86,130,377	\$ 1,361,120	\$ 2,621,809	99.3%
<b>As of December 31, 2015:</b>				
Opportunistic Investment – Athene	86,130,377	\$ 1,361,120	\$ 2,948,243	99.4%

## (1) Investment in Opportunistic Investment

At March 31, 2016, the Investment Partnership had a total cost basis in Athene of \$1,361.1 million and the fair value of this investment approximated \$2,621.8 million, 99.3% of the net asset value of the Investment Partnership, which resulted in a net life-to-date unrealized appreciation of \$1,260.7 million. For the three months ended March 31, 2016 and 2015, the Investment Partnership recognized a net (decrease) increase in unrealized appreciation of \$(326.4) million and \$12.3 million, respectively, on its investment in Athene.

At December 31, 2015, the fair value of this investment approximated \$2,948.2 million, 99.4% of the net asset value of the Investment Partnership, which resulted in net life-to-date unrealized appreciation of \$1,587.1 million. For the year ended December 31, 2015, the Investment Partnership recognized a net increase in unrealized appreciation of \$706.5 million on its investment in Athene.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## Results of Operations

### Operating Results of AP Alternative Assets

The following table sets forth AP Alternative Assets' operating results for the three months ended March 31, 2016 and 2015:

<i>(in thousands)</i>	For the Three Months Ended March 31, 2016	For the Three Months Ended March 31, 2015
<b>NET INVESTMENT LOSS (ALLOCATED FROM AAA INVESTMENTS, L.P.)</b>		
Investment expense	\$ (1,245)	\$ (1,198)
General and administrative expenses	(319)	(418)
<b>Net investment loss</b>	<b>(1,564)</b>	<b>(1,616)</b>
<b>NET UNREALIZED (LOSSES) GAINS FROM INVESTMENTS (ALLOCATED FROM AAA INVESTMENTS, L.P.)</b>		
Net realized gains from sales/ dispositions on investments	—	666
Net (decrease) increase in unrealized appreciation on investments	(296,724)	11,077
<b>Net (loss) gain from investments</b>	<b>(296,724)</b>	<b>11,743</b>
<b>Net (decrease) increase in net assets resulting from operations</b>	<b>\$ (298,288)</b>	<b>\$ 10,127</b>

AAA generates income from its proportional share of the Investment Partnership's investment income, net of investment expenses, and from its share of the unrealized appreciation or depreciation on the Investment Partnership's investments. Under a services agreement, AAA incurs expenses from direct expenses, allocated expenses from the Investment Partnership for professional services, management fees and other general expenses, as well as, expenses of our Managing General Partner's board of directors and other administrative costs.

Net (Decrease) Increase in Net Assets Resulting from Operations— The net decrease in net assets resulting from operations was approximately \$298.3 million, or \$3.91 per common unit, for the three months ended March 31, 2016, compared to a net increase of \$10.1 million, or \$0.14 per common unit, for the three months ended March 31, 2015.

Refer to the Operating Results of the Investment Partnership for further details.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## Operating Results of the Investment Partnership

The following table sets forth the Investment Partnership's operating results for the three months ended March 31, 2016 and 2015:

<i>(in thousands)</i>	For the Three Months Ended March 31, 2016	For the Three Months Ended March 31, 2015
<b>Expenses</b>	\$ (1,246)	\$ (1,199)
<b>Net investment loss</b>	(1,246)	(1,199)
<b>Net realized gains from sales/ dispositions on investments</b>	—	667
<b>Net (decrease) increase in unrealized appreciation on investments</b>	(326,434)	12,253
<b>Net (loss) gain from investments</b>	(326,434)	12,920
<b>Net (decrease) increase in net assets resulting from operations</b>	<u>\$ (327,680)</u>	<u>\$ 11,721</u>

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

The Investment Partnership generates income from interest, dividends, realized gains or losses, and unrealized appreciation or depreciation on investments. The Investment Partnership incurs expenses from management fees, interest, broken deals, direct expenses, such as professional fees and administrative expenses, and allocated expenses under the services agreement with Apollo Alternative Assets.

### *Three Months Ended March 31, 2016 Compared to Three Months Ended March 31, 2015*

Expenses— For the three months ended March 31, 2016 and 2015 expenses approximated \$1.2 million and \$1.2 million, respectively. For the three months ended March 31, 2016 and 2015, these expenses primarily related to management fees, professional fees, and other administrative costs.

Net Realized Gains From Sales/Dispositions on Investments— There were no realized gains from sales/dispositions for the three months ended March 31, 2016. For the three months ended March 31, 2015 net realized gains from sales/dispositions were \$0.7 million, which resulted from the delivery to Apollo of common shares of Athene Holding in settlement of the quarterly management fee. Upon delivery of the shares, the unrealized appreciation was recognized along with a corresponding change in unrealized appreciation on investments for the same amount.

Net (Decrease) Increase in Unrealized Appreciation on Investments— Our investments are valued as described below under “Critical Accounting Policies — Valuation of Limited Partner Interests and Investments.” The net (decrease) increase in unrealized appreciation for the three months ended March 31, 2016 and 2015 was \$(326.4) million and \$12.3 million, respectively, primarily due to the (decrease) increase in the valuation of the Investment Partnership's investment in Athene of \$(326.4) million, and \$9.8 million, respectively.

Net (Loss) Gain from Investments— During the three months ended March 31, 2016 and 2015 the net (loss) gain from investments primarily resulted from the (decrease) increase in unrealized appreciation on investments described above.



# Management's Discussion and Analysis of Financial Condition and Results of Operations

Net (Decrease) Increase in Net Assets Resulting From Operations— The net (decrease) increase in net assets resulting from operations was approximately \$(327.7) million and \$11.7 million for the three months ended March 31, 2016 and 2015, respectively.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

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## Liquidity and Capital Resources

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### The Partnership's Sources of Cash and Liquidity Needs

The Partnership's primary uses of cash are to make capital contributions to the Investment Partnership for use in investments, to pay our operating expenses, to buyback our units under the unit buyback programs approved by the Board of Directors and to make distributions to our unitholders in accordance with our distribution policy. Distributions to the unitholders will be made only if and as determined by the Managing General Partner in its sole discretion and distributions may in fact not be paid. Although market conditions may currently preclude some or all of these sources of liquidity, we believe that the sources of liquidity described below will be sufficient to fund our working capital requirements within a one year time frame.

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.

We expect to receive cash distributions from the Investment Partnership from time to time to allow us to pay our operating expenses as they become due, buyback our units under the unit purchase programs and to assist us in making cash distributions to our unitholders in accordance with our distribution policy. 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. During the three months ended March 31, 2016 and 2015, the Partnership did not make any capital distributions.

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 unitholders, buyback our units under the unit purchase programs, or to pay operating expenses. We expect that such contributions will be used by the Investment Partnership in the ordinary course of business.

Our Investment Manager may, from time to time, directly or through one or more affiliates, purchase our common units in the open market at prevailing prices, which may be used for compensation or other general purposes.

In addition, the Investment Partnership's General Partner, is generally entitled to a carried interest that allocates to it 20% of the realized returns (net of related expenses including borrowing costs) on the investments of AAA Investments. The Investment Partnership's General Partner will not be entitled to receive any carried interest with respect to the Excluded Athene Shares. In addition, carried interest payable to the Investment Partnership's General Partner will be paid in common shares of Athene Holding (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding (unless such payment in shares would violate Section 16(b) of the U.S. Securities Exchange Act of 1934, as amended), or paid in cash if AAA sells the shares of Athene Holding.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

For the reasons described above, as well as, under “The Investment Partnership’s Sources of Cash and Liquidity Needs,” the Managing Partner has a reasonable expectation that AAA has adequate sources of liquidity to continue to conduct business for at least the next year. Accordingly, we continue to adopt the going concern basis in preparing the financial statements.

## **The Investment Partnership’s Sources of Cash and Liquidity Needs**

During the three months ended March 31, 2016, cash decreased approximately \$0.6 million. Cash used in operating activities of the Investment Partnership was approximately \$0.6 million, which was primarily comprised of professional fees and other administrative costs.

During the three months ended March 31, 2015, cash decreased approximately \$0.7 million. Cash used in operating activities of the Investment Partnership was approximately \$0.7 million, which was primarily comprised of professional fees and other administrative costs.

The Investment Partnership uses its cash primarily to fund investments, to make distributions to AAA, 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. Any available cash that is held by the Investment Partnership is temporarily invested in accordance with our cash management policy.

The Investment Partnership receives cash from time to time from the investments that it makes. The source of cash is in the form of dividends on equity investments, payments of interest and principal on fixed income investments and cash consideration received in connection with the disposal or realization of investments. Temporary investments made in connection with our cash management activities provide a more regular source of cash than less liquid investments, but generate returns that are generally lower than returns generated by other 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.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

In order to meet future operating cash needs, on April 30, 2015 the Investment Partnership entered into a revolving credit agreement (the "AMH Credit Agreement") with Apollo Management Holdings, L.P. ("AMH"), an indirect subsidiary of Apollo Global Management, LLC. Under the terms of the Agreement, AMH shall make available to the Investment Partnership one or more advances at the Investment Partnership's discretion in the aggregate amount not to exceed a balance of \$10.0 million at an applicable rate of LIBOR + 1.5% and subject to an annual commitment fee of 0.125% on the unused portion of the loan. The Investment Partnership shall pay the aggregate borrowings plus accrued interest at the earlier of (a) the third anniversary of the closing date, or (b) the date that is fifteen months following the initial public offering of shares of Athene Holding Ltd.

The Managing Investment Partner has reviewed the Investment Partnership's current cash balance and its future obligations and has a reasonable expectation that the Investment Partnership has adequate sources of liquidity to continue to conduct business for at least the next year. This assessment is based on its expected operating expenses, present sources of liquidity including the AMH Credit Agreement, and the ability to raise cash through sales of the investment and other activities.

In connection with each of the consummation of the Transaction on October 31, 2012, and the initial closing of the Athene Private Placement on April 4, 2014, the Services Agreement was amended. Pursuant to the amendments, there were no management fees paid by the Investment Partnership with respect to the Excluded Athene Shares. Please refer to the above "Portfolio and Investment Activity" section of the MD&A for additional detail on the impacts of the amended Services Agreement.

As described in additional detail above, the Investment Partnership's General Partner, is generally entitled to a carried interest that allocates to it 20% of the realized returns (net of related expenses including borrowing costs and Excluded Athene Shares) on the investments of AAA Investments.

## **Commitments and Contingencies**

As of March 31, 2016, the Investment Partnership had no outstanding commitments for future funding.

## **Legal Proceedings**

AAA and the Investment Partnership, may, from time to time, be party to various legal actions arising in the ordinary course of business including claims and litigations, reviews, investigations or proceedings by governmental and self regulatory agencies regarding their respective businesses. It is the opinion of the Managing General Partner and Managing Investment Partner, after consultation with counsel, that there are presently no existing matters that would result in a material adverse effect on the financial condition of the Partnership or the Investment Partnership.

For information concerning legal proceedings affecting Apollo, please refer to the various securities filings of Apollo Global Management, LLC, which are publicly available on the United States Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

# Management's Discussion and Analysis of Financial Condition and Results of Operations

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## Risk Factors

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### Portfolio Risks

As of March 31, 2016, the only portfolio investment of the Investment Partnership consists of an investment in the economic equity of Athene Holding. We make all of our investments through the Investment Partnership and our only significant asset is the limited partner interests in the Investment Partnership. Therefore, the value of your investment in us is directly linked to the value of Athene.

Should we experience a loss on a portion or all of the Athene investment, or on any investment that represented a significant portion of our portfolio, such an event would have a material adverse effect on our business, financial condition and results of operation and may result in a significant loss in the value of your investment in us. An investment in Athene involves risks. You should carefully consider the following summary of material risks as well as other information made available to you, including Athene's consolidated financial statements and related notes for the years ended December 31, 2014 and 2013.

A number of important factors could affect Athene's business, operations, financial condition, results of operations, liquidity and prospects. Additionally, there may be events that occur that affect Athene that could have a material and adverse effect on your investment in us. These factors and events include, but are not limited to, the following:

#### Risks Relating to Athene's Business

- Athene's profitability, financial condition, results of operations and cash flows depend on the accuracy of Athene's management's assumptions and estimates;
- the amount of statutory capital that Athene's insurance subsidiaries have can vary significantly from time to time and is sensitive to a number of factors outside of Athene's control;
- interest rate fluctuations could adversely affect Athene's profitability, financial condition, results of operations and cash flows by, among other things, (i) increasing surrenders of Athene's policies, (ii) negatively impacting the value of Athene's investments or asset management strategies and (iii) adversely affecting the type and quality of acquisitions of insurance liabilities and businesses Athene is able to make;
- Athene may need additional capital in the future to operate and grow their business, to maintain their financial strength and credit ratings and to meet other requirements and obligations and such capital may not be available to them or may not be available to them on favorable terms due to the volatility in the equity or credit markets, adverse economic conditions or their creditworthiness;
- if Athene's risk management policies and procedures, which include the use of derivatives and reinsurance, are not adequate to protect Athene, it may be exposed to unidentified, unanticipated or inadequately managed risks;
- Athene operates in a highly competitive industry that includes a number of competitors, many of which are larger and more well-known than Athene, which could limit Athene's ability to achieve its growth strategies and could materially and adversely affect Athene's business, financial condition, results of operations and prospects;

# Management's Discussion and Analysis of Financial Condition and Results of Operations

- Athene's growth plans include acquiring business through acquisitions of other insurance companies and reinsurance of insurance obligations written by unaffiliated insurance companies, and Athene's ability to consummate these acquisitions and reinsurance arrangements on terms acceptable to it in the future is unknown; furthermore, Athene's failure to manage its growth and integrate these acquisitions successfully may adversely affect Athene's profitability, financial condition, results of operations and cash flows;
- Athene may be responsible for certain of the obligations and liabilities of the companies and businesses it acquires and the insurance obligations written by unaffiliated insurance companies that Athene reinsures; these obligations and liabilities Athene assumes may be known to Athene at the time of acquisition or reinsurance or unknown; to the extent Athene does not price these obligations and liabilities appropriately or to the extent Athene assumes any unknown or unanticipated obligations and liabilities resulting from such acquisitions and reinsurance arrangements, Athene's profitability, results of operation, financial condition and cash flows could be materially adversely affected;
- a financial strength ratings downgrade, potential downgrade or any other negative action by a rating agency could make Athene's product offerings less attractive, inhibit its ability to acquire future business through acquisitions or reinsurance and increase its cost of capital which could have a material and adverse effect on its business, financial condition, results of operations and cash flows;
- Athene may be subject to significant operating and financial restrictions imposed by its financing agreements if Athene fails to maintain and comply with covenants applicable to it and its subsidiaries;
- Athene and its subsidiaries are subject to the credit risk of their counterparties, including ceding companies who reinsure business to Athene's insurance subsidiaries and reinsurers who assume liabilities from Athene's insurance subsidiaries and derivative counterparties;
- Athene relies on third parties, including reinsurance companies to which Athene has sold life insurance businesses, to provide services in connection with Athene's business operations; any failure by such third parties to perform their obligations to Athene in accordance with their respective agreements with Athene could have a material adverse effect on Athene's business; in addition, some of these third parties may act, or be deemed to act, on Athene's behalf or represent Athene in various capacities and consequently, Athene may be held responsible for obligations that arise from the acts or omissions of such third parties;
- Athene is dependent on its ability to maintain effective relationships with distribution partners that Athene is highly reliant upon to sell its products, including third party distributors, marketers or sellers of fixed annuities;
- Athene is subject to general economic conditions and other factors, including prevailing interest and unemployment rate levels and financial and credit market performance, which may affect, among other things, its ability to sell its products, the fair value of its investments and whether such investments become impaired and the surrender rate and profitability of its policies;
- Athene may incur additional senior or subordinated indebtedness the creditors of which would have priority in payment over holders of Athene's equity, including upon any liquidation of Athene;
- if Athene loses or fails to retain its senior executives or other key personnel and is unable to attract qualified personnel, its ability to execute its growth plans and operate its business could be impeded or adversely affected, which could significantly and negatively affect Athene's business;

# Management's Discussion and Analysis of Financial Condition and Results of Operations

- foreign currency fluctuations may reduce Athene's net income and capital levels, adversely affecting its financial condition;
- interruption or other operational failures in telecommunications, information technology and other operational systems or a failure to maintain the security, integrity, confidentiality or privacy of sensitive data residing on these systems, including as a result of human error, could have a material adverse effect on Athene's business;

## **Risks Related to Athene's Investments and Investment Manager**

- Athene's investments are subject to market, liquidity, concentration and credit risks; these risks could be greater during periods of extreme volatility or disruption in the financial and credit markets, which could adversely impact Athene's financial condition, results of operations and liquidity;
- Athene's financial condition, results of operations, cash flows and liquidity could be adversely affected if the fair value and future performance of Athene's investments decrease due to credit defaults, changes in interest rates or adverse cash flow characteristics, in each case, in a manner that differs from the assumptions or estimates made by Athene's management at the time of acquisition;
- if Athene's subsidiaries fail to generate sufficient cash, Athene may be required to sell its investments at a loss at inopportune times to cover policyholder withdrawals or to meet its insurance, reinsurance or other obligations;
- certain conflicts of interest exist and may arise from time to time among Apollo and Athene and its subsidiaries, including but not limited to investment management fees paid to Athene's asset manager, an affiliate of Apollo, and the failure to manage these potential conflicts appropriately could adversely affect Athene's business;
- Athene's bye-laws provide that Athene may not, and will cause its subsidiaries not to, terminate any investment management agreement between its investment manager and Athene or any of its subsidiaries without cause before October 31, 2018 (or any third anniversary of such date) and any such termination without cause requires approval of the board of directors of Athene and a majority of the voting shares of Athene and six months' prior written notice to the investment manager of such termination;

## **Risks Related to Insurance and Other Regulatory Matters**

- Athene is subject to significant legal restrictions, regulations and regulatory oversight in connection with the operations of its business, including the discretion of various governmental entities in applying such restrictions and regulations; these restrictions may have a material adverse effect on its business, financial condition, results of operations, cash flows, liquidity and prospects;
- Athene's failure to maintain or obtain approval of insurance regulators and other regulatory authorities as required for the operations of its insurance subsidiaries may have a material adverse effect on its business and prospects;
- Athene may become subject to regulatory changes or actions, including those relating to the regulation of financial services affecting (among other things) underwriting of insurance products and the regulation of the sale, underwriting and pricing of insurance products, the ability of its insurance subsidiaries to make cash distributions to Athene, to invest assets in accordance with Athene's investment strategy or to engage in transactions with or among affiliates, including Apollo, any of

# Management's Discussion and Analysis of Financial Condition and Results of Operations

- which could have an adverse effect on Athene's financial condition, results of operations or cash flows;
- with subsidiaries domiciled across the U.S. as well as in Bermuda, Germany and Luxembourg, Athene is subject to oversight from U.S. regulators as well as the Bermuda Monetary Authority and with the acquisition of DLD, Athene has subsidiaries in Germany and is subject to oversight from the Federal Financial Supervisory Authority (BaFin) in Germany. The potential for Athene's insurance subsidiaries' regulators to implement standards that require its insurance subsidiaries to hold more capital, limit its subsidiaries' ability to invest in certain asset classes, constrain its subsidiaries from paying dividends, or prevent its subsidiaries from consummating reinsurance or acquisition transactions may materially and adversely affect Athene's profitability, financial condition, results of operations and cash flows;
  - changes in the regulatory framework governing the insurance industry resulting from the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, including the establishment of, and actions taken by, the Federal Insurance Office, may have a material adverse effect on Athene's business, financial condition, results of operations, liquidity and prospects;
  - Athene may be the target or subject of, and may be required to defend against or respond to, litigation (including class action litigation), enforcement investigations or regulatory scrutiny;

## **Risks Relating to Common Shares of Athene Holding**

- there is currently no market for common shares of Athene Holding, and there is no assurance that an active trading market will develop or continue or will be liquid and the market price of Athene's common shares may be volatile; Athene Holding's common shares are subject to transfer restrictions and contractual restrictions on sales, and the Investment Partnership may be required to hold its investment in Athene for an indefinite period of time;
- the Investment Partnership's ability to transfer its Athene Holding common shares is limited; even if Athene becomes a publicly-traded company, the Investment Partnership will be contractually restricted from selling all or a portion of its common shares of Athene Holding for a period of time after Athene's initial public offering;
- Athene may raise additional equity capital in the future; future issuances or the possibility of future sales of a substantial amount of equity by Athene (including the issuance of additional equity in Athene Holding to Apollo in respect of management and other fees payable to Apollo) may depress the price of the Investment Partnership's investment in common shares of Athene Holding and result in substantial dilution to the Investment Partnership if it does not exercise its preemptive rights;
- the interests of Apollo, who controls 45% of the total voting power of Athene and who (directly or through employees) holds a number of the seats on Athene's board of directors, may conflict with those of other Athene shareholders and could make it more difficult for the Investment Partnership and other shareholders to influence significant corporate decisions;

## **Risks Relating to Taxation**

- Athene is subject to the risk that future changes in U.S. tax law could adversely affect its profitability, diminish the attractiveness of the products issued or reinsured by it, or reduce the after-tax returns of direct or indirect U.S. holders of Athene Holding's common shares;



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- Athene's financial condition, results of operations, cash flows and prospects are subject to the risk that the U.S. Internal Revenue Service may assert that Athene is liable for additional U.S. federal income or excise taxes as the result of its operations, including its reinsurance arrangements;
- Athene is subject to the risk that Bermuda tax laws may change and that it may become subject to new Bermuda taxes following the expiration of a current exemption after 2035;
- Athene is subject to the risk that it may become subject to withholding on certain investment income or proceeds under certain U.S. tax provisions commonly known as the "Foreign Account Tax Compliance Act" or "FATCA"; to avoid any withholding or penalties, Athene may be required to report the identity of, and certain other information regarding, certain direct or indirect U.S. holders of its common shares to counterparties or the U.S. Internal Revenue Service; Athene may also be required to withhold on payments to holders of its common shares who do not provide it with certain information required to fully comply with FATCA;
- certain direct or indirect U.S. holders of common shares of Athene Holding may be subject to adverse U.S. tax consequences if Athene is characterized as a "passive foreign investment company" for U.S. federal income tax purposes;
- existing voting restrictions on common shares of Athene Holding set forth in Athene's bye-laws limit the voting power of common shares of Athene Holding such that no U.S. person is treated as owning (directly, indirectly or constructively) more than 9.9% of the total voting power of Athene Holding's stock; if this voting restriction were not respected by a court or were suspended by Athene's board of directors, certain U.S. investors could experience adverse U.S. tax consequences as described below:
  - specifically, if the voting restriction were not in force or effective and Athene was treated as a Controlled Financial Corp ("CFC") in a taxable year, each U.S. person treated as a "U.S. Shareholder" with respect to Athene that held its common shares directly or through foreign entities as of the last day in such taxable year that Athene was a CFC would generally be required to include in gross income its pro rata share of Athene's insurance income and certain other investment income, regardless of whether that income was actually distributed to such U.S. person (with certain adjustments); for these purposes, a "U.S. Shareholder" of a non-U.S. corporation generally is any U.S. person that directly, indirectly or constructively owns stock of the non-U.S. corporation possessing 10% or more of the total voting power of such corporation's stock;
  - In general, a non-U.S. corporation is a CFC if "U.S. Shareholders", in the aggregate, directly, indirectly or constructively own stock of the non-U.S. corporation possessing more than 50% of the voting power or value of such corporation's stock; however, this threshold generally is lowered to 25% for purposes of taking into account the insurance income of a non-U.S. corporation;
- if any of Athene's Bermuda reinsurance subsidiaries is treated as recognizing related person insurance income ("RPII"), in a taxable year and such Bermuda reinsurance subsidiary is treated as a CFC for such taxable year, each U.S. person that holds common shares of Athene Holding directly or through foreign entities as of the last day in such taxable year must generally include in gross income its pro rata share of the RPII, determined generally as if the RPII were distributed proportionately only to all such U.S. persons, regardless of whether that income is distributed (with certain adjustments); for purposes of taking into account RPII, a non-U.S. corporation generally will be treated as a CFC if

# Management's Discussion and Analysis of Financial Condition and Results of Operations

U.S. persons in the aggregate directly, indirectly or constructively own 25% or more of the total voting power or value of such corporation's stock;

- RPII generally means any income of a non-U.S. corporation attributable to insuring or reinsuring risks of a U.S. person that directly, indirectly or constructively owns stock of such non-U.S. corporation, or risks of a person that is "related" to such U.S. person; for this purpose, (i) a person is "related" to another person if such person "controls", or is "controlled" by, such other person or if both are "controlled" by the same persons, and (ii) "control" of a corporation means direct, indirect or constructive ownership of stock possessing more than 50% of the total voting power or value of such corporation's stock and "control" of a partnership, trust or estate for U.S. federal income tax purposes means ownership (or deemed ownership) of more than 50% by value of the beneficial interests in such partnership, trust or estate;
- Existing voting restrictions on common shares of Athene Holding set forth in Athene's bye-laws prevent Apollo from owning more than 45% of the total voting power of Athene stock (including by preventing Apollo from investing in voting Class A common shares of Athene Holding at any time in which Apollo holds any Class B common shares of Athene Holding, subject to limited exceptions described below);
- However, the bye-laws provide Apollo the right to elect to retain the vote on newly acquired Class A common shares. If Apollo were to exercise such right, Apollo and Athene may be treated as "related" for these purposes, generally triggering the adverse RPII consequences to all U.S. persons that hold Athene Holding common shares directly or through foreign entities, as described above but subject to the discussion in the bullet point below;
- However, due to the complexity of the RPII rules, even if Apollo and Athene were treated as "related" for RPII purposes, it is unclear whether any portion of Athene's income would be properly characterized as RPII. If the U.S. Internal Revenue Service were to successfully take the position that RPII was generated, all U.S. persons who hold Athene Holding common shares directly or through foreign entities could experience the adverse RPII consequences described above, which would have a material adverse effect on the value of their investment in Athene Holding common shares;
- Any of Athene's insurance income or RPII that is required to be taken into account by a direct or indirect U.S. tax-exempt holder of Athene Holding's common shares generally will be taxable to such holder as unrelated business taxable income.

## **Risks Relating to Athene's Financial Reporting**

As part of its ongoing financial integration of Aviva USA, Athene identified material weaknesses in its internal control over financial reporting as of and for the years ended December 31, 2014 and 2013. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. If Athene fails to maintain effective internal control over financial reporting, it may not be able to accurately report its consolidated financial results.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

During the process of preparing and completing Athene's financial statements for the year ended December 31, 2013, Athene determined that it did not have sufficient internal control over financial reporting related to: (1) actuarial balances of the blocks of business acquired from Aviva USA and (2) the preparation and accuracy of income tax balances, each of which constitutes a material weakness. Athene is not currently required to evaluate its internal control over financial reporting in the same manner that is currently required of certain public companies, nor has Athene performed such an evaluation. Such evaluation would include documentation of internal control activities and procedures over financial reporting, assessment of design effectiveness of such controls and testing of operating effectiveness of such controls, which could result in the identification of additional material weaknesses in Athene's internal control over financial reporting.

Any failure to maintain adequate internal control over financial reporting or to implement required, new or improved internal controls, or difficulties encountered in their implementation, could cause Athene to report additional material weaknesses in its internal control over financial reporting, which may result in their inability to accurately report consolidated financial results. Any such failure could have a material and adverse effect on Athene's consolidated financial results and the value of our common shares.

- *Internal Control Over Actuarial Balances of the Blocks of Business Acquired from Aviva USA.* As a private company, Athene has grown rapidly through acquisitions, including the acquisition of Aviva USA, which resulted in growing to approximately four times its size immediately prior to the acquisition (as measured by total assets). Immediately prior to its acquisition, Aviva USA identified a deficiency in its internal control over financial reporting for actuarial balances. With respect to actuarial balances of this type, the accounting practices under IFRS and GAAP are substantially similar. Similar issues arose in the preparation of Athene's GAAP consolidated financial statements for the year ended December 31, 2013, and Athene concluded that a material weakness existed in Athene's control over financial reporting for actuarial balances related to the acquisition of Aviva USA.

In particular, Athene determined that it did not have sufficient internal controls in place to: control the completeness and accuracy of data used in calculating the material actuarial reserves acquired from Aviva USA and monitor the accuracy of complex actuarial models. This material weakness resulted in adjustments to interest-sensitive contract liabilities, value of business acquired ("VOBA") and deferred acquisition costs ("DAC") on Athene's consolidated balance sheets.

To address this material weakness, Athene designed and implemented controls to review the data inputs, models, reserve systems, valuations and other processes related to material reserves acquired from Aviva USA. Finally, Athene designed and implemented review controls over actuarial model changes in the actuarial units across its company. Athene believes that this deficiency no longer constitutes a material weakness and currently assess it as a significant deficiency.

- *Internal Control over Income Tax Balances.* As a private company which, prior to 2011, did not have any material operations subject to U.S. income tax, Athene has substantially relied on the tax staff, systems and processes of the U.S. companies it has acquired to prepare its U.S. income tax returns and to provide for the impact of U.S. income tax in its financial reporting. The acquisition of Aviva USA significantly increased the complexity of Athene's U.S. income tax position and the associated accounting. This complexity arises not only from the significantly greater size and scope of Aviva USA's historical operations relative to Athene's historical operations, but also from the complexity of the accounting necessary to report the income tax consequences of Athene's near simultaneous purchase of Aviva USA, the sale of Aviva USA's life operations to certain U.S. insurance subsidiaries of Global Atlantic, the reinsurance of a significant part of Aviva USA's annuity business to Athene Life Re Ltd. and several other related transactions.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

As Athene prepared consolidated financial statements for the year ended December 31, 2013, it identified a lack of internal control over the preparation and accuracy of income tax balances. Delays in the timely preparation of Athene's income tax basis for the opening balance sheet for the acquisition of Aviva USA, delays in the creation of income tax accounting entries and supporting schedules and documentation, limitations in the systems that support its tax accounting records, deficiencies in the documentation of supporting tax workpapers and deficiencies in the number of and in the training of its tax staff all contributed to the conclusion that this constitutes a material weakness in their internal control over financial reporting.

To address this material weakness, Athene has taken several actions, including adding expertise and resources to its tax staff, including a global senior head of tax with significant experience, and enhancing their capabilities and processes to support financial reporting for income taxes. Additionally, Athene has designed controls to support the comprehensive review over its income tax processes, which include providing supporting documentation and analyses of its income tax accounting positions in a timely manner and managing the response to complex accounting for the income tax consequences of insurance acquisitions to prevent or detect misstatements in the determination of the income tax consequences of future acquisitions. Athene believes that this deficiency no longer constitutes a material weakness and currently assess it as a significant deficiency.

## **Market Risks**

We are exposed to a number of market risks due to the types of investments that we make, the assets of the companies in which we invest and the manner in which we and the Investment Partnership raise capital. Our exposure to market risks include declines in the values of our investments, movements in prevailing interest rates, changes in foreign currency exchange rates and controls, availability of credit, inflation rates and government regulation. These market risks are outside of our control and may affect the level and volatility of securities prices and the liquidity and the value of investments, and we may not be able to or may choose not to manage our exposure to these risks. We may seek to mitigate such market risks through the use of hedging arrangements and derivative instruments, which may or may not be effective and could subject us to additional market risk. Additionally, the entities in which we invest or co-invest alongside may also seek to hedge or otherwise mitigate such risks, subject to their internal policies, which may or may not be effective and could result in increased risks. Additionally, we are exposed to concentration risk since Athene is our only portfolio investment. 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.

## **Global Financial Environment**

Events during the past few years in the global capital markets illustrate that the market environment can present extraordinary uncertainty and volatility for financial services companies and other market participants and that such uncertainty and volatility has had, and could continue to have, a material adverse effect on the functioning of capital markets, and on the business and operations of asset management businesses and other market participants, worldwide. In light of uncertainty in the financial services industry, our financial condition may be materially adversely affected, and we may become subject to new legal or regulatory requirements, suffer reputational harm or encounter unforeseen risks that could have a material adverse effect on our business and operations and those of the Investment Partnership. We may be affected by reduced opportunities to exit and realize value from our investments, and by lower than expected returns on investments. In light of volatile market and economic conditions, the companies in which we invest (either directly or through investments in affiliated funds) may experience decreased revenues, financial losses, credit rating downgrades, difficulty in obtaining access to financing and increased funding costs. The companies may also have difficulty in expanding their businesses and operations or be unable to meet their debt service obligations or other expenses as they become due, including expenses payable to us. Significant market volatility may result in lower investment

# Management's Discussion and Analysis of Financial Condition and Results of Operations

returns, which would further adversely affect our net income. Such events, and their underlying causes, are likely to be the catalyst for changes in financial regulation, and may result in major and unavoidable losses or additional costs to the Investment Partnership.

## **Securities Market Risks**

The Investment Partnership's investments, and the assets of the companies in which it invests, may include investments in publicly traded securities. 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 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.

The Investment Partnership's investments and the assets of the companies in which it invests may include investments that are not publicly traded. The value of these investments may also fluctuate due to the factors described in the preceding paragraph, which are largely beyond our control. In addition to these factors, these investments are subject to additional risks. For example, in many cases (including publicly traded securities), we may be prohibited by contract or by applicable securities laws from selling privately held securities for a period of time. We generally cannot sell these securities unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. The ability to dispose of an investment may be heavily dependent on the public equity markets. Furthermore, we may only be able to dispose of large holdings (even of publicly traded equity securities) and holdings of investments in illiquid over-the-counter markets over a substantial period of time, exposing the investment returns to risks of downward movement in market prices during the disposition period. In addition, in periods of extreme market volatility, it may be difficult to sell privately held or illiquid investments even at their current valuation.

## **Prime Brokers**

The Investment Partnership's assets, and the assets of the companies in which it invests, may be held in one or more accounts maintained by prime brokers, which may be located in various jurisdictions. Such brokers, as brokerage firms or commercial banks, are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Investment Partnership's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker or any of its sub-custodians, agents or affiliates, or a local broker, it is impossible to generalize about the effect of their insolvency on the Investment Partnership and its assets. Investors should assume that the insolvency of any of the prime brokers or such other service providers would result in a loss to the Investment Partnership, which could be material.

## **Structure of Ownership Risks**

Under AAA's limited partnership agreement, AAA unitholders are not entitled to vote on matters relating to the Partnership or to participate in the management or control of the business. In particular, AAA unitholders do not have the right to cause the Partnership's Managing General Partner to withdraw from the partnership, to cause a new general partner to be admitted to the Partnership, to appoint new directors to AAA's Managing General Partner's board of directors, to remove existing directors from AAA's Managing General Partner's board of directors, to prevent a change of control of AAA's Managing General Partner or to propose changes to or otherwise approve the Investment Partnership's investment policies and procedures. As a result, unlike

# Management's Discussion and Analysis of Financial Condition and Results of Operations

holders of common stock of a corporation, AAA unitholders are not able to influence the direction of the business and affairs, including investment policies and procedures, or to cause a change in management, even if they are unsatisfied with the performance of the Partnership's Managing General Partner.

In addition, the Partnership's Managing General Partner's board of directors has broad discretion to change the investment policies and procedures which may result in a significant change from the investment objectives described in the Partnership's prospectus. AAA unitholders do not have any right to refuse to consent to a change in the Investment Partnership's investment policies and procedures.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

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## Critical Accounting Policies

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The preparation of financial statements in conformity with U.S. GAAP requires making 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, refer to 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 shown 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 shown as assets in the Investment Partnership's consolidated 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 and its affiliates to estimate the investment values. An investment for which a market quotation is readily available is valued using a market price or a quoted price from an active market which is either directly or indirectly observable for the investment as of the end of the applicable accounting period. 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 method for determining fair value in good faith, the methodologies described below are generally followed when the fair value of an 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 which is based on the net asset value of the Investment Partnership. 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 would be received if such assets were sold or transferred in an orderly transaction between market participants as of a measurement date, 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/depreciation of the investments that it carries as assets in its consolidated financial statements. Such investments may 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. As of March 31, 2016, the Investment Partnership had one investment, an opportunistic investment in Athene Holding as described below.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## Value of Opportunistic Investment in Athene

The opportunistic investment in Athene held by the Investment Partnership represents common shares in Athene which do not have a readily determinable market value.

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 or transferred in an orderly transaction between market participants as of a measurement date. A market multiple approach that considers a specific financial measure (such as earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted EBITDA, cash flow, net income, revenues, or net asset value), a discounted cash flow approach, an option valuation methodology or a 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.

In 2015, AAA changed the valuation method used to value the opportunistic investment in Athene from the embedded value approach to the GAAP book value multiple approach. This change was driven by developments in Athene's business as noted below.

Athene's business was principally built through a series of acquisitions of individual portfolios of fixed index annuities since its inception in 2009. As of and prior to June 30, 2015, in valuing the Investment Partnership's investment in Athene, the embedded valuation method was employed to determine the fair value of shares in Athene in periods where there was not an observable market value. The embedded value methodology is widely used by market participants in the insurance industry in private company acquisitions of individual portfolios of annuities. The embedded value method estimates the present value of the future expected regulatory distributable income generated by the net assets plus the excess capital (i.e., the capital in excess of what is required to be held against liabilities) in determining fair value. Thus the embedded value method, as historically applied to the Athene valuation, was used to derive a value of Athene's existing block of business as well as the value of undeployed capital equivalent to the excess capital held. As of June 30, 2015 and prior, AAA also calculated an implied GAAP book value multiple for Athene, based on a projected GAAP book value, and compared that multiple to Athene's publicly traded insurance peers as a secondary valuation point to assess the reasonableness of the valuation derived under the embedded value method.

As of March 31, 2016 and December 31, 2015, the fair value of the Investment Partnership's investment in Athene was estimated under the GAAP book value multiple approach by applying a book value multiple to the GAAP book value per share of Athene. The conversion price for all Athene M-1 through M-4 management incentive shares granted was added to Athene's GAAP book value excluding accumulated other comprehensive income ("AOCI") for purposes of determining GAAP book value per share. AAA calculated a multiple for public company peers of Athene by dividing each peer's market capitalization by its reported GAAP equity, excluding AOCI. A regression analysis was then prepared based on the calculated multiple of each peer relative to its expected return on GAAP equity, excluding AOCI, relative to Athene. From this analysis, a comparable book value multiple for Athene was derived and then appropriately discounted to factor in the projected time frame of an Athene IPO and subsequent liquidity of shares (taking into consideration any post-IPO lock-up restrictions on the shares). As a result of the above analysis, AAA concluded it was appropriate to apply a multiple of 1.02 and 1.18 to Athene's GAAP book value per share, in estimating the value per Athene share at March 31, 2016 and December 31, 2015, respectively.



# Management's Discussion and Analysis of Financial Condition and Results of Operations

The GAAP book value multiple serves as a common industry benchmark for Athene's public insurance company peers. In addition, we perform analysis under other methodologies including price to earnings multiples to assess the reasonableness of the fair market value estimate by the book value multiple method.

## **Taxes and Maintenance of Status as Partnerships for U.S. Federal Tax Purposes**

AAA and the Investment Partnership are not taxable entities in Guernsey, have made protective elections to be treated as partnerships for U.S. federal income tax purposes and incur no U.S. federal income tax liability. Each unitholder is required to take into account its allocable share of items of income, gain, loss and deduction of the partnership in computing its U.S. federal income tax liability regardless of whether cash distributions are made.

Our investment policies and procedures provide that our investments must be made in a manner that permits AAA and the Investment Partnership to continue to be treated as partnerships for U.S. federal income tax purposes. To maintain compliance with this requirement, under current U.S. federal income tax laws, 90% or more of each partnership's respective gross income (determined by reference to gross income included in determining taxable income for U.S. federal income tax purposes) for every taxable year, including any short year resulting from a termination under Section 708 of the U.S. Internal Revenue Code, will be required to consist of "qualifying income" as defined in Section 7704 of the U.S. Internal Revenue Code. Qualifying income generally includes, among other things:

- interest not derived in the conduct of a financial or insurance business or excluded from the term "interest" under section 856(f) of the U.S. Internal Revenue Code;
- dividends; and
- any gain from the disposition of a capital asset held for the production of qualifying interest or dividends.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

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## Recent Accounting and Reporting Developments

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In May 2014, the FASB issued guidance to establish a comprehensive and converged standard on revenue recognition to enable financial statement users to better understand and consistently analyze an entity's revenue across industries, transactions, and geographies. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. As such, this new guidance could impact the timing of revenue recognition. The new guidance also requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The new guidance will apply to all entities. In August 2015, FASB issued its final standard formally amending the effective date of the new revenue recognition guidance. The amended guidance defers the effective date of the new guidance to interim reporting periods within annual reporting periods beginning after December 15, 2017. Public business entities are permitted to apply the new guidance early, but not before the original effective date (i.e., interim periods within annual periods beginning after December 15, 2016). The Partnership and Investment Partnership are in the process of evaluating the impact that this guidance will have on its financial statements.

# Financial Statements of AP Alternative Assets, L.P.

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## Index to Financial Statements

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# Financial Statements of AP Alternative Assets, L.P.

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## Independent Review Report to the General Partner of AP Alternative Assets, L.P.

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We have been engaged by AAA Guernsey Limited (the “General Partner”) to review the set of financial statements in the quarterly financial report of AP Alternative Assets, L.P. as of March 31, 2016 and December 31, 2015, and for the three months ended March 31, 2016 and 2015, which comprises the Statement of Assets and Liabilities, Statement of Operations, Statement of Changes in Net Assets, the Statement of Cash Flows and related Notes 1 to 7. We have read the other information contained in the quarterly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the set of financial statements.

This report is made solely to the General Partner in accordance with International Standard on Review Engagements (UK and Ireland) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the General Partner those matters we are required to state to them in an independent review 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 General Partner, for our review work, for this report, or for the conclusions we have formed.

### General Partner’s responsibilities

The quarterly financial report is the responsibility of, and has been approved by, the General Partner. The General Partner is responsible for preparing the quarterly financial report in accordance with the Limited Partnership Agreement.

As disclosed in Note 2, the quarterly financial information included in this quarterly financial report has been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

### Our responsibility

Our responsibility is to express to the General Partner a conclusion on the set of financial statements in the quarterly financial report based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# Financial Statements of AP Alternative Assets, L.P.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the set of financial statements in the quarterly financial report as of March 31, 2016 and December 31, 2015, and for the three months ended March 31, 2016 and 2015 are not prepared, in all material respects, in accordance with U.S. GAAP.

## Emphasis of matter - Fair Value of Investments in AAA Investments, L.P.

In arriving at our review conclusion, which is not modified, we have considered the adequacy of the disclosures made in Notes 2 and 3 concerning the valuation of investments. The Directors of the General Partner have estimated the fair value of the investment in AAA Investments, L.P. at \$2,482.2 million (100.0% of total assets) and \$2,780.2 million (100.0% of total assets) as of March 31, 2016 and December 31, 2015, respectively, whose fair value has been estimated by the Managing General Partner in the absence of readily determinable fair values. Due to the inherent uncertainty of the valuation, the estimated value may differ materially from the value that would have been realised had a disposal of the investment been made between a willing buyer and seller.

Deloitte LLP  
Chartered Accountants  
Guernsey, Channel Islands  
May 4, 2016

# Financial Statements of AP Alternative Assets, L.P.

<b>AP ALTERNATIVE ASSETS, L.P. STATEMENT OF ASSETS AND LIABILITIES (in thousands, except per unit amounts)</b>		
	<b>As of March 31, 2016 (unaudited)</b>	<b>As of December 31, 2015</b>
<b>ASSETS</b>		
Investment in AAA Investments, L.P. (cost of \$1,494,358 at March 31, 2016 and December 31, 2015)	\$ 2,482,243	\$ 2,780,212
Other assets	89	221
<b>TOTAL ASSETS</b>	<b>2,482,332</b>	<b>2,780,433</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	450	399
Due to affiliates	431	295
<b>TOTAL LIABILITIES</b>	<b>881</b>	<b>694</b>
<b>NET ASSETS</b>	<b>\$ 2,481,451</b>	<b>\$ 2,779,739</b>
<b>NET ASSETS CONSIST OF:</b>		
Partners' capital contribution (76,328,950 net common units outstanding at March 31, 2016 and December 31, 2015)	\$ 1,621,541	\$ 1,621,541
Partners' capital distributions	(112,309)	(112,309)
Accumulated increase in net assets resulting from operations	972,219	1,270,507
<b>NET ASSETS</b>	<b>\$ 2,481,451</b>	<b>\$ 2,779,739</b>
Net asset value per common unit	<b>\$ 32.51</b>	<b>\$ 36.42</b>
Market price per common unit	<b>\$ 31.79</b>	<b>\$ 31.56</b>
Refer to accompanying notes to financial statements.		

# Financial Statements of AP Alternative Assets, L.P.

<b>AP ALTERNATIVE ASSETS, L.P.</b>		
<b>STATEMENT OF OPERATIONS (unaudited)</b>		
<b>(in thousands)</b>		
	<b>For the Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>NET INVESTMENT LOSS (ALLOCATED FROM AAA INVESTMENTS, L.P.)</b>		
Investment expenses	\$ (1,245)	\$ (1,198)
	<u>(1,245)</u>	<u>(1,198)</u>
<b>EXPENSES</b>		
General and administrative expenses	(319)	(418)
	<u>(319)</u>	<u>(418)</u>
<b>NET INVESTMENT LOSS</b>	<u>(1,564)</u>	<u>(1,616)</u>
<b>REALIZED AND UNREALIZED (LOSSES) GAINS FROM INVESTMENTS (ALLOCATED FROM AAA INVESTMENTS, L.P.)</b>		
Net realized gains from sales/dispositions on investments	—	666
Net (decrease) increase in unrealized appreciation of investment	(296,724)	11,077
	<u>(296,724)</u>	<u>11,077</u>
<b>NET (LOSS) GAIN FROM INVESTMENTS</b>	<u>(296,724)</u>	<u>11,743</u>
<b>NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<u>\$ (298,288)</u>	<u>\$ 10,127</u>
Refer to accompanying notes to financial statements.		

# Financial Statements of AP Alternative Assets, L.P.

<b>AP ALTERNATIVE ASSETS, L.P. STATEMENT OF CHANGES IN NET ASSETS (in thousands)</b>		
	<b>For the Three Months Ended March 31, 2016 (unaudited)</b>	<b>For the Year Ended December 31, 2015</b>
<b>NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>		
Net investment loss	\$ (1,564)	\$ (6,578)
Net (loss) gain from investments (allocated from AAA Investments, L.P.)	(296,724)	642,771
Net (decrease) increase in net assets resulting from operations	(298,288)	636,193
<b>TOTAL (DECREASE) INCREASE IN NET ASSETS</b>	<b>(298,288)</b>	<b>636,193</b>
<b>NET ASSETS — Beginning of period</b>	<b>2,779,739</b>	<b>2,143,546</b>
<b>NET ASSETS — End of period</b>	<b>\$ 2,481,451</b>	<b>\$ 2,779,739</b>
<b>Refer to accompanying notes to financial statements.</b>		



# Financial Statements of AP Alternative Assets, L.P.

<b>AP ALTERNATIVE ASSETS, L.P.</b>		
<b>STATEMENT OF CASH FLOWS (unaudited)</b>		
<b>(in thousands)</b>		
	<b>For the Three Months Ended March 31, 2016</b>	<b>For the Three Months Ended March 31, 2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (decrease) increase in net assets resulting from operations	\$ (298,288)	\$ 10,127
<b>Adjustments to reconcile net (decrease) increase in net assets resulting from operations to net cash flows provided by operating activities:</b>		
Net investment loss (allocated from AAA Investments, L.P.)	1,245	1,198
Net loss (gain) from investments (allocated from AAA Investments, L.P.)	296,724	(11,743)
<b>Changes in operating assets and liabilities:</b>		
Decrease in other assets	132	153
Decrease in accounts payable, accrued liabilities and due to affiliates	187	265
Net cash flows provided by operating activities	—	—
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	—	—
<b>CASH AND CASH EQUIVALENTS —Beginning of period</b>	—	—
<b>CASH AND CASH EQUIVALENTS —End of period</b>	\$ —	\$ —
<b>Refer to accompanying notes to financial statements.</b>		

# Financial Statements of AP Alternative Assets, L.P.

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## Notes to Financial Statements

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### 1. BUSINESS

AP Alternative Assets, L.P. (“AAA” or the “Partnership”) is a Guernsey limited partnership whose partners are 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. The common units are non-voting and are listed on Euronext in Amsterdam, the regulated market of Euronext Amsterdam N.V., under the symbol “AAA”.

The Managing General Partner is a Guernsey limited company and is owned 55% by an individual who is not an affiliate of Apollo Global Management, LLC and its subsidiaries (collectively “Apollo”) and 45% by Apollo Principal Holdings III, L.P., an affiliate of Apollo. The Managing General Partner is responsible for managing the business and affairs of AAA. AAA generally makes all of these investments through AAA Investments, L.P. (the “Investment Partnership”), of which AAA is the sole limited partner. The Partnership’s investment mandate is to invest in Apollo-sponsored entities, funds and private equity transactions. The Partnership may also invest in additional private equity funds, credit funds and opportunistic investments identified by Apollo Alternative Assets, L.P. (“Apollo Alternative Assets” or the “Manager”, the investment manager to both AAA and the Investment Partnership – refer to Note 5, “Relationship with Apollo and Related Party Transactions”), and in temporary investments that are made in connection with cash management activities. As of March 31, 2016, the Partnership’s portfolio consisted of a single opportunistic investment in the economic equity of Athene Holding Ltd. (“Athene Holding” and together with its subsidiaries “Athene”). Athene Holding is the ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed indexed annuities. The financial statements of the Investment Partnership, including a schedule of investments, are included elsewhere within this report and should be read in conjunction with the Partnership’s financial statements.

AAA is regulated under the Authorised Closed-ended Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission (“GFSC”) with effect from December 15, 2008 under The Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended (the “New Rules”). AAA is deemed to be an authorized closed-ended investment scheme under the New Rules.

On October 31, 2012, the Investment Partnership closed on an agreement to contribute substantially all of its investments to Athene Holding in exchange for common shares of Athene Holding, cash and a short term promissory note (the “Transaction”).

Simultaneously with the approval of the Transaction, the Board approved the removal of the diversification requirements within the Investment Partnership’s Investment Policies and Procedures (having received the requisite approval of the independent directors) in order for the Investment Partnership to have Athene as its only investment. Refer to “Risk Factors – Portfolio Risks” for a discussion of the risks associated with the Athene investment.

On April 4, 2014, Athene Holding (together with its subsidiaries, “Athene”) completed an initial closing of a private placement offering of common equity in which it raised \$1.048 billion of primary commitments from third-party institutional and certain existing investors in Athene Holding (the “Athene Private Placement”). In connection with the Athene Private Placement, Athene raised an additional \$80 million of third party capital at \$26 per share, all of which was used to buy back a portion of the shares of one of its existing investors at a price of \$26 per share in a transaction that was consummated on April 29, 2014. As announced on June 24, 2014, a second closing of the Athene Private Placement occurred in which Athene Holding raised \$170 million

# Financial Statements of AP Alternative Assets, L.P.

of commitments primarily from employees of Athene and its affiliates at a price per common share of Athene Holding of \$26. The Athene Private Placement offering was concluded in the first quarter of 2015 with a final closing of \$60 million of additional commitments from affiliates of Athene. The Investment Partnership did not purchase any additional common shares of Athene Holding as part of the Athene Private Placement.

In accordance with the services agreement among AAA, the Investment Partnership and the other service recipients party thereto and Apollo Alternative Assets (the “Services Agreement”), Apollo Alternative Assets receives a management fee for managing the assets of the Investment Partnership. In connection with each of the consummation of the Transaction on October 31, 2012, and the initial closing of the Athene Private Placement on April 4, 2014, the Services Agreement was amended. Pursuant to the amendments, there were no management fees paid by the Investment Partnership with respect to the common shares of Athene Holding that were newly acquired by the Investment Partnership in the Transaction, which are those shares in excess of the shares of Athene Holding that prior to the Transaction, the Investment Partnership owned, or had committed to purchase (the “Excluded Athene Shares”). The Investment Partnership agreed to continue to pay Apollo Alternative Assets the same management fee on the Investment Partnership’s investment in Athene (other than with respect to the Excluded Athene Shares), except that Apollo Alternative Assets agreed that the Investment Partnership’s obligation to pay the existing management fee terminated on December 31, 2014 (although services will continue through December 31, 2020).

In connection with the Athene Private Placement, the AAA limited partnership agreement was amended to provide that AAA will distribute to its shareholders their pro rata portion of the common shares of Athene Holding (or proceeds thereof) as such shares are released from their contractual lock-up over a period beginning 7.5 months after Athene’s IPO and ending 15 months following Athene’s IPO pursuant to the Athene registration rights agreement.

In connection with the Athene Private Placement, Athene Holding amended its registration rights agreement to provide (i) investors who are party to such agreement, including the Investment Partnership, the potential opportunity for liquidity on their shares of Athene Holding through sales in registered public offerings over a 15 month period beginning on the date of Athene Holding’s initial public offering (the “Athene IPO”) and (ii) Athene Holding the right to cause certain investors who are party to the registration rights agreement to include in such offerings a certain percentage of their common shares of Athene Holding subject to the terms and conditions set forth in the agreement. However, pursuant to the registration rights agreement, any shares of Athene Holding held by Apollo will not be subject to such arrangements and instead will be subject to a lock-up period of two years following the effective date of the registration statement relating to the Athene IPO, but Athene Holding will not have the right to cause any shares owned by Apollo to be included in the Athene IPO or any follow-on offering.

In addition, the Investment Partnership’s General Partner is generally entitled to a carried interest that allocates to it 20% of the realized returns (net of related expenses including borrowing costs) on the investments of AAA Investments. The Investment Partnership’s General Partner will not be entitled to receive any carried interest with respect to the Excluded Athene Shares. In addition, carried interest payable to the Investment Partnership’s General Partner will be paid in common shares of Athene Holding (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding (unless such payment in shares would violate Section 16(b) of the U.S. Securities Exchange Act of 1934, as amended), or paid in cash if AAA sells the shares of Athene Holding.

As of March 31, 2016 and December 31, 2015, the Investment Partnership’s economic ownership in Athene was 46.3% (calculated without giving effect to restricted common shares issued under Athene’s management equity plan, as described in note 5 to the financial statements of AAA Investments, L.P.), and effectively 45% of the voting power. The economic ownership is based on the total shares allocable to its General Partner and Limited Partner. The net asset value of AAA excludes the net asset value of AAA Investments that is allocable to its General Partner which may be settled in cash or shares.

# Financial Statements of AP Alternative Assets, L.P.

## 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 Partnership and the Investment Partnership follow the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (the “ASC”) as the source of authoritative accounting principles in the preparation of financial statements in conformity with U.S. GAAP.

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 within this report and should be read in conjunction with the Partnership’s financial statements. AAA has recorded its allocated investment income and losses, and realized and unrealized gains and losses from investments from the Investment Partnership within the Statement of Operations. Management has evaluated all subsequent events or transactions for potential recognition or disclosure through May 4, 2016, the issuance date of these 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 for the three months ended March 31, 2016 and 2015 and its financial position at March 31, 2016 and December 31, 2015.

The preparation of financial statements in conformity with U.S. GAAP requires making 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 Managing General Partner has reviewed the Partnership’s future obligations and expects the Partnership to continue as a going concern for at least the next year. This assessment is based on the Partnership’s expected operating expenses, and because its sources of liquidity depend primarily on distributions by the Investment Partnership. This assessment is also based on the Investment Partnership’s present sources of liquidity, borrowing facilities and the ability to raise cash through sales of its investment and other activities.

AAA is, for U.S. GAAP purposes, an investment company and therefore applies the specialized accounting principles of the FASB ASC 946, “Financial Services - Investment Companies.” It reflects its investments on the Statement of Assets and Liabilities at their estimated fair value, with unrealized gains and losses resulting from changes in fair value reflected in the net change in unrealized appreciation/depreciation on investments in the Statement of Operations.

Significant 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 the Managing General Partner and the board of directors of AAA MIP Limited (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.

AAA’s investment in the Investment Partnership was valued at \$2,482.2 million (100.0% of net assets) and \$2,780.2 million (100.0% of net assets) as of March 31, 2016 and December 31, 2015, respectively. Such investment’s fair value has been estimated by the Managing General Partner’s board of directors in the absence of readily available fair values. However, because of the inherent uncertainty of the valuation, the estimated

# Financial Statements of AP Alternative Assets, L.P.

value may differ materially from the value that would have been realized had a disposal of the investment been made between a willing buyer and seller. Additionally, widespread economic uncertainty, slowing capital and consumer spending, indeterminate credit markets, volatile equity returns and other risks described elsewhere in this report could have effects on the fair value of investments in future periods.

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. The limited partner interests in the Investment Partnership do not have a readily available market and are valued by the Managing General Partner and recorded at the estimated 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/depreciation of the investments that it carries as assets in its financial statements.

***Fair Value of Financial Instruments***—U.S. GAAP requires the disclosure of the estimated fair value of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. AAA's financial instruments are recorded at fair value or at amounts whose carrying value approximates fair value. Refer to the valuation policy for limited partner interests above.

***Net Investment (Loss) Income and Net Gain from Investments***—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, insurance and other administrative costs.

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 the Managing General Partner or employees of Apollo. Their services are provided to AAA or for its benefit in accordance with the Services Agreement. None of these individuals, including Apollo Alternative Assets' chief financial officer, are required to be dedicated full-time to the business of the Partnership. The Investment Partnership reimburses an affiliate of Apollo Alternative Assets for services provided by an employee of Apollo for assistance with the strategic positioning of AAA.

***Taxes***—The Partnership is not subject to income taxes in Guernsey and is treated as a partnership for U.S. federal and state income tax purposes. As a partnership, AAA incurs no U.S. federal or state 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 or state income tax liability. The Partnership has filed U.S. federal and state tax returns for the 2014, 2013 and 2012 tax years. The tax years from 2012 through 2014 are subject to the possibility of an audit until the expiration of the applicable statute of limitations.

The Partnership follows U.S. GAAP when accounting for uncertainty in income taxes recognized in the financial statements. This guidance prescribes a recognition threshold and measurement attribute for the

# Financial Statements of AP Alternative Assets, L.P.

financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

***Distribution Policy***—The Partnership may make cash distributions (which would be payable to all unitholders) in an amount in U.S. dollars which if paid would generally be 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 (if made) 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 is no assurance that distributions will be made.

***Recent Accounting Pronouncements***—In May 2014, the FASB issued guidance to establish a comprehensive and converged standard on revenue recognition to enable financial statement users to better understand and consistently analyze an entity's revenue across industries, transactions, and geographies. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. As such, this new guidance could impact the timing of revenue recognition. The new guidance also requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The new guidance will apply to all entities. In August 2015, FASB issued its final standard formally amending the effective date of the new revenue recognition guidance. The amended guidance defers the effective date of the new guidance to interim reporting periods within annual reporting periods beginning after December 15, 2017. Public business entities are permitted to apply the new guidance early, but not before the original effective date (i.e., interim periods within annual periods beginning after December 15, 2016). The Partnership is in the process of evaluating the impact that this guidance will have on its financial statements.

### **3. INVESTMENTS IN LIMITED PARTNER INTERESTS OF THE INVESTMENT PARTNERSHIP**

At March 31, 2016 and December 31, 2015, AAA's only investment consisted of a limited partner interest 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 AAA's capital by the Investment Partnership do not appear as investments in AAA's financial statements, AAA is the primary beneficiary of such investments and bears substantially all of the risk of loss.

From time to time, the Investment Partnership makes distributions to or on behalf of AAA to assist AAA in making cash distributions to its unitholders in accordance with AAA's distribution policy and to allow AAA to pay its operating expenses as they become due.

#### ***Fair Value Measurements***

In accordance with U.S. GAAP, the Partnership prioritizes and ranks the level of market price observability used in measuring its investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

# Financial Statements of AP Alternative Assets, L.P.

*Level I*—Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level I include listed equities, securities and listed derivatives. AAA and the Investment Partnership do not adjust the quoted price for these investments, even in situations where Apollo holds a large position and a sale could reasonably impact the quoted price.

*Level II*—Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

*Level III*—Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include private equity, general and limited partner interests in private equity, credit or real estate funds, mezzanine funds, distressed debt, structured debt vehicles and non-investment grade residual interests in securitizations.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. AAA's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

As of March 31, 2016 and 2015, the Partnership's investment was valued based on its pro rata allocation of net assets of the Investment Partnership (which in turn was based on the Investment Partnership's underlying investment which was valued based on the fair value at which the company believes it could be sold or transferred in an orderly transaction between market participants as of the measurement date).

## 4. CAPITAL TRANSACTIONS

At March 31, 2016 and December 31, 2015, AAA had 76,328,950 net common units outstanding (76,464,117 inclusive of 135,167 of common units held in treasury).

Apollo Alternative Assets intends to continue monitoring the trading performance of AAA in the market and may, from time to time, seek to purchase units either directly or through one or more affiliates, when regulatory and market conditions permit.

In addition, under the Services Agreement, Apollo may require its affiliates to acquire additional common units of 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. Pursuant to the Services Agreement, Apollo Alternative Assets (or its affiliates) is required to purchase common units or restricted depositary units in the market when making a reinvestment of a portion of the carried interests from AAA. Apollo is not required to make these market purchases in any quarter where the amount of allocable carried interest to be reinvested is de minimis, and in such event the allocable carried interest will be rolled forward to subsequent quarters until such time as it is of a sufficient size to be used to acquire common units. In addition, Apollo is not obliged to make acquisitions of units or restricted depositary units in a particular quarter where the market price has increased above a pre-defined threshold. In such circumstances the allocable carried interest shall again be rolled over to the subsequent quarter. This was done to reduce the risk of market manipulation of the unit price. Where Apollo has been unable to invest its allocable carried interest in three consecutive quarters or open window periods, whichever is longer, it is obliged to invest the relevant allocable carried interest by way of a subscription for new units or restricted depositary units on the same basis as done

# Financial Statements of AP Alternative Assets, L.P.

prior to this amendment or (at its option) purchase in the market at whatever price is available. No lock-up is imposed on the units or restricted depositary units acquired by Apollo pursuant to the above arrangement as such a lock-up would have the effect of reducing liquidity of the units and restricted depositary units.

AAA has established a restricted deposit facility for a portion of its common units pursuant to which common units are deposited with a depository bank in exchange for restricted depositary units that are evidenced by restricted depositary receipts, subject to compliance with applicable ownership and transfer restrictions. The restricted depositary units have not been listed on any securities exchange.

During the three months ended March 31, 2016 and 2015, the Partnership did not make any capital distributions.

## 5. 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, pursuant to the 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. Apollo and its affiliates receive management, sub-advisory, monitoring and other fees from Athene related to services provided to Athene. Apollo, and/or its affiliates, also receives directly from portfolio companies in which the Investment Partnership may have 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.

***Services Agreement and Management Fee***—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. Apollo Alternative Assets receives a management fee from the service recipients for providing these services.

In accordance with the Services Agreement Apollo Alternative Assets receives a management fee for managing the assets of the Investment Partnership. In connection with each of the consummation of the Transaction on October 31, 2012, and the initial closing of the Athene Private Placement on April 4, 2014, the Services Agreement was amended. Prior to the consummation of the Athene Private Placement, as described below, management fees were paid pursuant to the Services Derivative. In connection with the Athene Private Placement, as described below, the Services Derivative was settled on April 29, 2014 by delivery to Apollo of common shares of Athene Holding, and as a result, such derivative was terminated. Following settlement of the Services Derivative, management fees payable to Apollo pursuant to the Services Agreement, as amended, were paid on a quarterly basis in arrears by delivery to Apollo of common shares of Athene Holding (unless such payment in shares would violate Section 16(b) of the U.S. Securities Exchange Act of 1934, as amended). Under the original services agreement, AAA, the Investment Partnership and the other service recipients 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 (i) all Adjusted Assets (as defined in the service agreement) up to and including \$3.0 billion multiplied by 1.25% plus (ii) all Adjusted Assets in excess of \$3.0 billion multiplied by 1.0%. Pursuant to the amendments, there will be no management fees paid by the Investment Partnership with respect to the Excluded Athene Shares. The Investment Partnership agreed to continue to pay Apollo Alternative Assets the same management fee on the Investment Partnership's investment in Athene (other than with respect to the Excluded Athene Shares), except that Apollo Alternative Assets agreed that the Investment Partnership's obligation to pay the existing management fee terminated on December 31, 2014 (although services will continue through December 31, 2020).



# Financial Statements of AP Alternative Assets, L.P.

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 Investment Partnership has historically not incurred any liabilities as a result of these guarantees and does not expect to in the future. Accordingly, no liability has been recorded in the accompanying financial statements.

**Due to Affiliates**—Due to affiliates at March 31, 2016 and December 31, 2015 consisted of \$0.4 million and \$0.3 million, respectively, payable to the Investment Partnership for expense reimbursements.

**Personal Interests of Directors**— Certain directors of the Managing General Partner and the Managing Investment Partner were AAA unitholders. At March 31, 2016 and December 31, 2015, those directors owned approximately 0.5 million and 1.1 million Units of AAA, respectively. This excluded 1.7 million and 1.8 million Units owned by an affiliate of Apollo, which certain directors are deemed to beneficially own at March 31, 2016 and December 31, 2015, respectively. Apollo has provided employee loans of approximately \$25.0 million to certain directors who have a direct investment in Athene Holding.

## 6. FINANCIAL HIGHLIGHTS

Financial highlights for AAA were as follows:

<i>(in thousands, except per unit amounts)</i>	<b>For the Three Months Ended March 31, 2016 (unaudited)</b>	<b>For the Three Months Ended March 31, 2015 (unaudited)</b>
<b>Per unit operating performance:</b>		
Net asset value at the beginning of period	\$36.42	\$28.08
<b>(Loss) income from investment operations:</b>		
Net investment loss	(0.02)	(0.02)
Net (loss) gain from investments	(3.89)	0.16
<b>Total from investment operations</b>	<b>(3.91)</b>	<b>0.14</b>
<b>Net asset value at end of period</b>	<b>\$32.51</b>	<b>\$28.22</b>
<b>Total return</b>	<b>(10.73)%</b>	<b>0.47%</b>
<b>Percentage and supplemental data:</b>		
Net assets at the end of the period	\$2,481,451	\$2,153,673
<b>Ratios to average net assets*:</b>		
Expenses	0.23%	0.30%
Investment loss	(0.23)%	(0.30)%

\*These financial highlights are calculated using expense totals that include expenses allocated from the Investment Partnership.

These financial highlights have been calculated using a methodology in accordance with U.S. GAAP. The total return has not been presented on an annualized basis. Ratios to average net assets were presented on an annual basis and were calculated on a weighted average basis.

# Financial Statements of AP Alternative Assets, L.P.

## 7. COMMITMENTS AND CONTINGENCIES

AAA may, from time to time, be party to various legal actions arising in the ordinary course of business including claims and litigations, reviews, investigations or proceedings by governmental and self regulatory agencies regarding their respective businesses. It is the opinion of the Managing General Partner and Managing Investment Partner, after consultation with counsel, that there are presently no existing matters that would result in a material adverse effect on the financial condition of the Partnership. As of March 31, 2016, AAA had no outstanding commitments for future funding.

# Consolidated Financial Statements of AAA Investments, L.P.

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# Consolidated Financial Statements of AAA Investments, L.P.

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## Independent Review Report to the Managing Investment Partner of AAA Investments, L.P.

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We have been engaged by AAA MIP Limited (the “General Partner”) to review the set of consolidated financial statements in the quarterly financial report of AAA Investments, L.P. as of March 31, 2016 and December 31, 2015, and for the three months ended March 31, 2016 and 2015, which comprises the Consolidated Statement of Assets and Liabilities, Consolidated Schedule of Investments, Consolidated Statement of Operations, Consolidated Statement of Changes in Net Assets, the Consolidated Statement of Cash Flows and related Notes 1 to 7. We have read the other information contained in the quarterly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the set of consolidated financial statements.

This report is made solely to the General Partner in accordance with International Standard on Review Engagements (UK and Ireland) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the General Partner those matters we are required to state to them in an independent review 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 General Partner, for our review work, for this report, or for the conclusions we have formed.

### General Partner’s responsibilities

The quarterly financial report is the responsibility of, and has been approved by, the General Partner. The General Partner is responsible for preparing the quarterly financial report in accordance with the Limited Partnership Agreement.

As disclosed in Note 2, the quarterly financial information included in this quarterly financial report has been prepared in accordance with Accounting Principles Generally Accepted in the United States of America (U.S. GAAP).

### Our responsibility

Our responsibility is to express to the General Partner a conclusion on the set of consolidated financial statements in the quarterly financial report based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# Consolidated Financial Statements of AAA Investments, L.P.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the set of consolidated financial statements in the quarterly financial report as of March 31, 2016 and December 31, 2015, and for the three months ended March 31, 2016 and 2015 are not prepared, in all material respects, in accordance with U.S. GAAP.

## Emphasis of Matter - Fair Value of Investments

In arriving at our review conclusion, which is not modified, we have considered the adequacy of the disclosures made in Notes 2 and 3 concerning the valuation of investments. The Directors of the General Partner have estimated the fair value of certain investments at \$2,621.8 million (99.3% of total assets) and \$2,948.2 million (99.3% of total assets) at March 31, 2016 and December 31, 2015, respectively in the absence of readily determinable market value. However, because of the inherent uncertainty of the valuation, the estimated value may differ materially from the value that would have been realized had a disposal of the investments been made between a willing buyer and seller.

Deloitte LLP  
Chartered Accountants  
Guernsey, Channel Islands  
May 4, 2016

# Consolidated Financial Statements of AAA Investments, L.P.

<b>AAA INVESTMENTS, L.P.</b>			
<b>CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES</b>			
<b>(in thousands)</b>			
	As of March 31, 2016 (unaudited)		As of December 31, 2015
<b>ASSETS</b>			
Investments:			
Investment in Opportunistic Investment at fair value (cost of \$1,361,120 at March 31, 2016 and December 31, 2015)	\$ 2,621,809	\$	2,948,243
Cash and cash equivalents	2,014		2,592
Other assets	16,090		17,065
Due from affiliates	431		295
<b>TOTAL ASSETS</b>	<b>2,640,344</b>		<b>2,968,195</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	239		474
Due to affiliates	442		378
<b>TOTAL LIABILITIES</b>	<b>681</b>		<b>852</b>
<b>NET ASSETS</b>	<b>\$ 2,639,663</b>	<b>\$</b>	<b>2,967,343</b>
<b>NET ASSETS CONSIST OF:</b>			
Partners' capital	\$ 1,468,524	\$	1,468,524
Accumulated increase in net assets resulting from operations	1,171,139		1,498,819
<b>NET ASSETS</b>	<b>\$ 2,639,663</b>	<b>\$</b>	<b>2,967,343</b>
Refer to accompanying notes to consolidated financial statements.			

# Consolidated Financial Statements of AAA Investments, L.P.

<b>AAA INVESTMENTS, L.P.</b>					
<b>CONSOLIDATED SCHEDULE OF INVESTMENTS</b>					
<b>(in thousands)</b>					
	<u>Investments by Geography</u>	<u>Investments by Industry</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Fair Value as a Percentage of Net Assets</u>
<b>As of March 31, 2016 (unaudited):</b>					
<b>Opportunistic Investment – Athene</b>	North America	Financial & Business Services	\$ 1,361,120	\$ 2,621,809	99.3%
<b>Total Investments</b>			<u>\$ 1,361,120</u>	<u>\$ 2,621,809</u>	<u>99.3%</u>
<b>As of December 31, 2015:</b>					
<b>Opportunistic Investment – Athene</b>	North America	Financial & Business Services	\$ 1,361,120	\$ 2,948,243	99.4%
<b>Total Investments</b>			<u>\$ 1,361,120</u>	<u>\$ 2,948,243</u>	<u>99.4%</u>
<b>Refer to accompanying notes to consolidated financial statements.</b>					

# Consolidated Financial Statements of AAA Investments, L.P.

<b>AAA INVESTMENTS, L.P.</b>		
<b>CONSOLIDATED STATEMENT OF OPERATIONS (unaudited)</b>		
<b>(in thousands)</b>		
	<b>For the Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>EXPENSES:</b>		
Management fees	\$ (842)	\$ (842)
General and administrative expenses	(404)	(357)
<b>NET INVESTMENT LOSS</b>	<b>(1,246)</b>	<b>(1,199)</b>
<b>REALIZED AND UNREALIZED (LOSSES) GAINS FROM INVESTMENTS:</b>		
Net realized gains from sales/dispositions on investments	—	667
Net (decrease) increase in unrealized appreciation on investments	(326,434)	12,253
<b>NET (LOSS) GAIN FROM INVESTMENTS</b>	<b>(326,434)</b>	<b>12,920</b>
<b>NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ (327,680)</b>	<b>\$ 11,721</b>
See accompanying notes to consolidated financial statements.		



# Consolidated Financial Statements of AAA Investments, L.P.

<b>AAA INVESTMENTS, L.P.</b>			
<b>CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS</b>			
<b>(in thousands)</b>			
	<b>General Partner</b>	<b>Limited Partner</b>	<b>Total</b>
<b>For the Year Ended December 31, 2015:</b>			
NET ASSETS — January 1, 2015	\$ 122,774	\$ 2,144,118	\$ 2,266,892
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS:</b>			
Net investment loss	(1)	(4,863)	(4,864)
Net gain from investments	64,359	642,771	707,130
Net increase in net assets resulting from operations:	64,358	637,908	702,266
<b>NET CHANGE FROM CAPITAL TRANSACTIONS:</b>			
Partners' capital distributions	(1)	(1,814)	(1,815)
Net change from capital transactions	(1)	(1,814)	(1,815)
<b>TOTAL INCREASE IN NET ASSETS</b>	<b>64,357</b>	<b>636,094</b>	<b>700,451</b>
NET ASSETS — December 31, 2015	187,131	2,780,212	2,967,343
<b>For the Three Months Ended March 31, 2016 (unaudited):</b>			
<b>NET DECREASE IN NET ASSETS FROM OPERATIONS:</b>			
Net investment loss	(1)	(1,245)	(1,246)
Net loss from investments	(29,710)	(296,724)	(326,434)
Net decrease in net assets resulting from operations:	(29,711)	(297,969)	(327,680)
<b>TOTAL DECREASE IN NET ASSETS</b>	<b>(29,711)</b>	<b>(297,969)</b>	<b>(327,680)</b>
NET ASSETS — March 31, 2016	\$ 157,420	\$ 2,482,243	\$ 2,639,663
Refer to accompanying notes to consolidated financial statements.			

# Consolidated Financial Statements of AAA Investments, L.P.

<b>AAA INVESTMENTS, L.P.</b>		
<b>CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)</b>		
<b>(in thousands)</b>		
	<b>For the Three Months Ended March 31, 2016</b>	<b>For the Three Months Ended March 31, 2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (decrease) increase in net assets resulting from operations	\$ (327,680)	\$ 11,721
Adjustments to reconcile net (decrease) increase in net assets resulting from operations to net cash flows used in operating activities:		
Net decrease (increase) in unrealized appreciation on investments	326,434	(12,253)
Net realized gains from sales/dispositions on investments	—	(667)
Changes in operating assets and liabilities:		
Decrease in other assets and due from affiliates	839	750
Decrease in accounts payable, accrued liabilities and due to affiliates	(171)	(287)
Net cash flows used in operating activities	(578)	(736)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(578)	(736)
CASH AND CASH EQUIVALENTS — Beginning of period	2,592	5,888
CASH AND CASH EQUIVALENTS — End of period	\$ 2,014	\$ 5,152
Refer to accompanying notes to consolidated financial statements.		

# Consolidated Financial Statements of AAA Investments, L.P.

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## Notes to Consolidated Financial Statements

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### 1. BUSINESS

AAA Investments, L.P. (the “Investment Partnership”) is a Guernsey limited partnership whose partners are 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 55% by an individual who is not an affiliate of Apollo Global Management, LLC and its subsidiaries (collectively “Apollo”), and 45% by Apollo Principal Holdings III, L.P., an affiliate of Apollo, effectively is responsible for managing the Investment Partnership’s business and affairs.

The Investment Partnership is the partnership through which AAA and the General Partner make investments. These investments may include investments in Apollo-sponsored entities, funds and private equity transactions. As of March 31, 2016, the Investment Partnership’s portfolio consisted of a single opportunistic investment in the economic equity of Athene Holding Ltd. (“Athene Holding” and together with its subsidiaries, “Athene”). Athene Holding is the ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed indexed annuities. 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”).

On October 31, 2012, the Investment Partnership closed on an agreement to contribute substantially all of its investments to Athene Holding in exchange for common shares of Athene Holding, cash and a short term promissory note (the “Transaction”).

Simultaneously with the approval of the Transaction, the Board approved the removal of the diversification requirements within the Investment Partnership’s Investment Policies and Procedures (having received the requisite approval of the independent directors) in order for the Investment Partnership to have Athene as its only investment. Refer to “Risk Factors – Portfolio Risks” for a discussion of the risks associated with the Athene investment.

On April 4, 2014, Athene Holding completed an initial closing of a private placement offering of common equity in which it raised \$1.048 billion of primary commitments from third-party institutional and certain existing investors in Athene Holding (the “Athene Private Placement”). In connection with the Athene Private Placement, Athene raised an additional \$80 million of third party capital at \$26 per share, all of which was used to buy back a portion of the shares of one of its existing investors at a price of \$26 per share in a transaction that was consummated on April 29, 2014. On June 24, 2014, a second closing of the Athene Private Placement occurred in which Athene Holding raised \$170 million of commitments primarily from employees of Athene and its affiliates at a price per common share of Athene Holding of \$26. The Athene Private Placement offering was concluded in the first quarter of 2015 with a final closing of \$60 million of additional commitments from affiliates of Athene. The Investment Partnership did not purchase any additional common shares of Athene Holding as part of the Athene Private Placement.

# Consolidated Financial Statements of AAA Investments, L.P.

In accordance with the services agreement among AAA, the Investment Partnership and the other service recipients party thereto and Apollo Alternative Assets (the “Services Agreement”) Apollo Alternative Assets received a management fee for managing the assets of the Investment Partnership. In connection with each of the consummation of the Transaction on October 31, 2012, and the initial closing of the Athene Private Placement on April 4, 2014, the Services Agreement was amended. Pursuant to the amendments, the parties agreed that there will be no management fees payable by the Investment Partnership with respect to the common shares of Athene Holding that were newly acquired by the Investment Partnership in the Transaction, which are those shares in excess of the shares of Athene Holding that prior to the Transaction, the Investment Partnership owned, or had committed to purchase (the “Excluded Athene Shares”). The Investment Partnership agreed to continue to pay Apollo Alternative Assets the same management fee on the Investment Partnership’s investment in Athene (other than with respect to the Excluded Athene Shares), except that Apollo Alternative Assets agreed that the Investment Partnership’s obligation to pay the existing management fee terminated on December 31, 2014 (although services will continue through December 31, 2020).

In connection with the Athene Private Placement, the AAA limited partnership agreement was amended to provide that AAA will distribute to its shareholders their pro rata portion of the common shares of Athene Holding (or proceeds thereof) as such shares are released from their contractual lock-up over a period beginning 7.5 months after Athene’s IPO and ending 15 months following Athene’s IPO pursuant to the Athene registration rights agreement.

In connection with the Athene Private Placement, Athene Holding amended its registration rights agreement to provide (i) investors who are party to such agreement, including the Investment Partnership, the potential opportunity for liquidity on their shares of Athene Holding through sales in registered public offerings over a 15 month period beginning on the date of Athene Holding’s initial public offering (the “Athene IPO”) and (ii) Athene Holding the right to cause certain investors who are party to the registration rights agreement to include in such offerings a certain percentage of their common shares of Athene Holding subject to the terms and conditions set forth in the agreement. However, pursuant to the registration rights agreement, any shares of Athene Holding held by Apollo will not be subject to such arrangements and instead will be subject to a lock-up period of two years following the effective date of the registration statement relating to the Athene IPO, but Athene Holding will not have the right to cause any shares owned by Apollo to be included in the Athene IPO or any follow-on offering.

As described in additional detail in note 5 "Relationship with Apollo and Related Party Transactions" of the AAA Investments consolidated financial statements, the Investment Partnership’s General Partner is generally entitled to a carried interest that allocates to it 20% of the realized returns (net of related expenses including borrowing costs and Excluded Athene Shares) on the investments of AAA Investments, with the exception of the Excluded Athene Shares.

As of March 31, 2016 and December 31, 2015, the Investment Partnership’s economic ownership in Athene was 46.3% (calculated without giving effect to restricted common shares issued under Athene's management equity plan, as described in note 5), and effectively 45% of the voting power. The economic ownership is based on the total shares allocable to its General Partner and Limited Partner.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**—These consolidated 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 Partnership and the Investment Partnership follow the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (the “ASC”) as the source of authoritative accounting principles in the preparation of consolidated financial statements in conformity with U.S. GAAP.

# Consolidated Financial Statements of AAA Investments, L.P.

The consolidated financial statements include the consolidated financial statements of the Investment Partnership and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The Investment Partnership utilizes the U.S. dollar as its functional currency. Management has evaluated all subsequent events or transactions for potential recognition or disclosure through May 4, 2016, the issuance date of these consolidated financial statements.

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 the Investment Partnership's activity for the three months ended March 31, 2016 and 2015 and its financial position as of March 31, 2016 and December 31, 2015.

The preparation of consolidated financial statements in conformity with U.S. GAAP requires making certain estimates and assumptions that could materially affect the amounts reported in the consolidated financial statements and related notes. Actual results could differ materially from these estimates.

The Managing Investment Partner has reviewed the current cash balance of the Investment Partnership and its future obligations and expects the Investment Partnership to continue as a going concern for at least the next year. This assessment is based on the Investment Partnership's expected operating expenses, present sources of liquidity, its borrowing facilities and the ability to raise cash through sales of investments and other activities.

The Investment Partnership is, for U.S. GAAP purposes, an investment company and therefore applies the specialized accounting principles of the FASB ASC 946, "Financial Services - Investment Companies." It reflects its investments on the Statement of Assets and Liabilities at their estimated fair value, with unrealized gains and losses resulting from changes in fair value reflected in the net change in unrealized appreciation/depreciation on investments in the Statement of Operations.

Significant accounting policies are those policies that are the most important to the consolidated 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 disclosure have been reviewed by the board of directors of the Managing General Partner and the board of directors of the Managing Investment Partner.

**Valuation of Investments**—The investments shown as assets in the Investment Partnership's consolidated 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 shown as assets in the Investment Partnership's consolidated 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 makes calculations as to investment value, and the services of independent valuation firms, who perform certain agreed upon procedures with respect to valuations that are prepared by Apollo Alternative Assets to confirm that such valuations are reasonable at each reporting date. An investment for which a market quotation is readily available is valued using the market price or the quoted price from an active market which is either directly or indirectly observable for the investment as of the end of the applicable accounting period. 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 by the Managing General Partner's board of directors in good faith.

Apollo Alternative Assets (the "Investment Manager"), utilizes a valuation committee consisting of members from senior management that review and approve the valuation results related to direct private equity co-investments, opportunistic investments and underlying investments within credit funds. The Investment

# Consolidated Financial Statements of AAA Investments, L.P.

Manager also retains independent valuation firms to provide third-party valuation consulting services, which consist of certain limited procedures that management identifies and requests them to perform. The limited procedures provided by the independent valuation firms assist management with validating the Investment Partnership's valuation.

Due to the inherent uncertainty of the valuation, the estimated value may differ materially from the value that would have been realized had a disposal of the investments been made between a willing buyer and seller. Additionally, widespread economic uncertainty, slowing capital and consumer spending, indeterminate credit markets, volatile equity returns, and other risks described elsewhere in this report could have effects on the fair values of investments in future periods. As part of the valuation process, the Managing Investment Partner considers whether any investments are permanently impaired. The impact of a permanent impairment is the realization of the loss from unrealized depreciation on investments. There were no impairments recorded during the three months ended March 31, 2016 and 2015.

**Value of Athene Investment** –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 or transferred in an orderly transaction between market participants as of a measurement date. A market multiple approach that considers a specific financial measure (such as Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), adjusted EBITDA, cash flow, net income, revenues, or net asset value), a discounted cash flow approach, an option valuation methodology or a 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 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.

In 2015, AAA changed the valuation method used to value the opportunistic investment in Athene from the embedded value approach to the GAAP book value multiple approach. This change was driven by developments in Athene's business as noted below.

Athene's business was principally built through a series of acquisitions of individual portfolios of fixed index annuities since its inception in 2009. As of and prior to June 30, 2015, in valuing the Investment Partnership's investment in Athene, the embedded valuation method was employed to determine the fair value of shares in Athene in periods where there was not an observable market value. The embedded value methodology is widely used by market participants in the insurance industry in private company acquisitions of individual portfolios of annuities. The embedded value method estimates the present value of the future expected regulatory distributable income generated by the net assets plus the excess capital (i.e., the capital in excess of what is required to be held against liabilities) in determining fair value. Thus the embedded value method, as historically applied to the Athene valuation, was used to derive a value of Athene's existing block of business as well as the value of undeployed capital equivalent to the excess capital held. As of June 30, 2015 and prior, AAA also calculated an implied GAAP book value multiple for Athene, based on a projected GAAP book value, and compared that multiple to Athene's publicly traded insurance peers as a secondary valuation point to assess the reasonableness of the valuation derived under the embedded value method.

As of March 31, 2016 and December 31, 2015, the fair value of the Investment Partnership's investment in Athene was estimated under the GAAP book value multiple approach by applying a book value multiple to the GAAP book value of Athene. The conversion price for all Athene M-1 through M-4 management incentive shares granted was added to Athene's GAAP book value excluding AOCI for purposes of determining GAAP book value per share. AAA calculated a multiple for public company peers of Athene by dividing each peer's market capitalization by its reported GAAP equity, excluding AOCI. A regression analysis was then prepared

# Consolidated Financial Statements of AAA Investments, L.P.

based on the calculated multiple of each peer relative to its expected return on GAAP equity, excluding AOCI, relative to Athene. From this analysis, a comparable book value multiple for Athene was derived and then appropriately discounted to factor in the projected time frame of an Athene IPO and subsequent liquidity of shares (taking into consideration any post-IPO lock-up restrictions on the shares). As a result of the above analysis, AAA concluded it was appropriate to apply a multiple of 1.02 and 1.18 to Athene's GAAP book value per share, in estimating the value per Athene share at March 31, 2016 and December 31, 2015, respectively.

The GAAP book value multiple serves as a common industry benchmark for Athene's public insurance company peers. In addition, we perform analysis under other methodologies including price to earnings multiples to assess the reasonableness of the fair market value estimate by the book value multiple method.

**Fair Value of Financial Instruments**—U.S. GAAP requires the disclosure of the estimated fair value of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Investment Partnership's financial instruments are recorded at fair value or at amounts whose carrying value approximates fair value. Refer to the valuation policy for further discussion of investments.

**Cash and Cash Equivalents**—Cash and cash equivalents consist of cash held at banks and liquid investments with maturities, at the date of acquisition, not exceeding 90 days. Surplus cash may be invested in government securities, cash equivalents, money market instruments, asset-backed securities and other investment grade securities. At March 31, 2016 and December 31, 2015, all cash and cash equivalents represented cash held at banks, which are considered to be Level I in the fair value hierarchy.

**Other Assets**—At March 31, 2016 and December 31, 2015, other assets were primarily comprised of prepaid insurance and prepaid management fees. As part of the Services Agreement (refer to Note 5 for further discussion), the Investment Partnership accrued the quarterly management fee due to Apollo Alternative Assets through December 31, 2014 but services will continue to be performed through December 31, 2020. The amount accrued in advance of services being performed is recorded as a prepaid management fee within other assets. The amount of the prepaid asset as of March 31, 2016 and December 31, 2015 was \$16.0 million and \$16.8 million, respectively.

**Capital**—Distributable earnings (losses) are allocated to AAA and the General Partner in accordance with the limited partnership agreement.

**Income Recognition**—The assets of the Investment Partnership generate investment income in the form of 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 on investments is recorded as an increase or decrease in the unrealized appreciation or depreciation on investments. Unrealized appreciation or depreciation is recorded at the end of each month-end accounting period when investments are valued. Refer to "Valuation of Investments," for further discussion. Security transactions are accounted for on the trade date (the date the order to buy or sell is executed). Realized gains and losses on sales of securities are determined based on the identified cost basis.

**Expenses**—Expenses are recorded as incurred. Under the Services Agreement, the Investment Partnership, along with the service recipients have agreed to a quarterly management fee with Apollo Alternative Assets and to pay expenses incurred by Apollo that are attributable to the Investment Partnership's operations and reimbursable under the Services Agreement. Refer to Note 5, "Relationship with Apollo and Related Party Transactions" for further discussion.

# Consolidated Financial Statements of AAA Investments, L.P.

**Taxes**—The Investment Partnership is not subject to income taxes in Guernsey and is treated as a partnership for U.S. federal and state income tax purposes. As a partnership, the Investment Partnership is not a taxable entity and incurs no U.S. federal and state 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. The Investment Partnership has filed U.S. federal and state tax returns for the 2014, 2013 and 2012 tax years. The tax years from 2012 through 2014 are subject to the possibility of an audit until the expiration of the applicable statute of limitations.

The Investment Partnership follows U.S. GAAP when accounting for the uncertainty in income taxes recognized in the consolidated financial statements. This guidance prescribes a recognition threshold and measurement attribute for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

**Distribution Policy**—From time to time, the Investment Partnership makes distributions to or on behalf of AAA to allow AAA to pay its operating expenses as they become due, to assist AAA in making cash distributions to its unitholders in accordance with AAA's distribution policy and to assist AAA in funding any other corporate needs, such as unit buyback programs.

**Recent Accounting Pronouncements**—In May 2014, the FASB issued guidance to establish a comprehensive and converged standard on revenue recognition to enable financial statement users to better understand and consistently analyze an entity's revenue across industries, transactions, and geographies. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. As such, this new guidance could impact the timing of revenue recognition. The new guidance also requires improved disclosures to help users of consolidated financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The new guidance will apply to all entities. In August 2015, FASB issued its final standard formally amending the effective date of the new revenue recognition guidance. The amended guidance defers the effective date of the new guidance to interim reporting periods within annual reporting periods beginning after December 15, 2017. Public business entities are permitted to apply the new guidance early, but not before the original effective date (i.e., interim periods within annual periods beginning after December 15, 2016). The Investment Partnership is in the process of evaluating the impact that this guidance will have on its consolidated financial statements.

### 3. INVESTMENTS

Investments are valued as described above in Note 2, "Summary of Significant Accounting Policies – Valuation of Investments."

#### **Fair Value Measurements**

In accordance with U.S. GAAP, the Investment Partnership prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:



# Consolidated Financial Statements of AAA Investments, L.P.

*Level I*—Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level I include listed equities, securities and listed derivatives. The Investment Partnership does not adjust the quoted price for these investments, even in situations where Apollo holds a large position and a sale could reasonably impact the quoted price.

*Level II*—Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

*Level III*—Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include private equity, general and limited partner interests in private equity, credit and real estate funds, mezzanine funds, distressed debt, structured debt vehicles and non-investment grade residual interests in securitizations.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Investment Partnership's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The following table summarizes the valuation of the Investment Partnership's investments in fair value hierarchy levels as of March 31, 2016 and December 31, 2015:

<i>(in thousands)</i>				
	Total	Level I	Level II	Level III
<b>As of March 31, 2016:</b>				
Cash and cash equivalents	\$ 2,014	\$ 2,014	\$ —	\$ —
Investment in opportunistic investment	2,621,809	—	—	2,621,809
<b>Total</b>	<b>\$ 2,623,823</b>	<b>\$ 2,014</b>	<b>\$ —</b>	<b>\$ 2,621,809</b>
<b>As of December 31, 2015:</b>				
Cash and cash equivalents	\$ 2,592	\$ 2,592	\$ —	\$ —
Investment in opportunistic investment	2,948,243	—	—	2,948,243
<b>Total</b>	<b>\$ 2,950,835</b>	<b>\$ 2,592</b>	<b>\$ —</b>	<b>\$ 2,948,243</b>

# Consolidated Financial Statements of AAA Investments, L.P.

There were no transfers between Level I and II during the three months ended March 31, 2016 and year ended December 31, 2015. There were no amounts transferred into Level III from Level I and II for the three months ended March 31, 2016 and year ended December 31, 2015, respectively.

The changes in investments measured at fair value for which the Investment Partnership has used Level III inputs to determine fair value were as follows:

<i>(in thousands)</i>	For the Three Months Ended March 31, 2016	For the Year Ended December 31, 2015
<b>Beginning Balance</b>	\$ 2,948,243	\$ 2,244,192
<b>Shares to settle management fee expense</b>	—	(3,079)
<b>Realized gains, net</b>	—	667
<b>Unrealized (losses) gains, net <sup>(1)</sup></b>	(326,434)	706,463
<b>Ending Balance <sup>(2)</sup></b>	<u>\$ 2,621,809</u>	<u>\$ 2,948,243</u>

(1) There were no unrealized gains (losses), net, for Level I and II investments for the three months ended March 31, 2016 and year ended December 31, 2015.

(2) As of March 31, 2016 and December 31, 2015, the cost basis of the Level III investments was \$1,361.1 million.

The following table provides the quantitative measures used to determine Level III inputs as of March 31, 2016:

Description	Level III Fair Value <i>(in thousands)</i>	Fair Value per Share of Athene <sup>(1)</sup>	Valuation Technique	Unobservable Input	Book Value Multiple
<b>As of March 31, 2016:</b>					
Investment in opportunistic investment	\$ 2,621,809	\$ 30.44	Book Value Multiple	Book Value Multiple	1.02x
<b>Total</b>	<u>\$ 2,621,809</u>				
<b>As of December 31, 2015:</b>					
Investment in opportunistic investment	\$ 2,948,243	\$ 34.23	Book Value Multiple	Book Value Multiple	1.18x
<b>Total</b>	<u>\$ 2,948,243</u>				

<sup>(1)</sup> As of March 31, 2016 and December 31, 2015, fair value per share of Athene was calculated based on approximately 202.8 million and 202.6 million fully diluted shares, respectively (which represents Athene Class A and B shares outstanding plus the number of all M-1 through M-4 management incentive shares granted based on the assumption that all M shares vest and are converted into Class A shares).

The significant unobservable input used in the fair value measurement of the opportunistic investment at March 31, 2016 is the GAAP book value multiple. This input in isolation can cause significant increases or decreases in fair value. Specifically, when the GAAP book value multiple method is used to determine fair value, the significant input used in the valuation model is the GAAP book value multiple itself. An increase in the GAAP book value multiple can significantly increase the fair value of an investment; conversely a decrease in the GAAP book value multiple can significantly decrease the fair value of an investment. The sensitivity of the valuation to changes in the multiple is directly proportional to the change in the multiple itself. Therefore, as an example, use of a 1.30 multiple would result in an 8% higher valuation than the use of a 1.20 multiple.

# Consolidated Financial Statements of AAA Investments, L.P.

## 4. CAPITAL TRANSACTIONS

At March 31, 2016 and December 31, 2015, the General Partner's interest in the Investment Partnership was 6.0% and 6.3%, respectively, and the limited partner's interest in the Investment Partnership was 94.0% and 93.7%, respectively. The change in the partners' respective interests from December 31, 2015 to March 31, 2016 was primarily due to the \$29.5 million reversal of carried interest on the opportunistic investment during the three months ended March 31, 2016. The carried interest entitles the General Partner to receive a portion of the profits generated by the investments.

For the three months ended March 31, 2016 and 2015, the Investment Partnership did not make any capital distributions.

## 5. 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, pursuant to 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. Apollo and its affiliates receive management, sub-advisory, monitoring and other fees from Athene related to services provided to Athene. Apollo, and/or its affiliates, also receives directly from portfolio companies in which the Investment Partnership may have direct or indirect investments, transaction, management, underwriting, monitoring, board of director 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 no commitments as of March 31, 2016.

**Services Agreement and Management Fee**—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. Apollo Alternative Assets receives a management fee from the service recipients for providing these services.

In connection with each of the consummation of the Transaction on October 31, 2012, and the consummation of the Athene Private Placement on April 4, 2014, the Services Agreement was amended. Prior to the consummation of the Athene Private Placement, as described below, management fees were paid pursuant to the Services Derivative. In connection with the Athene Private Placement, as described below, the Services Derivative was settled on April 29, 2014 by delivery to Apollo of common shares of Athene Holding, and as a result, such derivative was terminated. Following settlement of the Services Derivative, management fees payable to Apollo pursuant to the Services Agreement, as amended, were paid on a quarterly basis in arrears by delivery to Apollo of common shares of Athene Holding (unless such payment in shares would violate Section 16(b) of the U.S. Securities Exchange Act of 1934, as amended). Under the original services agreement, AAA, the Investment Partnership and the other service recipients 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 (i) all Adjusted Assets (as defined in the service agreement) up to and including \$3.0 billion multiplied by 1.25% plus (ii) all Adjusted Assets in excess of \$3.0 billion multiplied by 1.0%. Pursuant to the amendments there were no management fees paid by the Investment Partnership with respect to the Excluded Athene Shares. The Investment Partnership agreed to continue to pay Apollo Alternative Assets the same management fee on the Investment Partnership's investment in Athene (other than with respect to the Excluded Athene Shares), except that Apollo Alternative Assets agreed that the Investment Partnership's obligation to pay the existing

# Consolidated Financial Statements of AAA Investments, L.P.

management fee terminated on December 31, 2014 (although services will continue through December 31, 2020).

In addition, the Investment Partnership's General Partner, is generally entitled to a carried interest that allocates to it 20% of the realized returns (net of related expenses including borrowing costs) on the investments of AAA Investments. The Investment Partnership's General Partner will not be entitled to receive any carried interest with respect to the Excluded Athene Shares. In addition, carried interest payable to the Investment Partnership's General Partner will be paid in common shares of Athene Holding (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding (unless such payment in shares would violate Section 16(b) of the U.S. Securities Exchange Act of 1934, as amended), or paid in cash if AAA sells the shares of Athene Holding.

For the three months ended March 31, 2016 and 2015 the Investment Partnership's management fees were \$0.8 million and \$0.8 million, respectively. There were no management fees payable as of March 31, 2016 and December 31, 2015 as the Investment Partnership has a prepaid management fee covering services through 2020.

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 Investment Partnership has historically not incurred any liabilities as a result of these guarantees and does not expect to in the future. Accordingly, no liability has been recorded in the accompanying consolidated financial statements.

**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. In particular:

- **Opportunistic Investment**—The General Partner is generally entitled to a carried interest that will allocate to it 20% of the realized returns (net of related expenses, including any allocable borrowing costs) of the opportunistic investment in Athene made by the Investment Partnership, except that the General Partner is not entitled to receive any carried interest with respect to the Excluded Athene Shares and the shares received in satisfaction of the Athene Note Receivable.
- **Temporary Investments (including cash)**—The General Partner was not entitled to a carried interest with respect to temporary investments.

For the three months ended March 31, 2016 and 2015, the General Partner had a (reversal) and allocation of carried interest on opportunistic investments of \$(29.5) million and \$1.2 million, respectively. During the three months ended March 31, 2016 and 2015, the Investment Partnership did not pay any amounts to the General Partner for realized carried interest.

**Asset Management**—Apollo, through its consolidated subsidiary, Athene Asset Management, L.P. ("Athene Asset Management"), provides asset management services to Athene including asset allocation services, direct asset management services, risk management, asset and liability matching management, mergers and acquisitions asset diligence, hedging and other asset management services, and receives a gross management fee equal to 0.40% on all assets under management in accounts owned by or related to Athene (the "Athene Accounts") with certain limited exceptions. Another subsidiary of Apollo provides investment advisory services to Athene's German Subsidiaries.

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Athene Asset Management and other Apollo subsidiaries incur all expenses associated with their provision of services to Athene, including but not limited to, asset allocation services, direct asset management services, risk management, asset and liability matching management, mergers and acquisitions asset diligence, hedging and other services. For the three months ended March 31, 2016 and 2015, Athene Asset Management and other Apollo subsidiaries had losses and earned revenues in the aggregate totaling \$(9.2) million and \$94.4 million, respectively, consisting of management fees, sub-advisory fees, monitoring fees, net carried interest income, and changes in the market value of the Athene shares owned directly by Apollo from Athene.

Athene has entered into shared services and cost sharing agreements (the "Agreements") with Athene Asset Management effective on or after January 1, 2012. The services to be provided under the Agreements include the following, among others, (i) for each U.S. subsidiary of Athene, executive management, corporate development, marketing communications, human resources, legal, corporate governance, risk management and liability hedging and investment accounting and (ii) for Athene and each non-U.S. subsidiary, investment advice in connection with stock acquisition activities, shareholder activities related to capital raising and reporting and non-investment services related to stock acquisitions. Pursuant to the Agreements, the services to be provided by Athene Asset Management are provided at cost, with such cost determined based on (i) the compensation, benefits, employment taxes and other expenses paid by Athene Asset Management with respect to each Athene Asset Management employee or consultant who is spending time on certain services provided to the applicable subsidiary of Athene and (ii) each such employee's or consultant's time spent on such services, as reasonably estimated by each such employee or consultant on at least a monthly basis based on the percentage of time spent on such services for each subsidiary of Athene.

***Due from Affiliates***—Included in due from affiliates at March 31, 2016 and December 31, 2015 was \$0.4 million and \$0.3 million, respectively, which represents a receivable from AAA for expense reimbursements.

***Due to Affiliates***—Due to affiliates at March 31, 2016 and December 31, 2015 consisted of \$0.4 million and \$0.4 million, respectively, payable to Apollo Alternative Assets or affiliates for management fees, investment-related expenses and other general and administrative expenses.

***Personal Interests of Directors***—Certain directors of the Managing General Partner and the Managing Investment Partner were AAA unitholders. At March 31, 2016 and December 31, 2015, those directors owned approximately 0.5 million and 1.1 million Units of AAA, respectively. This excluded 1.7 million and 1.8 million Units owned by an affiliate of Apollo, which certain directors were deemed to beneficially own at March 31, 2016 and December 31, 2015, respectively. Apollo has provided employee loans of approximately \$25.0 million to certain directors who have a direct investment in Athene Holding.

***AMH Credit Agreement***—In order to meet future operating cash needs, on April 30, 2015 the Investment Partnership entered into a revolving credit agreement (the "AMH Credit Agreement") with Apollo Management Holdings, L.P. ("AMH"), an indirect subsidiary of Apollo Global Management, LLC. Under the terms of the Agreement, AMH shall make available to the Investment Partnership one or more advances at the Investment Partnership's discretion in the aggregate amount not to exceed a balance of \$10.0 million at an applicable rate of LIBOR + 1.5% and subject to an annual commitment fee of 0.125% on the unused portion of the loan. The Investment Partnership shall pay the aggregate borrowings plus accrued interest at the earlier of (a) the third anniversary of the closing date, or (b) the date that is fifteen months following the initial public offering of shares of Athene Holding Ltd.

As of March 31, 2016, AAA had not drawn down on the AMH Credit Agreement.

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## 6. FINANCIAL HIGHLIGHTS

Financial highlights for the Investment Partnership were as follows:

	For the Three Months Ended March 31, 2016 (unaudited)	For the Three Months Ended March 31, 2015 (unaudited)
<b>Total return*</b>	(11.04)%	0.52 %
<b>Ratios to average net assets*:</b>		
<b>Operating expenses</b>	0.17 %	0.21 %
<b>Incentive allocation</b>	(1.01)%	0.05 %
<b>Total operating expenses and incentive allocations</b>	(0.84)%	0.26 %
<b>Investment loss</b>	(0.17)%	(0.21)%

\* These financial highlights have been calculated using a methodology in accordance with U.S. GAAP. The total return has not been presented on an annualized basis. Operating expenses ratios to average net assets were presented on an annual basis and were calculated on a weighted average basis.

The Investment Partnership's turnover ratios were 0% for the three months ended March 31, 2016 and 2015.

## 7. COMMITMENTS AND CONTINGENCIES

The Investment Partnership may, from time to time, be party to various legal actions arising in the ordinary course of business including claims and litigations, reviews, investigations or proceedings by governmental and self-regulatory agencies regarding their respective businesses. It is the opinion of the Managing General Partner and Managing Investment Partner, after consultation with counsel, that there are presently no existing matters that would result in a material adverse effect on the financial condition of the Investment Partnership.