

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 and for the years ended  
December 31, 2013 and 2012*

# Table of Contents

	PAGE
Certain Information.....	3
About AP Alternative Assets.....	5
Management’s Discussion and Analysis of Financial Condition and Results of Operations:	
Introduction.....	9
Forward-Looking Statements.....	10
Business Description .....	12
Overview and Outlook .....	13
Portfolio and Investment Activity .....	14
Results of Operations .....	18
Liquidity and Capital Resources .....	21
Risk Factors.....	28
Critical Accounting Policies .....	38
Recent Accounting and Reporting Developments .....	41
Financial Statements of AP Alternative Assets, L.P. ....	F-1
Financial Statements of AAA Investments, L.P. ....	F-24

# 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 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 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 Leon Black, Marc Rowan, Marc Spilker, Beno Suchodolski, Louise Blouin, 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 Leon Black, Marc Rowan and Marc Spilker. 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 and Touche LLP has been retained to serve as the independent auditor for AP Alternative Assets and the Investment Partnership. The address of Deloitte & Touche LLP in New York is 30 Rockefeller Plaza, New York, NY 10112.

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.

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The website address for AP Alternative Assets is [www.apolloalternativeassets.com](http://www.apolloalternativeassets.com).

# About AP Alternative Assets

## Overview

We commenced operations on June 15, 2006, and are a closed-end limited partnership established by Apollo under the laws of Guernsey. AP Alternative Assets is managed by Apollo Alternative Assets, 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 23 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 December 31, 2013, our portfolio consisted of a single opportunistic investment in the majority of the economic equity of Athene Holding Ltd. (together with its subsidiaries “Athene”), which was founded in 2009 to capitalize on favorable market conditions in the dislocated life insurance sector. Athene Holding Ltd. is the ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding Ltd. provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed and equity indexed annuities.

On October 2, 2013, Athene announced it had completed the acquisition of the U.S. annuity operations of Aviva plc (“Aviva USA”) and related subsidiaries, including Iowa-domiciled Aviva Life and Annuity Company, and New York-domiciled Aviva Life and Annuity Company of New York, for approximately \$1.55 billion (prior to purchase price adjustments at closing). Athene also announced that it had completed the sale of Aviva USA’s life insurance operations to Presidential Life Insurance Company – USA, a wholly owned subsidiary of Commonwealth Annuity and Life Insurance Co. and part of the Global Atlantic Financial Group. Following the close of the Aviva USA transaction, Athene had approximately \$60.0 billion in assets, making it one of the largest fixed annuity companies in the United States.

The net asset value of AP Alternative Assets as of December 31, 2013, was approximately \$1,941.2 million.

## Competitive Strengths

We believe our competitive strengths include:

- the strong long-term track record of Apollo in targeted investment classes
- the active involvement of Apollo’s experienced and cohesive investment team in our investments
- our ability to benefit from Apollo’s integrated and collaborative investment platform and flexible approach towards investing across market cycles

# 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 December 31, 2013, Apollo had a team of 710 employees, including 277 investment professionals. Apollo has offices in New York, Los Angeles, Houston, London, Singapore, Frankfurt, Luxembourg, Hong Kong and Mumbai.

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 23-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.

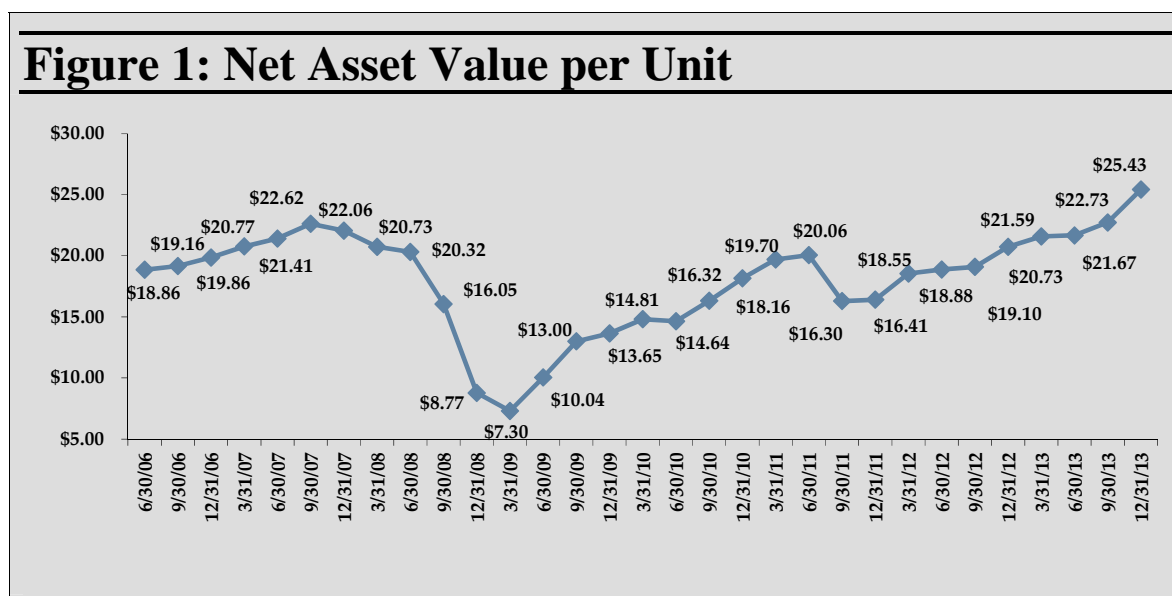
Apollo's investment professionals frequently collaborate and share information across disciplines including market insight, management, banking and consultant contacts, as well as, potential investment opportunities, which Apollo believes enables it to more successfully invest across a company's capital 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 December 31, 2013, the net asset value of AP Alternative Assets was approximately \$1,941.2 million, or \$25.43 per common unit. This reflects a net increase in net assets after contributions, distributions and unit purchases of approximately \$278.3 million, or \$4.70 per common unit, during the year ended December 31, 2013.



## Overview of Investment Portfolio

The following portfolio allocation includes the fair value of the Investment Partnership's investment portfolio as of December 31, 2013, and excludes temporary investments.

**Figure 2: Portfolio Allocation**


(in thousands)

Opportunistic Investment - Athene	\$ 1,950,010
<b>Total Investments</b>	<b>\$ 1,950,010</b>

# About AP Alternative Assets

## Figure 3: Investments as of December 31, 2013

As of December 31, 2013, our portfolio consisted of a single opportunistic investment in Athene.

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



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

## Introduction

The following discussion contains forward-looking statements that involve numerous risks and uncertainties. Our actual results could differ materially from those discussed in the "Forward-Looking Statements" as a result of these risks and uncertainties, including those set forth under "Forward-Looking Statements" and "Risk Factors," below. For a more detailed description of our business and related risks, 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 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.

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

Our financial statements and the financial statements of the Investment Partnership were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are presented in U.S. dollars. On 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.

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 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"). 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 years ended December 31, 2013 and 2012.

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, 2013 through February 6, 2014. 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:

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

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

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

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us or are within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Factors and events that could cause our business, financial condition, liquidity and results of operations to vary materially include, among other things, 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.

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

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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's 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 currently holds one investment, the majority of the economic equity of Athene.

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.

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 our share of the total management fee that is payable under our services agreement, expenses of Apollo Alternative Assets and its affiliates that are attributable to our operations and reimbursable under our services agreement, the directors' fees that our Managing General Partner pays its independent directors, the fees and expenses of our Guernsey administrator, professional fees, interest expense on any borrowings, organization costs and other general and administrative costs.

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

Operating expenses of the Investment Partnership consist primarily of its share of the management fees that are payable under our services agreement, the expenses of certain Apollo entities that are directly attributed to its operations and reimbursable under our services agreement, certain transaction and other costs incurred when making investments and other professional fees, interest expense on any borrowings, organization costs, broken deal expenses, 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 December 31, 2013 and 2012, the net asset value of AP Alternative Assets was \$1,941.2 million, or \$25.43 per common unit, and \$1,662.9 million, or \$20.73 per common unit, respectively. For the years ended December 31, 2013 and 2012, the net increase in net assets from operations of AP Alternative Assets was \$340.6 million, or \$4.41 per common unit, and \$285.6 million, or \$3.43 per common unit, respectively.

On February 10, 2012, AAA commenced a tender offer (the "February Tender Offer") to purchase common units or restricted depositary units (collectively "Units"), at prices ranging from \$9.20 to \$10.70 per Unit. Under the terms of the February Tender Offer, which was oversubscribed, AAA purchased 5,000,000 Units at a price per unit of \$10.00. The amount tendered was \$50.0 million, (\$50.3 million inclusive of expenses), and the Units acquired in the February Tender Offer were cancelled.

On April 20, 2012, AAA commenced a tender offer (the "April Tender Offer") to purchase common Units at prices ranging from \$9.00 to \$10.50 per Unit. Under the terms of the April Tender Offer, which was oversubscribed, AAA purchased 4,967,462 Units at a price per unit of \$10.00. The amount tendered was \$49.7 million, (\$49.8 million inclusive of expenses), and the Units acquired in the April Tender Offer were cancelled.

On November 12, 2012, AAA commenced a tender offer (the "November Tender Offer") to purchase common Units at prices ranging from \$15.00 to \$16.00 per Unit. Under the terms of the November Tender Offer, AAA purchased 3,886,788 Units at a price per unit of \$16.00 during the quarter ended March 31, 2013. The amount tendered was \$62.2 million, (approximately \$62.2 million inclusive of expenses), and the Units acquired in the November Tender Offer were cancelled during March 2013.

The Investment Partnership did not hedge its prior holdings in investments denominated in foreign currency, which resulted in net unrealized losses from the foreign currency movements on such investments. Such foreign currency fluctuations were recorded as part of the net change

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

in unrealized appreciation/depreciation on investments in the Investment Partnership's Statement of Operations. As of December 31, 2013, the Investment Partnership did not hold any foreign currency denominated investments.

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## Portfolio and Investment Activity

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Capital is currently deployed in investment opportunities that we believe meet or exceed our risk-reward standards. Consistent with the amended investment criteria outlined for the Partnership, as of December 31, 2013, the Investment Partnership had a concentration invested in an opportunistic investment as described below.

On October 31, 2012, the Investment Partnership closed on an agreement to contribute substantially all of its investments to Athene Holding Ltd. (together with its subsidiaries, "Athene") in exchange for common shares of Athene Holding Ltd., cash and a short term promissory note (the "Transaction"). The Investment Partnership received approximately 46.8 million non-voting common shares of Athene Holding Ltd., cash of \$82.9 million and a promissory note with a principal amount of \$113.3 million in exchange for investments with a fair value of approximately \$1,114.3 million. The promissory note is reported at fair value and bears interest at a rate of 0.30% per annum. It is payable upon demand by the Investment Partnership, at the Investment Partnership's option, in either cash or shares of Athene Holding Ltd. at a price of \$13.46 per share, and Athene may prepay at its option at any time without penalty. The impact of the Transaction resulted in a realized gain of approximately \$178.3 million (or \$2.22 per unit) during the quarter ended December 31, 2012. In addition, the impact of the Transaction resulted in a dilution of approximately \$63.6 million in the Investment Partnership's interest in Athene and an increase of approximately \$22.1 million of additional allocation to the Investment Partnership's General Partner during the quarter ended December 31, 2012. At the time of the Transaction, there were an additional 1.5 million shares to be issued by Athene Holding Ltd. for the remaining Investment Partnership's investments to be contributed that were pending the receipt of required regulatory consents. Following receipt of the required regulatory consents, the Investment Partnership, through a subsidiary, transferred its remaining investments to Athene Holding Ltd. on July 29, 2013, which resulted in a net realized loss of \$121.6 million. At the date of the contribution, there was a \$24.3 million difference in the fair value of the assets contributed and the Athene Holding Ltd. shares received. The impact on unrealized appreciation was partially offset by approximately \$17.6 million through the Investment Partnership's previous investment in Athene.

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.

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

As of December 31, 2013, Athene is the Investment Partnership's only portfolio investment and the Investment Partnership is the largest shareholder of Athene with an approximate 72.5% and 77.2% economic ownership stake as of December 31, 2013 and 2012, respectively, (without giving effect to restricted common shares issued under Athene's management equity plan and conversion of AAA Investments' note receivable), and effectively 45% of the voting power. During January and February 2013, under its existing agreements, Athene called approximately \$82.1 million in capital from other investors and as a result, the Investment Partnership's ownership in Athene as of December 31, 2012 was diluted by approximately \$43.1 million, from approximately 77.2% to approximately 72.2%. In accordance with the services agreement among AAA, the Investment Partnership and the other service recipients party thereto and Apollo Alternative Assets, Apollo Alternative Assets receives a management fee for managing the assets of the Investment Partnership. In connection with the consummation of the Transaction, on October 31, 2012, the services agreement was amended. Pursuant to the amendment, the parties agreed that there will be no management fees payable by the Investment Partnership with respect to the shares of Athene Holding Ltd. that were newly acquired by the Investment Partnership in the Transaction, (the "Excluded Athene Shares"), which are those shares in excess of the shares of Athene Holding Ltd. that the Investment Partnership owned, or had committed to purchase, prior to the Transaction. The Investment Partnership will 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 shall terminate on December 31, 2014 (although services will continue through December 31, 2020). Apollo Alternative Assets is entitled to receive a formulaic unwind of its management fee in the event that AAA makes a tender offer for all or substantially all of its outstanding units where the consideration is to be paid in shares of Athene Holding Ltd. (or if AAA accomplishes a similar transaction using an alternative structure that is no less favorable in all material respects to the AAA unitholders as a whole), up to a cap of \$30.0 million had the tender offer or similar transaction commenced in 2013, \$25.0 million if the tender offer or similar transaction commences in 2014, \$20.0 million if the tender offer or similar transaction commences in 2015 and zero if the tender offer or similar transaction commences in 2016 or thereafter. All such management fees are paid pursuant to a derivative contract between the Investment Partnership and Apollo. Each quarter, management fees earned are translated into an accrued notional number of shares of Athene Holding Ltd., and the accrued notional shares of Athene Holding Ltd. are fair valued. At the Investment Partnership's option, all notional shares accrued pursuant to the terms of the derivative contract are payable either in shares of Athene Holding Ltd. or cash equal to the fair value of such shares of Athene Holding Ltd. at the time of settlement. Settlement occurs on the earlier of a change of control of Athene or October 31, 2017.

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 shares of Athene Holding Ltd. (valued at the then fair market value) if there is a

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

distribution in kind of shares of Athene Holding Ltd., or paid in cash if AAA sells the shares of Athene Holding Ltd.

On January 8, 2014, AAA informed investors that Athene intends to raise approximately \$500 million in a private placement to sophisticated investors who are "accredited investors," as such term is defined by applicable U.S. securities laws (or equivalent standards in non-U.S. jurisdictions). The private placement has not been completed as of February 6, 2014.

The accompanying schedule shows the Investment Partnership's investments as of December 31, 2013 and 2012:

<i>(dollars in thousands)</i>	Cost	Fair Value	Fair Value as a Percentage of Net Assets
<b>As of December 31, 2013:</b>			
Opportunistic Investment – Athene	\$ 1,331,942	\$ 1,950,010	95.4%
<b>Total Investments</b>	<b>\$ 1,331,942</b>	<b>\$ 1,950,010</b>	<b>95.4%</b>
<b>As of December 31, 2012:</b>			
Opportunistic Investment – Athene	\$ 1,276,366	\$ 1,578,954	90.9%
Co-investments in Apollo Investment Fund VI portfolio companies	177,153	25,050	1.5%
<b>Total Investments</b>	<b>\$ 1,453,519</b>	<b>\$ 1,604,004</b>	<b>92.4%</b>

## (1) Investment in Opportunistic Investment

Through December 31, 2013, the Investment Partnership made investments of \$1,331.9 million in Athene, including transaction-related costs. At December 31, 2013, the fair value of this investment approximated \$1,950.0 million, 95.4% of the net asset value of the Investment Partnership, which resulted in a net life-to-date unrealized appreciation of \$618.1 million. For the year ended December 31, 2013, the investment had a net change in unrealized appreciation of \$315.5 million on its investment in Athene. Athene continues to capitalize on favorable market conditions in the dislocated annuity insurance sector, and as a result of several strategic acquisitions during 2012 and 2013 has become one of the largest fixed annuity companies in the United States.

At December 31, 2012, the fair value of the investment in Athene approximated \$1,579.0 million, 90.9% of the net asset value of the Investment Partnership, which resulted in a net life-to-date unrealized appreciation of \$302.6 million. For the year ended December 31, 2012, the Investment Partnership had a net change in unrealized appreciation of \$230.0 million on its investment in Athene.



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

## **(2) Private equity co-investments in Apollo Investment Fund VI and Apollo Investment Fund VII portfolio companies**

The Investment Partnership contributed substantially all of its investments in Apollo Investment Fund VI, L.P. (together with its parallel investment vehicles, "Apollo Investment Fund VI") and Apollo Investment Fund VII, L.P. (together with its parallel investment vehicles, "Apollo Investment Fund VII") portfolio companies as a result of the Transaction, except for two of the Investment Partnership's co-investments in Apollo Investment Fund VI that were pending the receipt of required regulatory consents, which were ultimately granted on July 29, 2013. Following receipt of the required regulatory consents, the Investment Partnership, through a subsidiary, transferred its remaining investments to Athene Holding Ltd., which resulted in a net realized loss of \$121.6 million. For the year ended December 31, 2013, the net change in unrealized appreciation/depreciation on these investments was \$152.1 million.

At December 31, 2012, the fair value of these two remaining investments approximated \$25.0 million, 1.5% of the net asset value of the Investment Partnership, which resulted in a net life-to-date unrealized depreciation of \$152.1 million. For the year ended December 31, 2012, the Investment Partnership had a net change in unrealized appreciation/depreciation of \$(29.4) million related to its private equity co-investments. For the year ended December 31, 2012, the Investment Partnership had a net change in unrealized appreciation/depreciation of \$5.6 million and realized gains of \$106.8 million related to the private equity co-investments contributed to Athene as part of the Transaction.

# 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 years ended December 31, 2013 and 2012:

<i>(in thousands)</i>	For the Year ended December 31, 2013	For the Year ended December 31, 2012
<b>INVESTMENT INCOME (LOSS) (ALLOCATED FROM AAA INVESTMENTS, L.P.)</b>		
Interest, dividends and gains from short-term investments	\$ 189	\$ 28,925
Investment expense	(9,420)	(38,311)
General and administrative expenses	(1,842)	(2,578)
Net investment loss	(11,073)	(11,964)
<b>REALIZED AND UNREALIZED (LOSSES) GAINS FROM INVESTMENTS (ALLOCATED FROM AAA INVESTMENTS, L.P.)</b>		
Net realized (losses) gains from sales/dispositions of investments	(121,510)	46,502
Net change in unrealized appreciation/depreciation on investments	473,140	251,024
Net gain from investments	351,630	297,526
Net increase in net assets resulting from operations	<u>\$ 340,557</u>	<u>\$ 285,562</u>

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 and foreign currency exposure. 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 Increase in Net Assets Resulting from Operations— The net increase in net assets resulting from operations was approximately \$340.6 million, or \$4.41 per common unit, for the year ended December 31, 2013, compared to a net increase of \$285.6 million, or \$3.43 per common unit, for the year ended December 31, 2012.

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 years ended December 31, 2013 and 2012:

<i>(in thousands)</i>	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012
Investment income – interest, dividends and gains on short-term investments	\$ 189	\$ 28,941
Expenses	(9,423)	(38,325)
Net investment loss	(9,234)	(9,384)
Net realized (losses) gains from sales/distributions of investments	(121,577)	46,528
Net change in unrealized appreciation/depreciation on investments	505,365	308,286
Net gain from investments	383,788	354,814
Net increase in net assets resulting from operations	\$ 374,554	\$ 345,430

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 and foreign currency positions. 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.

Investment Income— For the year ended December 31, 2013, investment income was approximately \$0.2 million, which primarily represented interest income on the note receivable from an affiliate. For the year ended December 31, 2012, investment income was approximately \$28.9 million, which primarily represented distributions of interest income from the debt investment vehicles, dividend income from portfolio companies and accrued interest income from interest bearing securities of portfolio companies.

Expenses— For the years ended December 31, 2013 and 2012, expenses approximated \$9.4 million and \$38.3 million, respectively. For the year ended December 31, 2013, these expenses primarily related to management fees, professional fees, and other administrative costs. For the year ended December 31, 2012, these expenses primarily related to management fees, professional fees, certain deal costs, including broken deals, and other administrative costs, including interest expense on the credit facility of \$13.4 million for the year ended December 31,

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

2012. The significant decrease in management fees and other general and administrative expenses was primarily due to the Transaction in which the Investment Partnership transferred substantially all of its investments to Athene and resulted in a revision to the management fee structure.

Net Realized (Losses) Gains From Sales/Dispositions of Investments— For the years ended December 31, 2013 and 2012, net realized (losses) gains from sales/dispositions were (\$121.6) million and \$46.5 million, respectively. For the year ended December 31, 2013, net realized losses from sales/dispositions resulted from the contribution to Athene of the two remaining private equity co-investments that were pending regulatory consents as part of the Transaction. For the year ended December 31, 2012, net realized gains from sales primarily resulted from a gain of approximately \$178.3 million as a result of the contribution of investments related to the Transaction, \$27.0 million of realized gains from the sale of the Investment Partnership's investment in Charter Communications Inc. and \$8.1 million of realized gains from the proceeds from redemptions of the Apollo Strategic Value Offshore Fund Ltd. ("Apollo Strategic Value Fund"). These gains were partially offset by the recognition of a loss from the Investment Partnership's investment in AP Investment Europe Limited ("Apollo Investment Europe") of \$176.0 million.

Net Change in Unrealized Appreciation/Depreciation on Investments—Our investments are valued as described under "Critical Accounting Policies — Valuation of Limited Partner Interests and Investments," which resulted in a net change in unrealized appreciation/depreciation for the years ended December 31, 2013 and 2012 of \$505.4 million and \$308.3 million, respectively. For the year ended December 31, 2013, unrealized appreciation/depreciation was primarily driven by the valuation of the Investment Partnership's investment in Athene of \$353.3 million, as well as, \$152.1 million that resulted from the contribution to Athene of the two remaining private equity co-investments that were pending regulatory consents as part of the Transaction. Refer to "Portfolio and Investment Activity" above for additional discussion of the change in unrealized appreciation/depreciation on our investments.

Net Gain from Investments— During the year ended December 31, 2013; the net gain from investments was primarily driven by gains in the Investment Partnership's investment in Athene. In addition, significant gains were recorded for investments in the media, cable and leisure sector. During the year ended December 31, 2012, the net gain from investments was driven by gains in the Investment Partnership's investment in Athene. In addition, there were gains recorded for investments across most sectors, most notably the consumer and retail and packaging and materials sectors, as well as, the debt investment vehicles, primarily as a result of the Transaction. These gains were partially offset by losses from investments in the chemicals and distribution and transportation sectors.

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

The table below details net gain from investments by sector for private equity co-investments, credit funds and opportunistic investments:

<i>(in millions)</i>	For the Year Ended	
	December 31, 2013	December 31, 2012
<b>Private Equity:</b>		
Chemicals	\$ —	\$ (33.0)
Consumer and Retail	—	63.0
Debt Investment Vehicles	—	24.9
Distribution and transportation	—	(29.4)
Financial and Business Services	3.0	5.1
Manufacturing and Industrial	—	3.1
Media, Cable & Leisure	27.5	22.5
Packaging and Materials	—	59.9
<b>Total Private Equity</b>	<b>30.5</b>	<b>116.1</b>
<b>Credit Funds:</b>		
Apollo Strategic Value Offshore Fund, Ltd.	—	6.6
Other Apollo Credit Funds	—	1.7
<b>Total Credit Funds</b>	<b>—</b>	<b>8.3</b>
<b>Opportunistic Investments:</b>		
Athene (includes note receivable from Affiliate)	353.3	230.0
Other	—	0.4
<b>Total Opportunistic Investments</b>	<b>353.3</b>	<b>230.4</b>
<b>Net Gain from Investments</b>	<b>\$ 383.8</b>	<b>\$ 354.8</b>

Net Increase in Net Assets Resulting from Operations—The net increase in net assets resulting from operations was approximately \$374.6 million and \$345.4 million for the years ended December 31, 2013 and 2012, respectively.

## Liquidity and Capital Resources

### 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. The Managing General Partner determined that the Partnership will not make a tax distribution related to 2012 and 2011 taxable income generated by the Partnership. The available cash was used to enable the Partnership to execute tender offers. Distributions to the unitholders will be made only if and as determined by

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

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. We believe that the Investment Partnership will fund its distributions with returns generated by its investments. The ability of the Investment Partnership to make cash distributions to us will depend on a number of factors, including among others, the actual results of operations and financial condition of the Investment Partnership, restrictions on cash distributions that are imposed by applicable law or the charter documents of the Investment Partnership, the timing and amount of cash generated by investments that are made by the Investment Partnership, any contingent liabilities to which the Investment Partnership may be subject, the amount of taxable income generated by the Investment Partnership and other factors that the Managing Investment Partner deems relevant. During the first quarter of 2013, the Investment Partnership made partners' capital distributions of \$62.2 million to or on behalf of AAA related to the November Tender Offer.

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 November 2011, the Board of Directors of the Managing General Partner agreed with Apollo Alternative Assets to amend and restate the services agreement. The amendments related to the obligations of affiliates of Apollo Alternative Assets to reinvest a portion of the carried interests received by them with respect to investments made by the Investment Partnership in common units or restricted depository units. The amendments require Apollo Alternative Assets (or its

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

affiliates) to purchase common units or restricted depositary units in the market rather than subscribing for and being issued new common units or restricted depositary units 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 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.

On October 31 2012, the Board of Directors of the Managing General Partner agreed with Apollo Alternative Assets to amend and restate the services agreement as a result of the Transaction. Pursuant to the amendment, the parties agreed that there will be no management fees payable by the Investment Partnership with respect to the Excluded Athene Shares. The Investment Partnership will 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 obligation to pay the existing management fee shall terminate on December 31, 2014 (although services will continue through December 31, 2020). In the event that AAA makes a tender offer for all or substantially all of its units where the consideration is to be paid in shares of Athene Holding Ltd. (or an alternative transaction that is no less favorable, in all material respects to the AAA unitholders as a whole), the management fee will be unwound and a lump sum payment will be made to Apollo equal to the remaining management fee that would have been due until the expiration date (December 31, 2020), using an 8% discount rate and assuming a 14% growth rate to then existing management fees, compounded annually, until the expiration date, subject to a cap of \$30.0 million had the tender offer or similar transaction commenced in 2013, \$25.0 million if the tender offer or similar transaction commences in 2014, \$20.0 million if the tender offer or similar transaction commences in 2015 and zero if the tender offer or similar transaction commences in 2016 or thereafter. All such management fees are paid pursuant to a derivative contract between the Investment Partnership and Apollo. Each quarter, management fees earned are translated into an accrued notional number of shares of Athene Holding Ltd., and the accrued notional shares of Athene Holding Ltd. are fair valued. At the Investment Partnership's option, all notional shares accrued pursuant to the terms of the derivative contract are payable either in shares of Athene Holding Ltd. or cash equal to the fair value of such shares of Athene Holding Ltd. at the time of settlement. Settlement occurs on the earlier of a change of control of Athene or October 31, 2017.

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

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 shares of Athene Holding Ltd. (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding Ltd., or paid in cash if AAA sells the shares of Athene Holding Ltd.

In fulfillment of Apollo's obligation to reinvest a portion of the carried interests received by it with respect to investments made by the Investment Partnership as set forth in its prospectus, in July 2011 and April 2011, AAA issued 10,076 and 24,482 common units, respectively, in the form of restricted depositary units, AAA common units and restricted depositary units are collectively referred to as "Units"), to AAA Holdings, L.P., an affiliate of Apollo, at a price per Unit of \$12.31 and \$12.56, respectively. During the year ended December 31, 2012, an affiliate of Apollo purchased 170,926 Units in the market as part of the carried interest reinvestment program for an average price per Unit of \$10.89.

On February 10, 2012, AAA commenced a tender offer (the "February Tender Offer") to purchase Units, at prices ranging from \$9.20 to \$10.70 per Unit. Under the terms of the February Tender Offer, AAA purchased 5,000,000 Units at a price per Unit of \$10.00. The amount tendered was \$50.0 million (\$50.3 million inclusive of expenses). The Investment Partnership made a distribution of \$50.0 million to AAA for the amount of the February Tender Offer, (\$50.3 million inclusive of expenses). The Units acquired in the February Tender Offer were cancelled.

On April 20, 2012, AAA commenced a tender offer (the "April Tender Offer") to purchase a portion of its outstanding Units for a maximum aggregate payment of up to \$50.0 million of cash. Under the terms of the April Tender Offer, AAA purchased 4,967,462 Units at a price per Unit of \$10.00. The amount tendered was \$49.7 million (\$49.8 million inclusive of expenses). The Investment Partnership made a distribution of \$49.7 million to AAA for the amount of the April Tender Offer, (\$49.8 million inclusive of expenses). The Units acquired in the April Tender Offer were cancelled.

On November 12, 2012, AAA commenced a tender offer (the "November Tender Offer") to purchase a portion of its outstanding Units at prices ranging from \$15.00 to \$16.00 per Unit. Under the terms of the November Tender Offer, AAA purchased 3,886,788 Units at a price per Unit of \$16.00 during the quarter ended March 31, 2013. The amount tendered was \$62.2 million, (approximately \$62.2 million inclusive of expenses). The Investment Partnership made a distribution of \$62.2 million to AAA for the amount of the November Tender Offer, (\$62.2 million inclusive of expenses). The Units acquired in the November Tender Offer were cancelled during March 2013.

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



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

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 year ended December 31, 2013, cash decreased approximately \$7.9 million. Cash provided by operating activities of the Investment Partnership was approximately \$58.9 million, primarily comprised of \$62.0 million of cash received as a result of paydown on the note receivable from Athene. Cash proceeds were offset by partners' capital distributions of approximately \$66.8 million, which were primarily comprised of a \$62.2 million partners' capital distribution during the first quarter of 2013 to or on behalf of AAA related to the November Tender Offer.

During the year ended December 31, 2012, cash decreased approximately \$211.2 million. Cash provided by operating activities of the Investment Partnership was \$303.4 million, primarily comprised of \$137.1 million of proceeds from private equity co-investments, specifically \$83.7 million of distributions from LeverageSource, L.P., \$40.0 million related to the sale of Charter Communications, Inc. and \$13.3 million from the partial sale of the investment in Noranda Aluminum. The Investment Partnership also received proceeds of \$82.9 million related to the Transaction, \$59.5 million provided by the redemptions of the Investment Partnership's interests in Apollo Asia Opportunity Offshore Fund Ltd. ("Apollo Asia Opportunity Fund"), and \$21.0 million from the distribution of liquidating shares of the Apollo Strategic Value Fund. Cash used in financing activities was approximately \$514.6 million, which was mainly comprised of the repayment of the outstanding balance of the Investment Partnership's credit facility of \$402.5 million, partner's capital distributions of \$101.8 million for the February and April Tender Offers, and \$10.3 million to the Investment Partnership's General Partner primarily for realized carried interest on co-investments alongside Apollo Investment Fund VII.

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

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

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 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 and the ability to raise cash through sales of investments and other activities.

There will be no management fees payable by the Investment Partnership with respect to the Excluded Athene Shares. The Investment Partnership will 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 shall terminate on December 31, 2014 (although services will continue through December 31, 2020). Apollo Alternative Assets is entitled to receive a formulaic unwind of its management fee in the event that AAA makes a tender offer for all or substantially all of its outstanding units where the consideration is to be paid in shares of Athene Holding Ltd. (or if AAA accomplishes a similar transaction using an alternative structure that is no less favorable in all material respects to the AAA unitholders as a whole), up to a cap of \$30.0 million had the tender offer or similar transaction commenced in 2013, \$25.0 million if the tender offer or similar transaction commences in 2014, \$20.0 million if the tender offer or similar transaction commences in 2015 and zero if the tender offer or similar transaction commences in 2016 or thereafter. All such management fees are paid pursuant to a derivative contract between the Investment Partnership and Apollo. Each quarter, management fees earned are translated into an accrued notional number of shares of Athene Holding Ltd., and the accrued notional shares of Athene Holding Ltd. are fair valued. At the Investment Partnership's option, all notional shares accrued pursuant to the terms of the derivative contract are payable either in shares of Athene Holding Ltd. or cash equal to the fair value of such shares of Athene Holding Ltd. at the time of settlement. Settlement occurs on the earlier of a change of control of Athene or October 31, 2017.

In addition, carried interest payable to the Investment Partnership's General Partner will be paid in shares of Athene Holding Ltd. (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding Ltd., or paid in cash if AAA sells the shares of Athene Holding Ltd. The Investment Partnership's General Partner will not be entitled to receive any carried interest with respect to the Excluded Athene Shares. Furthermore, the promissory note is

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

payable upon demand by the Investment Partnership and Athene may prepay the promissory note at its option at any time, without penalty.

The Investment Partnership may enter into one or more additional 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, coverage of the existing credit facility, 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.

## ***Credit Facility***

In 2007, the Investment Partnership obtained a \$900 million senior secured revolving credit facility from certain U.S. financial institutions with the objective of funding the liquidity needs, increasing the amount of cash that is available for working capital and for making additional investments or temporary investments. As a result of debt purchases and pay downs, the revolving credit facility was permanently reduced to \$537.5 million. On December 2, 2011, the Investment Partnership amended its senior secured revolving credit facility and converted it to a \$402.5 million senior secured term loan facility that was to mature on June 30, 2015. On November 1, 2012, the Investment Partnership repaid the remaining balance of \$305.2 million on its term loan outstanding and closed the facility.

## **Commitments and Contingencies**

As of December 31, 2013, 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.

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

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).

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## Risk Factors

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### Portfolio Risks

As a result of the Transaction, substantially all of the assets of the Investment Partnership and the only portfolio investment of the Investment Partnership consist of an investment in the majority of the economic equity of Athene Holding Ltd. 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.

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 in determining pricing, expected cash flows and reserves with respect to Athene's investments and liabilities, including Athene's ability to implement successfully its asset liability management strategies;
- the amount of statutory capital that Athene's insurance subsidiaries have can vary significantly from time to time and are sensitive to a number of factors outside of Athene's control;
- Athene and its insurance subsidiaries 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;

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

- 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 substantially larger and better known than Athene, which could limit Athene's position in the industry and could materially and adversely affect Athene's business, financial condition, results of operations and prospects;
- 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'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, including its failure to successfully redeploy investments acquired in its acquisition of Aviva USA into higher yielding assets, 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's failure to comply with these covenants, some of which

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

are financial, may prevent or restrict Athene from capitalizing on business opportunities, including making additional acquisitions or growing its business;

- 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;
- some of the products offered by Athene's insurance subsidiaries and insurance company customers allow policyholders and contract holders to withdraw their funds under defined circumstances; some of the reinsurance agreements entered into by Athene's insurance subsidiaries provide for recapture rights that permit Athene's insurance company customers to reassume all or a portion of the risk ceded to Athene's insurance subsidiaries under defined circumstances; and unanticipated withdrawal or surrender activity or recaptures of reinsurance agreements could, under certain circumstances, require Athene to dispose of investments on unfavorable terms, which may adversely affect Athene's profitability, financial condition, results of operations and cash flows;
- 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

- 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, its affiliates 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 damage Athene's reputation and adversely affect its 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 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;

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

- 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 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, Athene is subject to oversight from U.S. regulators as well as the Bermuda Monetary Authority, 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 prospect;
- Athene may in the future 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;
- new accounting rules or accounting principles, whether GAAP or statutory or whether in the United States or Bermuda, including convergence with International Financial Reporting Standards ("IFRS") may adversely affect Athene's financial condition and results of operation;
- the requirements governing the determination and recognition of purchase GAAP accounting ("PGAAP") in connection with Athene's acquisitions are complicated and rely on, among other things, management's estimates of the fair values of assets and liabilities acquired in the acquisition; inaccurate estimates or changes in the values of these assets and liabilities that were not or could not be contemplated could result in unanticipated changes in Athene's net income and may affect its financial condition and results of operation;



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

## Risks Relating to Athene's Common Shares

- there is currently no market for Athene's common shares, and there is no assurance that an active trading market will develop or continue or will be liquid; Athene'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 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 Athene common shares 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 to Apollo in respect of management and other fees payable to Apollo) may depress the price of the Investment Partnership's investment in Athene common shares 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's common shares;
- 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

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

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 Athene's common shares 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 Athene's common shares set forth in Athene's bye-laws limit the voting power of Athene's common shares 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'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 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", or 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 Athene's common shares 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
- 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's common shares generally will be taxable to such holder as unrelated business taxable income.

There may also be risks that are currently immaterial or not known to Athene, us or the Investment Partnership that may in the future become material and may adversely affect Athene's business, operations, financial condition, liquidity and prospects. These factors may be subject to change.

## 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.

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

## Global Financial Crisis

Events during the past few years in the global capital markets illustrate that the current environment is one of extraordinary and unprecedented 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 the 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, by lower than expected returns on investments made prior to the deterioration in the credit markets and by the possibility that we may not be able to find suitable investments in which to deploy our capital. In light of volatile market and economic conditions, the Company in which we have invested (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 Company 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. In addition, during periods of adverse economic conditions and volatility, we may have difficulty accessing the financial markets, which could make it even more difficult or impossible for us to obtain funding for additional investments and harm our operating results. Significant market volatility may result in lower investment returns, which would further adversely affect our net income. The extent to which the underlying causes of instability are pervasive throughout global financial markets and have the potential to cause renewed instability is not yet clear, and despite the recovery of global capital markets from historically low levels, the sustainability of any recovery of financial markets cannot be foreseen. In addition, due to the uncertain stability of global financial institutions, the security of assets held by any financial institution cannot be guaranteed, notwithstanding the terms of any agreement with such institution. These events, and their underlying causes, are likely to be the catalyst for changes in worldwide financial regulation for some time, 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

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

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 may include investments that are not publicly traded, including privately held securities, bank debt and other private investments. 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

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

changes to or otherwise approve the Investment Partnership's investment policies and procedures. As a result, unlike 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.

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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 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.

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

## **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 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 December 31, 2013, the Investment Partnership had one investment, an opportunistic investment in Athene as described below.

## **Values of Co-Investments in Portfolio Companies and Opportunistic Investment**

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

When determining fair value when no market value exists, the value attributed to an investment is generally based on the enterprise value at which the underlying company could be sold 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

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

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.

## **Value of Athene Investment**

Athene's fair value is determined using the embedded value method which is based on 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 Athene's liabilities). The net assets of Athene consist of the current and projected assets less the current and projected liabilities related to in force insurance contracts. The assets considered capital in excess are valued at fair value based on our valuation methodology. The approach of using actuarially projected asset and liability income to value an insurance company is widely used by market participants in the insurance industry, particularly in private company acquisitions. It is appropriate to use this embedded value distributable cash flow approach because a buyer may rely on these projected cash flows in determining the enterprise value of Athene. The embedded value of the in force insurance contracts incorporates actuarial projections of expected income utilizing most recently available policyholder contract and experience data, industry information and assumptions, general economic and market conditions, and other factors deemed relevant, including the cost of capital. In addition, consideration is also given to comparable company multiples in the determination of fair value.

## **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:



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

- 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.

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## Recent Accounting and Reporting Developments

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In December 2011, the Financial Accounting Standards Board ("FASB") issued guidance to enhance disclosures about financial instruments and derivative instruments that are either (1) offset or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. Under the guidance, an entity is required to disclose quantitative information relating to recognized assets and liabilities that are offset or subject to an enforceable master netting arrangement or similar agreement, including the gross amounts of those recognized assets and liabilities, the amounts offset to determine the net amount presented in the statement of financial position, and the net amount presented in the statement of financial position. With respect to amounts subject to an enforceable master netting arrangement or similar agreement which are not offset, disclosure is required of the amounts related to recognized financial instruments and other derivative instruments, the amount related to financial collateral (including cash collateral), and the overall net amount after considering amounts that have not been offset. The guidance is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods and retrospective application is required. As the amendments are limited to disclosure only, the adoption of this guidance did not have a material impact on the financial statements of the Partnership nor the Investment Partnership.

In January 2013, the FASB issued guidance to clarify the scope of disclosures about offsetting assets and liabilities. The amendments clarify that the scope of guidance issued in December 2011 to enhance disclosures around financial instruments and derivative instruments that are either (1) offset, or (2) subject to a master netting arrangement or similar agreement, irrespective of whether they are offset, applies to derivatives, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset or subject to an enforceable master netting arrangement or similar agreement. The amendments are effective for interim and annual periods beginning on or after January 1, 2013. As the amendments are limited to disclosure only, the adoption of this guidance did not have a material impact on the financial statements of the Partnership nor the Investment Partnership.

In June 2013, the FASB issued guidance to change the assessment of whether an entity is an investment company by developing a new two-tiered approach that requires an entity to possess certain fundamental characteristics while allowing judgment in assessing certain typical

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

characteristics. The fundamental characteristics that an investment company is required to have include the following: (1) it obtains funds from one or more investors and provides the investor(s) with investment management services; (2) it commits to its investor(s) that its business purpose and only substantive activities are investing the funds solely for returns from capital appreciation, investment income or both; and (3) it does not obtain returns or benefits from an investee or its affiliates that are not normally attributable to ownership interests. The typical characteristics of an investment company that an entity should consider before concluding whether it is an investment company include the following: (1) it has more than one investment; (2) it has more than one investor; (3) it has investors that are not related parties of the parent or the investment manager; (4) it has ownership interests in the form of equity or partnership interests; and (5) it manages substantially all of its investments on a fair value basis. The new approach requires an entity to assess all of the characteristics of an investment company and consider its purpose and design to determine whether it is an investment company. The guidance includes disclosure requirements about an entity's status as an investment company and financial support provided or contractually required to be provided by an investment company to its investees. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2013. Earlier application is prohibited. The Partnership and the Investment Partnership are in the process of evaluating the impact this guidance will have on the financial statements.

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

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## Index to Financial Statements

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	PAGE
Independent Auditors' Report .....	F-2
Statement of Assets and Liabilities as of December 31, 2013 and 2012 .....	F-4
Statement of Operations for the years ended December 31, 2013 and 2012 .....	F-5
Statement of Changes in Net Assets for the years ended December 31, 2013 and 2012...	F-6
Statement of Cash Flows for the years ended December 31, 2013 and 2012 .....	F-7
Notes to Financial Statements.....	F-8

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

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## Independent Auditors' Report

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### To the Managing General Partner and Shareholders of AP Alternative Assets, L.P.:

We have audited the accompanying financial statements of AP Alternative Assets, L.P. (the "Partnership"), which comprise the statements of assets and liabilities, as of December 31, 2013 and 2012, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AP Alternative Assets, L.P. as of December 31, 2013 and 2012, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Notes 2 and 3 to the financial statements, the financial statements include investments valued at \$1,942.1 million (100.0% of total assets) and \$1,666.4 million (100.0% of total assets) as of December 31, 2013 and 2012, respectively, whose fair values have been estimated by the Managing General Partner in the absence of readily determinable fair values.

/s/ Deloitte & Touche LLP

New York, NY

February 6, 2014

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

<b>AP ALTERNATIVE ASSETS, L.P.</b>		
<b>STATEMENT OF ASSETS AND LIABILITIES</b>		
<b>(in thousands, except per unit amounts)</b>		
	As of December 31, 2013	As of December 31, 2012
<b>ASSETS</b>		
Investment in AAA Investments, L.P. (cost of \$1,494,358 and \$1,561,154 at December 31, 2013 and 2012, respectively)	\$ 1,942,051	\$ 1,666,448
Other assets	284	296
<b>TOTAL ASSETS</b>	<b>1,942,335</b>	<b>1,666,744</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	278	651
Due to affiliates	854	3,224
<b>TOTAL LIABILITIES</b>	<b>1,132</b>	<b>3,875</b>
<b>NET ASSETS</b>	<b>\$ 1,941,203</b>	<b>\$ 1,662,869</b>
<b>NET ASSETS CONSIST OF:</b>		
Partners' capital contribution (76,328,950 and 80,215,738 net common units outstanding at December 31, 2013 and 2012, respectively)	\$ 1,621,541	\$ 1,683,764
Partners' capital distributions	(112,309)	(112,309)
Accumulated increase in net assets resulting from operations	431,971	91,414
<b>NET ASSETS</b>	<b>\$ 1,941,203</b>	<b>\$ 1,662,869</b>
Net asset value per common unit	\$ 25.43	\$ 20.73
Market price per common unit	\$ 28.25	\$ 14.80
Refer to accompanying notes to financial statements.		

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

AP ALTERNATIVE ASSETS, L.P. STATEMENT OF OPERATIONS (in thousands)		
	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012
<b>INVESTMENT INCOME (LOSS) (ALLOCATED FROM AAA INVESTMENTS, L.P.)</b>		
Interest, dividends and gains from short-term investments	\$ 189	\$ 28,925
Investment expenses	(9,420)	(38,311)
	(9,231)	(9,386)
<b>EXPENSES</b>		
General and administrative expenses	(1,842)	(2,578)
	(11,073)	(11,964)
<b>NET INVESTMENT LOSS</b>		
<b>REALIZED AND UNREALIZED (LOSSES) GAINS FROM INVESTMENTS (ALLOCATED FROM AAA INVESTMENTS, L.P.)</b>		
Net realized (losses) gains from sales/dispositions of investments	(121,510)	46,502
Net change in unrealized appreciation/depreciation on investments	473,140	251,024
	351,630	297,526
<b>NET GAIN FROM INVESTMENTS</b>		
	351,630	297,526
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ 340,557</b>	<b>\$ 285,562</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 CHANGES IN NET ASSETS</b>		
<b>(in thousands)</b>		
	<b>For the Year Ended December 31, 2013</b>	<b>For the Year Ended December 31, 2012</b>
<b>INCREASE IN NET ASSETS</b>		
<b>RESULTING FROM OPERATIONS</b>		
Net investment loss	\$ (11,073)	\$ (11,964)
Net gain from investments (allocated from AAA Investments, L.P.)	351,630	297,526
<b>Net increase in net assets resulting from operations</b>	<b>340,557</b>	<b>285,562</b>
<b>NET CHANGE FROM CAPITAL TRANSACTIONS</b>		
Partners' capital distributions	—	(2,170)
Purchase of common units	(62,223)	(100,046)
<b>Net decrease in net assets resulting from capital transactions</b>	<b>(62,223)</b>	<b>(102,216)</b>
<b>TOTAL INCREASE IN NET ASSETS</b>	<b>278,334</b>	<b>183,346</b>
<b>NET ASSETS — Beginning of year</b>	<b>1,662,869</b>	<b>1,479,523</b>
<b>NET ASSETS — End of year</b>	<b>\$ 1,941,203</b>	<b>\$ 1,662,869</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</b>		
<b>(in thousands)</b>		
	<b>For the Year Ended December 31, 2013</b>	<b>For the Year Ended December 31, 2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net increase in net assets resulting from operations	\$ 340,557	\$ 285,562
Adjustments to reconcile net increase in net assets resulting from operations to net cash flows provided by operating activities:		
Net investment loss (allocated from AAA Investments, L.P.)	9,231	9,386
Net gain from investments (allocated from AAA Investments, L.P.)	(351,630)	(297,526)
<b>Changes in operating assets and liabilities:</b>		
Dividend from AAA Investments, L.P.	66,796	99,674
Decrease in other assets	12	31
(Decrease) increase in accounts payable, accrued liabilities and due to affiliates	(2,743)	2,919
Net cash flows provided by operating activities	<u>62,223</u>	<u>100,046</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Purchase of common units	(62,223)	(100,046)
Net cash flows used in financing activities	<u>(62,223)</u>	<u>(100,046)</u>
<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>Supplemental Schedule of Non-Cash Financing Activities —</b>		
Partners' capital distribution (paid by AAA Investments, L.P.)	\$ —	\$ 2,170
Refer to accompanying notes to financial statements.		

# 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 NYSE 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 December 31, 2013, the Partnership’s portfolio consisted of a single opportunistic investment in the majority of the economic equity of Athene Holding Ltd. (together with its subsidiaries “Athene”). Athene Holding Ltd. is the ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding Ltd. provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed and equity 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 in exchange for common shares of Athene Holding Ltd., cash and a short term promissory note (the “Transaction”). The Investment Partnership received approximately 46.8 million non-voting common shares of Athene Holding Ltd., cash of \$82.9 million and a promissory note with a principal amount of \$113.3 million in exchange for investments with a fair value of approximately \$1,114.3 million. The promissory note is reported

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

at fair value and bears interest at a rate of 0.30% per annum. It is payable upon demand by the Investment Partnership, at the Investment Partnership's option, in either cash or Athene Holding Ltd. shares at a price of \$13.46 per share, and Athene may prepay at its option at any time without penalty. The impact of the Transaction resulted in a realized gain of approximately \$178.3 million (or \$2.22 per unit) during the quarter ended December 31, 2012. In addition, the impact of the Transaction resulted in a dilution of approximately \$63.6 million in the Investment Partnership's interest in Athene and an increase of approximately \$22.1 million of additional allocation to the Investment Partnership's General Partner during the quarter ended December 31, 2012. At the time of the Transaction, there were an additional 1.5 million shares to be issued by Athene for the remaining Investment Partnership's investments to be contributed that were pending the receipt of required regulatory consents. Following receipt of the required regulatory consents, the Investment Partnership, through a subsidiary, transferred its remaining investments to Athene Holding Ltd. on July 29, 2013, which resulted in a net realized loss of \$121.6 million. At the date of the contribution, there was a \$24.3 million difference in the fair value of the assets contributed and the Athene Holding Ltd. shares received. This impact on unrealized appreciation was partially offset by approximately \$17.6 million through the Investment Partnership's previous investment in Athene.

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.

As of December 31, 2013, Athene is the Investment Partnership's only portfolio investment and the Investment Partnership is the largest shareholder of Athene with an approximate 72.5% and 77.2% economic ownership stake as of December 31, 2013 and 2012, respectively (without giving effect to restricted common shares issued under Athene's management equity plan and conversion of AAA Investments' note receivable), and effectively 45% of the voting power. During January and February 2013, under its existing agreements, Athene called approximately \$82.1 million in capital from other investors and as a result, the Investment Partnership's ownership in Athene as of December 31, 2012 was diluted by approximately \$43.1 million, from approximately 77.2% to approximately 72.2%. In accordance with the services agreement among AAA, the Investment Partnership and the other service recipients party thereto and Apollo Alternative Assets, Apollo Alternative Assets receives a management fee for managing the assets of the Investment Partnership. In connection with the consummation of the Transaction, on October 31, 2012, the services agreement was amended. Pursuant to the amendment, the parties agreed that there will be no management fees payable by the Investment Partnership with respect to the shares of Athene Holding Ltd. that were newly acquired by the Investment Partnership in the Transaction, (the "Excluded Athene Shares"), which are those shares in excess of the shares of Athene Holding Ltd. that the Investment Partnership owned, or had committed to purchase, prior to the Transaction. The Investment Partnership will 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

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

that the Investment Partnership's obligation to pay the existing management fee shall terminate on December 31, 2014 (although services will continue through December 31, 2020). Apollo Alternative Assets is entitled to receive a formulaic unwind of its management fee in the event that AAA makes a tender offer for all or substantially all of its outstanding units where the consideration is to be paid in shares of Athene Holding Ltd. (or if AAA accomplishes a similar transaction using an alternative structure that is no less favorable in all material respects to the AAA unitholders as a whole), up to a cap of \$30.0 million had the tender offer or similar transaction commenced in 2013, \$25.0 million if the tender offer or similar transaction commences in 2014, \$20.0 million if the tender offer or similar transaction commences in 2015 and zero if the tender offer or similar transaction commences in 2016 or thereafter. All such management fees are paid pursuant to a derivative contract between the Investment Partnership and Apollo. Each quarter, management fees earned are translated into an accrued notional number of shares of Athene Holding Ltd., and the accrued notional shares of Athene Holding Ltd. are fair valued. At the Investment Partnership's option, all notional shares accrued pursuant to the terms of the derivative contract are payable either in shares of Athene Holding Ltd. or cash equal to the fair value of such shares of Athene Holding Ltd. at the time of settlement. Settlement occurs on the earlier of a change of control of Athene or October 31, 2017.

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 shares of Athene Holding Ltd. (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding Ltd., or paid in cash if AAA sells the shares of Athene Holding Ltd.

## 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 February 6, 2014, the issuance date of these financial statements.

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

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 years ended December 31, 2013 and 2012 and its financial position at December 31, 2013 and 2012.

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. As also detailed under "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" included elsewhere within this report, 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, present sources of liquidity, borrowing facilities and the ability to raise cash through sales of investments 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 is valued at \$1,942.1 million (100.0% of net assets) and \$1,666.4 million (100.2% of net assets) as of December 31, 2013 and 2012, 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 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,

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

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. AAA's investments in limited partner interests in the Investment Partnership do not have a readily available market and are valued by the Managing General Partner and 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 with Apollo Alternative Assets. None of these individuals, including the Apollo Alternative Assets' chief financial officer, are required to be

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

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 taxable 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 2012, 2011 and 2010 tax years. The tax years from 2010 to 2012 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 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. The Managing General Partner determined that the Partnership will not make a tax distribution related to 2012 and 2011 taxable income generated by the Partnership. The available cash was used to enable the Partnership to execute tender offers.

**Recent Accounting Pronouncements**— In December 2011, the FASB issued guidance to enhance disclosures about financial instruments and derivative instruments that are either (1) offset or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. Under the guidance, an entity is required to disclose quantitative information relating to recognized assets and liabilities that are offset or subject to an enforceable master netting arrangement or similar agreement, including the gross amounts of those recognized assets and liabilities, the amounts offset to determine the net amount presented in the statement of financial position, and the net amount presented in the statement of financial position. With respect to amounts subject to an enforceable master netting arrangement or similar agreement which are not offset, disclosure is required of the amounts related to recognized financial instruments and other derivative instruments, the amount related to financial collateral (including cash collateral), and the overall net amount after considering amounts that have not been offset. The guidance is effective for annual reporting periods beginning on or after January

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

1, 2013 and interim periods within those annual periods and retrospective application is required. As the amendments are limited to disclosure only, the adoption of this guidance did not have a material impact on the financial statements of the Partnership.

In January 2013, the FASB issued guidance to clarify the scope of disclosures about offsetting assets and liabilities. The amendments clarify that the scope of guidance issued in December 2011 to enhance disclosures around financial instruments and derivative instruments that are either (1) offset, or (2) subject to a master netting arrangement or similar agreement, irrespective of whether they are offset, applies to derivatives, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset or subject to an enforceable master netting arrangement or similar agreement. The amendments are effective for interim and annual periods beginning on or after January 1, 2013. As the amendments are limited to disclosure only, the adoption of this guidance did not have a material impact on the financial statements of the Partnership.

In June 2013, the FASB issued guidance to change the assessment of whether an entity is an investment company by developing a new two-tiered approach that requires an entity to possess certain fundamental characteristics while allowing judgment in assessing certain typical characteristics. The fundamental characteristics that an investment company is required to have include the following: (1) it obtains funds from one or more investors and provides the investor(s) with investment management services; (2) it commits to its investor(s) that its business purpose and only substantive activities are investing the funds solely for returns from capital appreciation, investment income or both; and (3) it does not obtain returns or benefits from an investee or its affiliates that are not normally attributable to ownership interests. The typical characteristics of an investment company that an entity should consider before concluding whether it is an investment company include the following: (1) it has more than one investment; (2) it has more than one investor; (3) it has investors that are not related parties of the parent or the investment manager; (4) it has ownership interests in the form of equity or partnership interests; and (5) it manages substantially all of its investments on a fair value basis. The new approach requires an entity to assess all of the characteristics of an investment company and consider its purpose and design to determine whether it is an investment company. The guidance includes disclosure requirements about an entity's status as an investment company and financial support provided or contractually required to be provided by an investment company to its investees. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2013. Earlier application is prohibited. The Partnership is in the process of evaluating the impact that this guidance will have on the financial statements.

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

At December 31, 2013 and 2012, 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



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

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:

*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.

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

The following table summarizes the valuation of the Partnership's investments in fair value hierarchy levels:

<i>(in thousands)</i>	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
<b>As of December 31, 2013:</b>				
Investment in AAA Investments, L.P.	<u>\$ 1,942,051</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,942,051</u>
<b>As of December 31, 2012:</b>				
Investment in AAA Investments, L.P.	<u>\$ 1,666,448</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,666,448</u>

As of December 31, 2013 and 2012, the Partnership's Level III investment is valued based on the Net Asset Value of the Investment Partnership (which in turn was based on the Investment Partnership's underlying investments which are valued based on market quotes, broker quotes and the enterprise values at which the company believes it could be sold or transferred in an orderly transaction between market participants as of the measurement date. A market multiple approach that considers a specific financial measure, a discounted cash flow approach, an option valuation methodology or a liquidation analysis is generally used).

The change in the investment measured at fair value for which the Partnership has used Level III inputs to determine fair value is as follows:

<i>(in thousands)</i>	<u>For the Year Ended December 31, 2013</u>	<u>For the Year Ended December 31, 2012</u>
<b>Beginning Balance</b>	\$ 1,666,448	\$ 1,480,152
<b>Purchases</b>	—	—
<b>Distributions</b>	(66,796)	(101,844)
<b>Unrealized gains</b>	342,399	288,140
<b>Ending Balance</b>	<u>\$ 1,942,051</u>	<u>\$ 1,666,448</u>

As of December 31, 2013 and 2012, AAA had unrealized gains on Level III investments of \$447.7 million and \$105.3 million, respectively, included within the net change in unrealized appreciation/depreciation on investments in the Statement of Operations. There were no transfers between Level I and II during the years ended December 31, 2013 and 2012.

#### 4. CAPITAL TRANSACTIONS

At December 31, 2013 and 2012, AAA had 76,328,950 and 80,215,738, respectively, net common units outstanding.

On February 10, 2012, AAA commenced a tender offer (the "February Tender Offer") to purchase a portion of its outstanding common units or restricted depositary units, collectively "Units", at prices ranging from \$9.20 to \$10.70 per Unit. In accordance with the terms of the February Tender Offer and under a prior mandate of the board of directors of AAA Guernsey Limited,

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

AAA purchased 5,000,000 Units at \$10.00 per Unit for total consideration of \$50.0 million (\$50.3 million inclusive of expenses). The Investment Partnership made a distribution to AAA for the amount of the February Tender Offer. The Units acquired in the February Tender Offer were cancelled.

On April 20, 2012, AAA commenced a tender offer (the “April Tender Offer”) to purchase a portion of its outstanding Units at prices ranging from \$9.00 to \$10.50 per Unit. In accordance with the terms of the April Tender Offer and under a prior mandate of the board of directors of AAA Guernsey Limited, AAA purchased 4,967,462 Units at \$10.00 per Unit for total consideration of \$49.7 million (\$49.8 million inclusive of expenses). The Investment Partnership made a distribution to AAA for the amount of the April Tender Offer. The Units acquired in the April Tender Offer were cancelled.

On November 12, 2012, AAA commenced a tender offer (the “November Tender Offer”) to purchase a portion of its outstanding Units at prices ranging from \$15.00 to \$16.00 per Unit. In accordance with the terms of the November Tender Offer and under a prior mandate of the board of directors of AAA Guernsey Limited, AAA purchased 3,886,788 Units at \$16.00 per Unit for total consideration of \$62.2 million (approximately \$62.2 million inclusive of expenses) during the quarter ended March 31, 2013. During 2013, the Investment Partnership made a distribution to AAA for the amount of the November Tender Offer. The Units acquired in the November Tender Offer were cancelled during March 2013.

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. In November 2011, the Board of Directors of the Managing General Partner agreed with Apollo Alternative Assets to amend and restate the services agreement. The amendments require Apollo Alternative Assets (or its affiliates) to purchase common units or restricted depositary units in the market rather than subscribing for and being issued new common units or restricted depositary units when making a reinvestment of a portion of the carried interests from AAA. Apollo is not be 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

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

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 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.

In July 2011 and April 2011, AAA issued 10,076 common units and 24,482 common units, respectively, in the form of restricted depositary units, to AAA Holdings, L.P. (“AAA Holdings”), an affiliate of Apollo, at a price per unit of \$12.31 and \$12.56, respectively. The units issued were subscribed for by AAA Holdings in fulfillment of Apollo’s obligation to reinvest a portion of the carried interests received by it with respect to investments made by the Investment Partnership as set forth in its prospectus. Common units issued directly to AAA’s affiliates in connection with the carried interest reinvestment program are subject to a general prohibition on transfer for a period of three years from the date of issuance. During the second quarter of 2012, to comply with the amended and restated services agreement which was approved by the board of directors of the Managing General Partner in November 2011, affiliates of Apollo Alternative Assets reinvested a portion of the carried interests received in common units of AAA that were acquired in the market. AAA Holdings acquired 143,300 units at an average purchase price of \$10.13 per unit. No lock-up is imposed on the acquired 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 year ended December 31, 2013, the Investment Partnership made partners’ capital distributions of \$66.8 million, which consisted of a \$62.2 million distribution related to the November Tender Offer which settled during March 2013 and a \$4.6 million distribution in August 2013 to AAA related to expense reimbursements.

During the year ended December 31, 2012, the Investment Partnership made partners’ capital distributions of \$101.8 million to or on behalf of AAA, of which \$99.7 million related to the February Tender Offer and April Tender Offer and \$2.1 million was deemed to be distributed for tax withholdings on dividends received.

## 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, through a services agreement with Apollo Alternative Assets, is responsible for selecting, evaluating, structuring, performing due diligence, negotiating, executing, monitoring and exiting the investments of AAA, as well as, investments of the Investment Partnership and for managing the uninvested cash of the

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

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*—AAA, the Managing General Partner, the Investment Partnership, its General Partner, and the Managing Investment Partner have entered into a services agreement with Apollo Alternative Assets pursuant to which Apollo Alternative Assets has agreed to provide certain investment, financial advisory, operational and other services to them. Under the services agreement, Apollo Alternative Assets is responsible for the day-to-day operations of the service recipients and is subject at all times to the supervision of their respective governing bodies, including the board of directors of the Managing General Partner and the board of directors of the Managing Investment Partner. Apollo Alternative Assets receives a management fee from the service recipients for providing these services.

The services agreement was amended on October 31, 2012 in connection with the Transaction. 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 services 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 amendment, the parties agreed that there will be no management fees payable by the Investment Partnership with respect to the Excluded Athene Shares. The Investment Partnership's General Partner will not be entitled to receive any carried interest with respect to the Excluded Athene Shares. The Investment Partnership will 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 shall terminate on December 31, 2014 (although services will continue through December 31, 2020). In the event that AAA makes a tender offer for all or substantially all of its units where the consideration is to be paid in shares of Athene Holding Ltd. (or an alternative transaction that is no less favorable, in all material respects to the AAA unitholders as a whole), the management fee will be unwound and a lump sum payment will be made to Apollo equal to the remaining management fee that would have been due until the expiration date (December 31, 2020), using an 8% discount rate and assuming a 14% growth rate to then existing management fees, compounded annually, until the expiration date, subject to a cap of \$30.0 million had the tender offer or similar transaction commenced in 2013, \$25.0 million if the tender offer or similar transaction commences in 2014, \$20.0 million if the tender offer or similar transaction commences in 2015 and zero if the tender offer or similar transaction commences in 2016 or thereafter. All such management fees are paid pursuant to a derivative contract between the Investment Partnership and Apollo. Each quarter, management fees earned

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

are translated into an accrued notional number of shares of Athene Holding Ltd., and the accrued notional shares of Athene Holding Ltd. are fair valued. At the Investment Partnership's option, all notional shares accrued pursuant to the terms of the derivative contract are payable either in shares of Athene Holding Ltd. or cash equal to the fair value of such shares of Athene Holding Ltd. at the time of settlement. Settlement occurs on the earlier of a change of control of Athene or October 31, 2017. In addition, carried interest payable to the Investment Partnership's General Partner will be paid in shares of Athene Holding Ltd. (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding Ltd., or paid in cash if AAA sells the shares of Athene Holding Ltd.

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 December 31, 2013 and 2012 consisted of \$0.9 million and \$3.2 million, respectively, payable to the Investment Partnership for expense reimbursements.

**Personal Interests of Directors**—Certain directors of the Managing General Partner, the Managing Investment Partner and Apollo Alternative Assets GP Limited, the general partner of Apollo Alternative Assets, participate in certain of the investments in which the Investment Partnership invests.

The following is a summary of the personal interests of the directors in such investments at fair value:

<i>(in thousands)</i>	As of December 31, 2013	As of December 31, 2012
<b>Apollo Investment Fund VI, L.P.</b>	N/A	\$ 75,157

In addition, certain directors of the Managing General Partner, the Managing Investment Partner and Apollo Alternative Assets GP Limited are AAA unitholders. At December 31, 2013 and 2012, the directors owned approximately 2.3 million and 2.3 million Units of AAA, respectively. This excludes 2.0 million and 2.3 million Units owned by an affiliate of Apollo, which certain directors are deemed to beneficially own at December 31, 2013 and 2012, respectively.

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

## 6. FINANCIAL HIGHLIGHTS

Financial highlights for AAA were as follows:

<i>(in thousands, except per unit amounts)</i>	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012
<b>Per unit operating performance:</b>		
Net asset value at the beginning of the year	\$ 20.73	\$ 16.41
<b>Income (loss) from investment operations:</b>		
Net investment loss	(0.14)	(0.14)
Net gain from investments	4.55	3.57
<b>Total from investment operations</b>	<b>4.41</b>	<b>3.43</b>
Capital distributions	—	(0.03)
Unit purchases	(0.81)	(1.20)
Accretion from unit repurchases/effect of dilution	1.10	2.12
Net asset value at end of the year	\$ 25.43	\$ 20.73
<b>Total return</b>	<b>21.23%</b>	<b>20.08%</b>
<b>Percentage and supplemental data:</b>		
Net assets at the end of the year	\$ 1,941,203	\$ 1,662,869
<b>Ratios to average net assets*:</b>		
Expenses	0.66%	2.70%
Investment loss	(0.65)%	(0.79)%

\*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 and ratios to average net assets have been presented on an annualized basis and were calculated on a weighted average basis.

## 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.

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

As of December 31, 2013, AAA had no outstanding commitments for future funding.

## **8. SUBSEQUENT EVENTS**

Management has evaluated all subsequent events or transactions for potential recognition or disclosure through February 6, 2014, the date on which these financial statements were available to be issued, and has determined that there were no subsequent events requiring adjustments to or disclosure in the financial statements.



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

## 9. SUPPLEMENTAL FINANCIAL INFORMATION (UNAUDITED)

### Quarterly Results

The following represents the Partnership's unaudited quarterly results for the years ended December 31, 2013 and 2012. These quarterly results were prepared in accordance with U.S. GAAP and reflect all adjustments that are, in the opinion of the Managing General Partner, necessary for a fair statement of the results:

<i>(in thousands)</i>	For the Three Months Ended March 31, 2013	For the Three Months Ended June 30, 2013	For the Three Months Ended September 30, 2013	For the Three Months Ended December 31, 2013
Investment income	\$ 73	\$ 37	\$ 39	\$ 40
Investment expense	(1,554)	(2,046)	(1,966)	(3,854)
General and administrative expenses	(827)	(371)	(667)	23
Net investment loss	(2,308)	(2,380)	(2,594)	(3,791)
Net realized losses from sales	—	—	(121,510)	—
Net change in unrealized appreciation/depreciation on investments	49,251	9,073	204,476	210,340
Net increase in net assets resulting from operations	<u>\$ 46,943</u>	<u>\$ 6,693</u>	<u>\$ 80,372</u>	<u>\$ 206,549</u>

<i>(in thousands)</i>	For the Three Months Ended March 31, 2012	For the Three Months Ended June 30, 2012	For the Three Months Ended September 30, 2012	For the Three Months Ended December 31, 2012
Investment income	\$ 10,178	\$ 11,027	\$ 4,120	\$ 3,600
Investment expense	(9,388)	(9,800)	(11,748)	(7,375)
General and administrative expenses	(656)	(678)	(673)	(571)
Net investment income (loss)	134	549	(8,301)	(4,346)
Net realized gains (losses) from sales	13,964	25,731	(171,440)	178,247
Net change in unrealized appreciation/depreciation on investments	138,938	(42,108)	197,020	(42,826)
Net increase (decrease) in net assets resulting from operations	<u>\$ 153,036</u>	<u>\$ (15,828)</u>	<u>\$ 17,279</u>	<u>\$ 131,075</u>

# Financial Statements of AAA Investments, L.P.

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## Index to Financial Statements

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	<b>PAGE</b>
Independent Auditors' Report .....	F-25
Statement of Assets and Liabilities as of December 31, 2013 and 2012 .....	F-27
Schedule of Investments as of December 31, 2013 and 2012 .....	F-28
Statement of Operations for the years ended December 31, 2013 and 2012 .....	F-30
Statement of Changes in Net Assets for the years ended December 31, 2013 and 2012 .....	F-31
Statement of Cash Flows for the years ended December 31, 2013 and 2012 .....	F-32
Notes to Financial Statements.....	F-33

# Financial Statements of AAA Investments, L.P.

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## Independent Auditors' Report

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### To the Managing Investment Partner of AAA Investments, L.P.:

We have audited the accompanying financial statements of AAA Investments, L.P. (the "Partnership"), which comprise the statements of assets and liabilities, including the schedule of investments, as of December 31, 2013 and 2012, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Financial Statements of AAA Investments, L.P.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AAA Investments, L.P. as of December 31, 2013 and 2012, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Notes 2 and 3 to the financial statements, the financial statements include investments valued at \$1,950.0 million (94.6% of total assets) and \$1,582.0 million (90.9% of total assets) as of December 31, 2013 and 2012, respectively, whose fair values have been estimated by the Directors of the Managing Investment Partner in the absence of readily determinable fair values.

/s/ Deloitte & Touche LLP

New York, NY

February 6, 2014

# Financial Statements of AAA Investments, L.P.

<b>AAA INVESTMENTS, L.P.</b>		
<b>STATEMENT OF ASSETS AND LIABILITIES</b>		
<b>(in thousands)</b>		
	As of December 31, 2013	As of December 31, 2012
<b>ASSETS</b>		
Investments:		
Investment in Opportunistic Investment at fair value (cost of \$1,331,942 and \$1,276,366 at December 31, 2013 and 2012, respectively)	\$ 1,950,010	\$ 1,578,954
Co-investments – Apollo Investment Fund VI at fair value (cost of \$0 and \$177,153 at December 31, 2013 and 2012, respectively)	—	25,050
<b>Total Investments</b>	<b>1,950,010</b>	<b>1,604,004</b>
Cash and cash equivalents	10,740	18,661
Note receivable from affiliate (cost of \$51,264 and \$113,264 at December 31, 2013 and 2012, respectively)	89,046	113,264
Other assets	10,190	354
Due from affiliates	854	3,224
<b>TOTAL ASSETS</b>	<b>2,060,840</b>	<b>1,739,507</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	503	1,268
Due to affiliates	16,207	1,830
<b>TOTAL LIABILITIES</b>	<b>16,710</b>	<b>3,098</b>
<b>NET ASSETS</b>	<b>\$ 2,044,130</b>	<b>\$ 1,736,409</b>
<b>NET ASSETS CONSIST OF:</b>		
Partners' capital	\$ 1,472,840	\$ 1,539,673
Accumulated increase in net assets resulting from operations	571,290	196,736
<b>NET ASSETS</b>	<b>\$ 2,044,130</b>	<b>\$ 1,736,409</b>
Refer to accompanying notes to financial statements.		

# Financial Statements of AAA Investments, L.P.

<b>AAA INVESTMENTS, L.P.</b>			
<b>SCHEDULE OF INVESTMENTS</b>			
<b>(in thousands)</b>			
	<u>Cost</u>	<u>Fair Value</u>	<u>Fair Value as a Percentage of Net Assets</u>
<b>As of December 31, 2013:</b>			
Opportunistic Investment – Athene	\$ 1,331,942	\$ 1,950,010	95.4%
<b>Total Investments</b>	<u>\$ 1,331,942</u>	<u>\$ 1,950,010</u>	<u>95.4%</u>
<b>As of December 31, 2012:</b>			
Opportunistic Investment – Athene	\$ 1,276,366	\$ 1,578,954	90.9%
Co-investments in Apollo Investment Fund VI portfolio companies:	177,153	25,050	1.5%
<b>Total Investments</b>	<u>\$ 1,453,519</u>	<u>\$ 1,604,004</u>	<u>92.4%</u>
Refer to accompanying notes to financial statements.			

# Financial Statements of AAA Investments, L.P.

<b>AAA INVESTMENTS, L.P.</b>			
<b>SCHEDULE OF INVESTMENTS (continued)</b>			
<b>(in thousands)</b>			
	Cost	Fair Value	Fair Value as a Percentage of Net Assets
<b>As of December 31, 2013:</b>			
<b>Investments by Geography:</b>			
North America	\$ 1,331,942	\$ 1,950,010	95.4%
	<u>\$ 1,331,942</u>	<u>\$ 1,950,010</u>	<u>95.4%</u>
<b>Investments by Industry:</b>			
Financial & Business Services	\$ 1,331,942	\$ 1,950,010	95.4%
	<u>\$ 1,331,942</u>	<u>\$ 1,950,010</u>	<u>95.4%</u>
<b>As of December 31, 2012:</b>			
<b>Investments by Geography:</b>			
North America	\$ 1,453,095	\$ 1,600,982	92.2%
Europe	424	3,022	0.2%
	<u>\$ 1,453,519</u>	<u>\$ 1,604,004</u>	<u>92.4%</u>
<b>Investments by Industry:</b>			
Financial & Business Services	\$ 1,276,790	\$ 1,581,975	91.1%
Media, Cable & Leisure	176,729	22,029	1.3%
	<u>\$ 1,453,519</u>	<u>\$ 1,604,004</u>	<u>92.4%</u>
Refer to accompanying notes to financial statements.			

# Financial Statements of AAA Investments, L.P.

<b>AAA INVESTMENTS, L.P.</b>		
<b>STATEMENT OF OPERATIONS</b>		
<b>(in thousands)</b>		
	<b>For the Year Ended December 31, 2013</b>	<b>For the Year Ended December 31, 2012</b>
<b>INVESTMENT INCOME:</b>		
Interest, dividends and gains from short-term investments	\$ 189	\$ 28,941
<b>EXPENSES:</b>		
Management fees	(3,894)	(13,689)
General and administrative expenses	(5,529)	(24,636)
<b>NET INVESTMENT LOSS</b>	<b>(9,234)</b>	<b>(9,384)</b>
<b>REALIZED AND UNREALIZED (LOSSES) GAINS FROM INVESTMENTS</b>		
Net realized (losses) gains from sales/dispositions of investments	(121,577)	46,528
Net change in unrealized appreciation/depreciation on investments	505,365	308,286
<b>NET GAIN FROM INVESTMENTS</b>	<b>383,788</b>	<b>354,814</b>
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ 374,554</b>	<b>\$ 345,430</b>
Refer to accompanying notes to financial statements.		



# Financial Statements of AAA Investments, L.P.

<b>AAA INVESTMENTS, L.P.</b>			
<b>STATEMENT OF CHANGES IN NET ASSETS</b>			
<b>(in thousands)</b>			
	<u>General Partner</u>	<u>Limited Partner</u>	<u>Total</u>
<b>For the Year Ended December 31, 2012:</b>			
NET ASSETS — December 31, 2011	\$ 22,948	\$ 1,480,152	\$ 1,503,100
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS:</b>			
Net investment income (loss)	2	(9,386)	(9,384)
Net gain from investments	57,288	297,526	354,814
Net increase in net assets resulting from operations:	<u>57,290</u>	<u>288,140</u>	<u>345,430</u>
<b>NET DECREASE FROM CAPITAL TRANSACTIONS:</b>			
Partners' capital distributions	(10,277)	(101,844)	(112,121)
Net change from capital transactions	<u>(10,277)</u>	<u>(101,844)</u>	<u>(112,121)</u>
TOTAL INCREASE IN NET ASSETS	<u>47,013</u>	<u>186,296</u>	<u>233,309</u>
NET ASSETS — December 31, 2012	<u>\$ 69,961</u>	<u>\$ 1,666,448</u>	<u>\$ 1,736,409</u>
<b>For the Year Ended December 31, 2013:</b>			
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS:</b>			
Net investment loss	(3)	(9,231)	(9,234)
Net gain from investments	32,158	351,630	383,788
Net increase in net assets resulting from operations:	<u>32,155</u>	<u>342,399</u>	<u>374,554</u>
<b>NET CHANGE FROM CAPITAL TRANSACTIONS:</b>			
Partners' capital distributions	(37)	(66,796)	(66,833)
Net change from capital transactions	<u>(37)</u>	<u>(66,796)</u>	<u>(66,833)</u>
TOTAL INCREASE IN NET ASSETS	<u>32,118</u>	<u>275,603</u>	<u>307,721</u>
NET ASSETS — December 31, 2013	<u>\$ 102,079</u>	<u>\$ 1,942,051</u>	<u>\$ 2,044,130</u>
Refer to accompanying notes to financial statements.			

# Financial Statements of AAA Investments, L.P.

<b>AAA INVESTMENTS, L.P.</b>		
<b>STATEMENT OF CASH FLOWS</b>		
<b>(in thousands)</b>		
	<b>For the Year Ended December 31, 2013</b>	<b>For the Year Ended December 31, 2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net increase in net assets resulting from operations	\$ 374,554	\$ 345,430
Adjustments to reconcile net increase in net assets resulting from operations to net cash flows provided by operating activities:		
Net change in unrealized appreciation/depreciation on investments	(505,365)	(308,286)
Net realized losses (gains) from sales/dispositions of investments	121,577	(46,528)
Changes in operating assets and liabilities:		
Proceeds from Athene Transaction	—	82,900
Investment in Other Apollo Credit Funds	—	(29,716)
Distributions/Proceeds from Other Apollo Credit Funds	—	98,475
Distributions from Strategic Value Offshore Fund, Ltd.	—	21,000
Investments in portfolio companies	—	(1,597)
Proceeds from portfolio companies	—	137,095
Investments in opportunistic investments	—	(2,349)
Proceeds from opportunistic investments	—	10,267
Decrease in note receivable from affiliate	62,000	—
(Increase) decrease in other assets and due from affiliates	(7,466)	1,773
Increase (decrease) in accounts payable, accrued liabilities and due to affiliates	13,612	(5,074)
Net cash flows provided by operating activities	58,912	303,390
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments of credit facility	—	(402,500)
Partners' capital distributions	(66,833)	(112,121)
Net cash flows used in financing activities	(66,833)	(514,621)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7,921)</b>	<b>(211,231)</b>
<b>CASH AND CASH EQUIVALENTS — Beginning of period</b>	<b>18,661</b>	<b>229,892</b>
<b>CASH AND CASH EQUIVALENTS — End of period</b>	<b>\$ 10,740</b>	<b>\$ 18,661</b>
<b>Supplemental Disclosure of Cash Flow Information — Interest Paid</b>	<b>\$ —</b>	<b>\$ 14,221</b>
Refer to accompanying notes to financial statements.		

# Financial Statements of AAA Investments, L.P.

## Notes to Financial Statements

### 1. BUSINESS

AAA Investments, L.P. (the "Investment Partnership") is a Guernsey limited partnership that is comprised of (i) AAA Associates, L.P. (the "General Partner"), which holds 100% of the general partner interests in the Investment Partnership and is responsible for managing its business and affairs, and (ii) AP Alternative Assets, L.P. ("AAA" or the "Partnership"), which holds 100% of the limited partner interests in the Investment Partnership and does not participate in the management of the business and affairs of the Investment Partnership. Because the General Partner is itself a Guernsey limited partnership, its general partner, AAA MIP Limited (the "Managing Investment Partner"), a Guernsey limited company that is owned 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 December 31, 2013, the Investment Partnership's portfolio consisted of a single opportunistic investment of the majority of the economic equity of Athene Holding Ltd. (together with its subsidiaries, "Athene"). Athene Holding Ltd. is the ultimate parent of various insurance company operating subsidiaries. Through its subsidiaries, Athene Holding Ltd. provides insurance products focused primarily on the retirement market and its business centers primarily on issuing or reinsuring fixed and equity 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 in exchange for common shares of Athene Holding Ltd., cash and a short term promissory note (the "Transaction"). The Investment Partnership received approximately 46.8 million non-voting common shares of Athene Holding Ltd., cash of \$82.9 million and a promissory note with a principal amount of approximately \$113.3 million in exchange for investments with a fair value of approximately \$1,114.3 million. The promissory note is reported at fair value and bears interest at a rate of 0.30% per annum. It is payable upon demand by the Investment Partnership, at the Investment Partnership's option, in either cash or Athene Holding Ltd. shares at a price of \$13.46 per share, and Athene may prepay at its option at any time without penalty. The impact of the Transaction resulted in a realized gain of approximately \$178.3 million (or \$2.22 per unit) for the quarter ended December 31, 2012. In addition, the impact of the Transaction resulted in a dilution of approximately \$63.6 million in the Investment Partnership's interest in Athene and an increase of approximately \$22.1 million of additional allocation to the General Partner for the quarter ended December 31, 2012. At the time

# Financial Statements of AAA Investments, L.P.

of the Transaction, there were an additional 1.5 million shares to be issued by Athene for the remaining Investment Partnership's investments to be contributed that were pending the receipt of required regulatory consents. Following receipt of the required regulatory consents, the Investment Partnership, through a subsidiary, transferred its remaining investments to Athene Holding Ltd. on July 29, 2013, which resulted in a net realized loss of \$121.6 million. At the date of the contribution, there was a \$24.3 million difference in the fair value of the assets contributed and the Athene Holdings Ltd. shares received. This impact on unrealized appreciation was partially offset by approximately \$17.6 million through the Investment Partnership's previous investment in Athene.

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.

In connection with the Transaction, AAA announced on December 10, 2012 an extension of a cash tender offer that was originally launched on November 12, 2012 (the "November Tender Offer") to purchase common units or restricted depositary units, collectively "Units", at prices ranging from \$15.00 to \$16.00 per Unit. Under the terms of the November Tender Offer, AAA purchased 3,886,788 Units at a price per Unit of \$16.00 during the quarter ended March 31, 2013. The amount tendered was \$62.2 million (approximately \$62.2 million inclusive of expenses) and the Units acquired in the November Tender Offer were cancelled during March 2013.

As of December 31, 2013, Athene is the Investment Partnership's only portfolio investment and the Investment Partnership is the largest shareholder of Athene with an approximate 72.5% and 77.2% economic ownership stake as of December 31, 2013 and 2012, respectively (without giving effect to restricted common shares issued under Athene's management equity plan and conversion of AAA Investments' note receivable), and effectively 45% of the voting power. During January and February 2013, under its existing agreements, Athene called approximately \$82.1 million in capital from other investors and as a result, the Investment Partnership's ownership in Athene as of December 31, 2012 was diluted by approximately \$43.1 million, from approximately 77.2% to approximately 72.2%. In accordance with the services agreement among AAA, the Investment Partnership and the other service recipients party thereto and Apollo Alternative Assets, L.P. ("Apollo Alternative Assets"), Apollo Alternative Assets receives a management fee for managing the assets of the Investment Partnership. In connection with the consummation of the Transaction, on October 31, 2012, the services agreement was amended. Pursuant to the amendment, the parties agreed that there will be no management fees payable by the Investment Partnership with respect to the shares of Athene Holding Ltd. that were newly acquired by the Investment Partnership in the Transaction, (the "Excluded Athene Shares"), which are those shares in excess of the shares of Athene Holding Ltd. that the Investment Partnership owned, or had committed to purchase, prior to the Transaction. The Investment Partnership will 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

# Financial Statements of AAA Investments, L.P.

Shares), except that Apollo Alternative Assets agreed that AAA's obligation to pay the existing management fee shall terminate on December 31, 2014 (although services will continue through December 31, 2020). Apollo Alternative Assets is entitled to receive a formulaic unwind of its management fee in the event that AAA makes a tender offer for all or substantially all of its outstanding units where the consideration is to be paid in shares of Athene Holding Ltd. (or if AAA accomplishes a similar transaction using an alternative structure that is no less favorable in all material respects to the AAA unitholders as a whole), up to a cap of \$30.0 million had the tender offer or similar transaction commenced in 2013, \$25.0 million if the tender offer or similar transaction commences in 2014, \$20.0 million if the tender offer or similar transaction commences in 2015 and zero if the tender offer or similar transaction commences in 2016 or thereafter. All such management fees are paid pursuant to a derivative contract between the Investment Partnership and Apollo. Each quarter, management fees earned are translated into an accrued notional number of shares of Athene Holding Ltd., and the accrued notional shares of Athene Holding Ltd. are fair valued. At the Investment Partnership's option, all notional shares accrued pursuant to the terms of the derivative contract are payable either in shares of Athene Holding Ltd. or cash equal to the fair value of such shares of Athene Holding Ltd. at the time of settlement. Settlement occurs on the earlier of a change of control of Athene or October 31, 2017.

In addition, the 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 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 General Partner will be paid in shares of Athene Holding Ltd. (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding Ltd., or paid in cash if AAA sells the shares of Athene Holding Ltd.

## 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.

The financial statements include the 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 February 6, 2014, the issuance date of these 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

# Financial Statements of AAA Investments, L.P.

the Investment Partnership's activity for the years ended December 31, 2013 and 2012, and its financial position as of December 31, 2013 and 2012.

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 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. As also detailed under "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" included elsewhere within this report, 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 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 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 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.

# Financial Statements of AAA Investments, L.P.

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 the credit funds. The Investment 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, as such, there were no impairments recorded during the years ended December 31, 2013 and 2012.

*Value of Athene Investment* - Athene’s fair value is determined using the embedded value method which is based on 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 Athene’s liabilities). The net assets of Athene consist of the current and projected assets less the current and projected liabilities related to in force insurance contracts. The assets considered capital in excess are valued at fair value based on our valuation methodology. The approach of using actuarially projected asset and liability income to value an insurance company is widely used by market participants in the insurance industry, particularly in private company acquisitions. It is appropriate to use this embedded value distributable cash flow approach because a buyer may rely on these projected cash flows in determining the enterprise value of Athene. The embedded value of the in force insurance contracts incorporates actuarial projections of expected income utilizing most recently available policyholder contract and experience data, industry information and assumptions, general economic and market conditions, and other factors deemed relevant, including the cost of capital. In addition, consideration is also given to comparable company multiples in the determination of fair value.

*Values of Interests in Apollo-Sponsored Private Equity and Credit Funds*—The Investment Partnership’s interests in Apollo-sponsored private equity funds or credit funds do not have a readily available market value and generally are fair valued. Each interest is generally valued at an amount that is equal to the aggregate unrealized value of the fund’s portfolio company investments that the holder of the interest would receive if such investments were sold or transferred in an orderly transaction between market participants as of the measurement date, and the distribution of the net proceeds from such sales were distributed to investors in accordance with the documentation governing the fund. The Investment Partnership may be required to value such investments at a premium or discount to net asset value if other factors lead the Managing General Partner’s board of directors to conclude that net asset value does not

# Financial Statements of AAA Investments, L.P.

represent fair value. Each fund's net asset value is expected to increase or decrease from time to time based on the amount of investment income, operating expenses and realized gains and losses on the sale or repayment of investments, if any, that the fund records and the net changes in the appreciation/depreciation of the investments that it carries as assets in its financial statements.

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

When determining fair value pricing when no market value exists, the value attributed to an investment is based on the enterprise value at which the company could be sold 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, the company's strengths, weaknesses, expectations relating to the market's receptivity to an offering of the company's securities, the size of Apollo's holding in the portfolio company and any control associated with interests in the company that 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.

***Value of Temporary Investments***—The investments that the Investment Partnership will carry as assets in its financial statements are expected to include investments that constitute temporary investments. These are generally cash and cash equivalents. In addition, from time to time this cash is expected to be paid out in the form of distributions and dividends on equity investments, payments of interest and principal on fixed income investments and cash consideration received in connection with the disposal of investments. Temporary investments will be valued using readily available market prices.



# Financial Statements of AAA Investments, L.P.

**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.

**Foreign Currency**—The foreign currency denominated investments of the Investment Partnership are translated into U.S. dollar amounts at the date of the statement of assets and liabilities. Purchases and sales of foreign currency denominated investments are translated into U.S. dollars on the respective dates of such transactions. The Investment Partnership does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in value. Such fluctuations are included within the net realized gains from sales/dispositions and net change in unrealized appreciation/depreciation on investments in the Statement of Operations. At December 31, 2013, the Investment Partnership did not have any foreign-denominated investments. For the years ended December 31, 2013 and 2012, included in the net change in unrealized appreciation/depreciation on investments was \$0.0 million and \$0.1 million, respectively, related to exchange rate fluctuations on foreign denominated 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 December 31, 2013 and 2012, all cash and cash equivalents were cash held at banks, which are considered to be Level I in the fair value hierarchy.

**Other Assets**—At December 31, 2013, other assets were primarily comprised of prepaid insurance and prepaid management fees. As part of the amended and restated service agreement (refer to Note 6 for further discussion), the Investment Partnership will accrue the quarterly management fee due to Apollo Alternative Assets through December 31, 2014 but services are for a period through December 31, 2020. The amount accrued in advance of services being performed is recorded as a prepaid management fee within other assets. At December 31, 2012, other assets were primarily comprised of interest receivable and prepaid insurance. Prepaid insurance is amortized on a straight-line basis over the related policy periods.

**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

# Financial Statements of AAA Investments, L.P.

decrease in the unrealized appreciation or depreciation on investments. This occurs 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 a services agreement, the Investment Partnership, along with the service recipients have agreed to pay Apollo Alternative Assets a quarterly management fee and to pay expenses incurred by Apollo that are attributable to the Investment Partnership’s operations and reimbursable under the services agreement, refer to Note 6, “Relationship with Apollo and Related Party Transactions” for further discussion.

**Taxes**—The Investment Partnership is not subject to income taxes in Guernsey and is taxable 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 2012, 2011 and 2010 tax years. The tax years from 2010 to 2012 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 financial statements. This guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This 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 December 2011, the FASB issued guidance to enhance disclosures about financial instruments and derivative instruments that are either (1) offset or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. Under the guidance, an entity is required to disclose quantitative information relating to recognized assets and liabilities that are offset or subject to an enforceable master netting arrangement or similar agreement, including the gross amounts of those recognized assets and liabilities, the amounts offset to determine the net amount presented in the statement of financial position, and the net amount presented in the statement of financial position. With respect to amounts subject to an enforceable master netting arrangement or similar agreement which are not offset, disclosure is required of the amounts related to recognized financial instruments and other derivative instruments, the amount related to financial collateral (including cash collateral), and the overall net amount after considering amounts that have not

# Financial Statements of AAA Investments, L.P.

been offset. The guidance is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods and retrospective application is required. As the amendments are limited to disclosure only, the adoption of this guidance did not have a material impact on the financial statements of the Investment Partnership.

In January 2013, the FASB issued guidance to clarify the scope of disclosures about offsetting assets and liabilities. The amendments clarify that the scope of guidance issued in December 2011 to enhance disclosures around financial instruments and derivative instruments that are either (1) offset, or (2) subject to a master netting arrangement or similar agreement, irrespective of whether they are offset, applies to derivatives, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset or subject to an enforceable master netting arrangement or similar agreement. The amendments are effective for interim and annual periods beginning on or after January 1, 2013. As the amendments are limited to disclosure only, the adoption of this guidance did not have a material impact on the financial statements of the Investment Partnership.

In June 2013, the FASB issued guidance to change the assessment of whether an entity is an investment company by developing a new two-tiered approach that requires an entity to possess certain fundamental characteristics while allowing judgment in assessing certain typical characteristics. The fundamental characteristics that an investment company is required to have include the following: (1) it obtains funds from one or more investors and provides the investor(s) with investment management services; (2) it commits to its investor(s) that its business purpose and only substantive activities are investing the funds solely for returns from capital appreciation, investment income or both; and (3) it does not obtain returns or benefits from an investee or its affiliates that are not normally attributable to ownership interests. The typical characteristics of an investment company that an entity should consider before concluding whether it is an investment company include the following: (1) it has more than one investment; (2) it has more than one investor; (3) it has investors that are not related parties of the parent or the investment manager; (4) it has ownership interests in the form of equity or partnership interests; and (5) it manages substantially all of its investments on a fair value basis. The new approach requires an entity to assess all of the characteristics of an investment company and consider its purpose and design to determine whether it is an investment company. The guidance includes disclosure requirements about an entity's status as an investment company and financial support provided or contractually required to be provided by an investment company to its investees. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2013. Earlier application is prohibited. The Investment Partnership is in the process of evaluating the impact that this guidance will have on the financial statements.

### 3. INVESTMENTS

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

# Financial Statements of AAA Investments, L.P.

## *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:

*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.

# Financial Statements of AAA Investments, L.P.

The following table summarizes the valuation of the Investment Partnership's investments in fair value hierarchy levels as of December 31, 2013 and 2012:

<i>(in thousands)</i>				
	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
<b>As of December 31, 2013:</b>				
Cash and cash equivalents	\$ 10,740	\$ 10,740	\$ —	\$ —
Note receivable from affiliate	89,046	—	—	89,046
Investment in opportunistic investment	1,950,010	—	—	1,950,010
<b>Total</b>	<b>\$ 2,049,796</b>	<b>\$ 10,740</b>	<b>\$ —</b>	<b>\$ 2,039,056</b>
<b>As of December 31, 2012:</b>				
Co-investments in certain portfolio companies and investment in Charter Communications, Inc.	\$ 22,029	\$ 22,029	\$ —	\$ —
Cash and cash equivalents	18,661	18,661	—	—
Note receivable from affiliate	113,264	—	—	113,264
Equity investments in partnerships and co-investments in certain portfolio companies	1,581,975	—	—	1,581,975
<b>Total</b>	<b>\$ 1,735,929</b>	<b>\$ 40,690</b>	<b>\$ —</b>	<b>\$ 1,695,239</b>

There were no transfers between Level I and II during the years ended December 31, 2013 and 2012.

# Financial Statements of AAA Investments, L.P.

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

<i>(in thousands)</i>	<b>For the Year Ended December 31, 2013</b>	<b>For the Year Ended December 31, 2012</b>
<b>Beginning Balance</b>	\$ 1,581,975	\$ 1,590,318
<b>Purchases</b>	55,576	951,599
<b>Sales and return of invested capital</b>	—	(1,143,717)
<b>Realized losses, net</b>	—	(124,581)
<b>Transfers into Level III <sup>(1)</sup></b>	—	5,732
<b>Transfers out of Level III <sup>(2)</sup></b>	(3,021)	(202,783)
<b>Unrealized gains (losses), net <sup>(3)</sup></b>	315,480	505,407
<b>Ending Balance <sup>(4)</sup></b>	<u>\$ 1,950,010</u>	<u>\$ 1,581,975</u>

- 1) *There were no amounts transferred into Level III from Level II for the year ended December 31, 2013. Amounts transferred into Level III from Level II were \$5.7 million for the year ended December 31, 2012 as a result of increased variation among the available broker quotes and other support for the valuation of a debt investment.*
- 2) *Amounts transferred out of Level III and into Level I were \$3.0 million for the year ended December 31, 2013 as a result of the initial public offering of certain portfolio companies. Amounts transferred out of Level III were \$202.8 million for the year ended December 31, 2012 as a result of increased variation among the available broker quotes and other support for the valuation of a debt investment and as a result of the initial public offering of certain portfolio companies.*
- 3) *Unrealized gains (losses), net, of Level I and II investments were \$152.1 million and \$(197.1) million for the years ended December 31, 2013 and 2012, respectively.*
- 4) *As of December 31, 2013 and 2012, the cost basis of the Level III investments was \$1,331.9 million and \$1,276.8 million, respectively.*

The changes in note receivable from affiliate measured at fair value for which the Investment Partnership has used Level III inputs to determine fair value are as follows:

<i>(in thousands)</i>	<b>For the Year Ended December 31, 2013</b>	<b>For the Year Ended December 31, 2012</b>
<b>Beginning Balance</b>	\$ 113,264	\$ —
<b>Purchases</b>	—	113,264
<b>Paydowns</b>	(62,000)	—
<b>Unrealized gains, net</b>	37,782	—
<b>Ending Balance</b>	<u>\$ 89,046</u>	<u>\$ 113,264</u>

# Financial Statements of AAA Investments, L.P.

The following table provides the quantitative measures used to determine Level III inputs as of December 31, 2013:

Description	Level 3 Fair Value	Valuation Technique	Unobservable Input	Discount Rate	Implied Multiple
	<i>(in thousands)</i>				
Investment in opportunistic investment	\$ 1,950,010	Discounted Cash Flows	Discount Rate	15.00%	1.11x
Note receivable from affiliate	89,046	Discounted Cash Flows	Discount Rate	15.00%	1.11x
<b>Total</b>	<b>\$ 2,039,056</b>				

The significant unobservable input used in the fair value measurement of the opportunistic investment and the note receivable is the discount rate applied in the valuation model for each investment. This input in isolation can cause significant increases or decreases in fair value. Specifically, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. An increase in the discount rate can significantly lower the fair value of an investment; conversely a decrease in the discount rate can significantly increase the fair value of an investment. The discount rate is determined based on the expected required rate of return based on the risk profile of similar cash flows.

### *Information Regarding Certain Investments held by the Investment Partnership*

Other Apollo Credit Funds is comprised of AP Investment Europe Limited (“Apollo Investment Europe”) and Apollo European Principal Finance Fund, L.P. (“Apollo European Principal Finance Fund”).

Apollo Investment Europe whose primary investment mandate was to invest in mezzanine, debt and equity investments of both public and private companies primarily located in Europe. Pursuant to a shareholder-approved monetization plan, all investments of Apollo Investment Europe were sold as of July 2, 2012. Apollo Investment Europe will withhold a portion of the remaining cash to cover wind-down costs, audit fees, legal and other expenses, or to cover potential liabilities associated with the sale of certain portfolio investments.

Apollo European Principal Finance Fund invests primarily in European non-performing loans. Apollo European Principal Finance Fund seeks to capitalize on the inefficiencies of financial institutions in managing and restructuring their non-performing loans.

Apollo Asia Opportunity Offshore Fund Ltd. (“Apollo Asia Opportunity Fund”) whose primary mandate was to invest in the securities of public and private companies in Asia, excluding Japan, in need of capital for special situations such as acquisitions, refinancing, monetization of assets and distressed financings. During the year ended December 31, 2012, the Investment Partnership

# Financial Statements of AAA Investments, L.P.

received distributions of \$59.5 million from the liquidating shares of the Apollo Asia Opportunity Fund and recognized realized losses of \$3.2 million on these distributions. For the year ended December 31, 2012, the Investment Partnership also realized a gain of approximately \$0.5 million on its investment in the Apollo Asia Opportunity Fund as a result of the Transaction.

Apollo Strategic Value Offshore Fund Ltd. (“Apollo Strategic Value Fund”) primarily invests in the securities of leveraged companies in North America and Europe through three core strategies: distressed investments, value-driven investments and special opportunities. In connection with the redemptions requested by the Investment Partnership of its investment in Apollo Strategic Value Fund, the Investment Partnership’s investment in the Apollo Strategic Value Fund was converted into liquidating shares issued by the Apollo Strategic Value Fund. The liquidating shares were initially allocated a pro rata portion of the Apollo Strategic Value Fund’s existing investments and liabilities, and as those investments are sold, the Investment Partnership is allocated the proceeds from such disposition less its proportionate share of any current expenses incurred by the Apollo Strategic Value Fund. During the year ended December 31, 2012, the Investment Partnership received proceeds from redemptions of \$21.0 million from the Apollo Strategic Value Fund and recognized realized gains on the distributions of \$8.1 million. For the year ended December 31, 2012, the Investment Partnership also realized a gain of approximately \$57.4 million on its investment in the Apollo Strategic Value Fund as a result of the Transaction.

Investments made pursuant to the Investment Partnership’s co-investment arrangement with certain Apollo funds are not redeemable. When the Apollo funds with which the Investment Partnership co-invested, determine to sell or otherwise dispose of the investment, the Investment Partnership must sell or otherwise dispose of its investment, concurrently with, and on substantially equivalent economic terms as those applicable to such funds.

#### 4. CAPITAL TRANSACTIONS

At December 31, 2013 and 2012, the General Partner’s interest in the Investment Partnership was 4.994% and 4.029%, respectively, and the limited partner’s interest in the Investment Partnership was 95.006% and 95.971%, respectively. The change in the partners’ respective interests from December 31, 2012 to December 31, 2013 was primarily due to the accrued carried interest generated during the year ended December 31, 2013 on the opportunistic investment of \$31.9 million. The carried interest entitles the General Partner to receive a portion of the profits generated by the investments.

For the year ended December 31, 2013, the Investment Partnership made total partners’ capital distributions of \$66.8 million. Partners’ capital distributions consisted of a \$62.2 million distribution related to the November Tender Offer, which settled during March 2013, and a \$4.6 million distribution in August of 2013 to AAA related to expense reimbursements.

For the year ended December 31, 2012, the Investment Partnership made total partners’ capital distributions of \$112.1 million. The distributions to the General Partner totaled \$10.3 million and primarily related to carried interest. Partners’ capital distributions made to or on behalf of AAA



# Financial Statements of AAA Investments, L.P.

were \$101.8 million, primarily related to the February and April Tender Offers and for tax withholdings on dividends received.

## 5. CREDIT FACILITY

In 2007, the Investment Partnership obtained a \$900 million senior secured revolving credit facility from certain U.S. financial institutions with the objective of funding the liquidity needs, increasing the amount of cash that is available for working capital and for making additional investments or temporary investments. As a result of debt repurchases and pay downs, the revolving credit facility was permanently reduced to \$537.5 million. On December 2, 2011, the Investment Partnership amended its senior secured revolving credit facility and converted it to a \$402.5 million senior secured term loan facility that was to mature on June 30, 2015. On November 1, 2012, the Investment Partnership repaid the remaining balance of \$305.2 million on its term loan outstanding and closed the facility.

At December 31, 2013 and 2012, there were no borrowings outstanding under the loan facility since it was repaid November 1, 2012. Included in general and administrative expense for the year ended December 31, 2012 is \$13.4 million related to interest expense on the credit facility.

## 6. RELATIONSHIP WITH APOLLO AND RELATED PARTY TRANSACTIONS

Subject to the supervision of the board of directors of the Managing Investment Partner and the board of directors of the Managing General Partner, Apollo, through the services agreement with Apollo Alternative Assets, is responsible for selecting, evaluating, structuring, performing due diligence, negotiating, executing, monitoring and exiting the investments and for managing the uninvested cash of the Investment Partnership. These investment activities are carried out by Apollo's investment professionals and Apollo's investment committee pursuant to the services agreement. 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 remaining commitments as of December 31, 2013.

**Services Agreement and Management Fee**—The Investment Partnership, the General Partner, the Managing Investment Partner, AAA and the Managing General Partner have entered into a services agreement with Apollo Alternative Assets pursuant to which Apollo Alternative Assets has agreed to provide certain investment, financial advisory, operational and other services to them. Under the services agreement, Apollo Alternative Assets is responsible for the day-to-day operations of the services recipients and is subject at all times to the supervision of their respective governing bodies, including the board of directors of the Managing Investment

# Financial Statements of AAA Investments, L.P.

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.

Under the services agreement, the Investment Partnership and the other service recipients have jointly and severally agreed to pay Apollo Alternative Assets a management fee, quarterly in arrears, in an aggregate amount equal to one-fourth of the sum of (i) AAA's adjusted assets up to and including \$3 billion multiplied by 1.25% plus (ii) AAA's adjusted assets in excess of \$3 billion multiplied by 1%. For the purposes of the agreement, "adjusted assets" is primarily defined for any quarterly period as the sum of (A)(i) the cumulative net proceeds in cash or otherwise of the issuance of limited partner interests in AAA, after deducting any underwriting costs or commissions and other expenses and costs related to the issuance, for such period and any prior period (ii) the proceeds of any borrowings by AAA or the Investment Partnership outstanding at the end of such period, and (iii) the cumulative distributable earnings of AAA for such period and any prior period (taking into account actual distributions but without taking into account the management fee payable for such period or any non-cash equity compensation expenses incurred in such period or any prior periods) less (B) the sum of (without duplication) (x) any amount paid by AAA for the repurchase of limited partner interests in AAA during such period, (y) an amount equal to the capital invested in Apollo-sponsored funds, and (z) the average of the daily values of the temporary investments held during such three month period, plus any of the cumulative distributable earnings for such three month period as are attributable to such temporary investments, and further adjusted to exclude (i) one-time events pursuant to changes in U.S. GAAP and (ii) any non cash items jointly agreed to by the Managing General Partner (with the approval of a majority of its Independent Directors), on behalf of itself and the other service recipients, and the Service Provider. Generally, it is anticipated that adjusted assets for the purpose of the management fee will be approximately equal to the asset value, which includes the value of assets acquired with the proceeds of borrowings incurred by us, if any, less (i) the value of the capital investments in the Apollo-sponsored funds and (ii) the value of the temporary investments. The management fee under the services agreement therefore reflects the value of unrealized investments, other than with respect to the capital invested in Apollo-sponsored funds. With respect to capital invested in Apollo-sponsored funds, Apollo will receive management fees directly from the relevant funds.

On October 31 2012, the Board of Directors of the Managing General Partner agreed with Apollo Alternative Assets to amend and restate the services agreement in connection with the Transaction. Pursuant to the amendment, the parties agreed that there will be no management fees payable by the Investment Partnership with respect to the Excluded Athene Shares. The Investment Partnership will 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 shall terminate on December 31, 2014 (although services will continue through December 31, 2020). Apollo Alternative Assets is entitled to receive a formulaic unwind of its management fee in the event that AAA makes a tender offer for all or substantially all of its outstanding units where the consideration is to be paid in shares of Athene Holding Ltd. (or if AAA accomplishes a similar transaction using an alternative structure

# Financial Statements of AAA Investments, L.P.

that is no less favorable in all material respects to the AAA unitholders as a whole), up to a cap of \$30.0 million had the tender offer or similar transaction commenced in 2013, \$25.0 million if the tender offer or similar transaction commences in 2014, \$20.0 million if the tender offer or similar transaction commences in 2015 and zero if the tender offer or similar transaction commences in 2016 or thereafter. All such management fees are paid pursuant to a derivative contract between the Investment Partnership and Apollo. Each quarter, management fees earned are translated into an accrued notional number of shares of Athene Holding Ltd., and the accrued notional shares of Athene Holding Ltd. are fair valued. At the Investment Partnership's option, all notional shares accrued pursuant to the terms of the derivative contract are payable either in shares of Athene Holding Ltd. or cash equal to the fair value of such shares of Athene Holding Ltd. at the time of settlement. Settlement occurs on the earlier of a change of control of Athene or October 31, 2017.

In addition, carried interest payable to the General Partner will be paid in shares of Athene Holding Ltd. (valued at the then fair market value) if there is a distribution in kind of shares of Athene Holding Ltd., or paid in cash if AAA sells the shares of Athene Holding Ltd. The General Partner will not be entitled to receive any carried interest with respect to the Excluded Athene Shares.

For the years ended December 31, 2013 and 2012, the Investment Partnership's management fees were \$3.9 million and \$13.7 million, respectively. Management fees payable of \$14.3 million and \$0.6 million are included in due to affiliates in the Investment Partnership's Statement of Assets and Liabilities at December 31, 2013 and 2012, respectively.

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 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.

Prior to the Transaction, the following investments were subject to carried interest:

# Financial Statements of AAA Investments, L.P.

- ***Co-Investment Facilities***—The General Partner was generally entitled to a carried interest that was to allocate to it 20% of the realized gains (net of related expenses, including any allocable borrowing costs) on each co-investment made pursuant to a co-investment facility (such as the agreement with Apollo Investment Fund VI, L.P. (together with its parallel investment vehicles “Apollo Investment Fund VI”) after capital contributions with respect to the realized investments made pursuant to that co-investment facility had been recovered. The General Partner’s carried interest with respect to each investment made pursuant to the co-investment agreement with Apollo Investment Fund VI was subject to the Investment Partnership first achieving a preferred return of 8% per annum on the capital invested pursuant to the agreement. There was no preferred return requirement in determining carried interest relating to co-investments alongside Apollo Investment Fund VII, L.P. Once such preferred return had been achieved, the General Partner was entitled to the next 2% (25% of 8%) of net realized gains and, thereafter, such gains were to be allocated as 80% to the Investment Partnership and as to 20% to the General Partner. Realized gains and losses on investments made pursuant to one co-investment facility were not netted against other co-investment facilities in future Apollo private equity funds.
- ***Apollo Strategic Value Fund***—An affiliate of Apollo was entitled to a carried interest for each year amounting to 20% of any appreciation in net asset value, subject to first making up any losses carried forward from prior years other than losses attributable to capital that the Investment Partnership withdrew from Apollo Strategic Value Fund after losses were incurred.
- ***Other Apollo Credit Funds***—For the Apollo European Principal Finance Fund, an affiliate of Apollo was entitled to a carried interest that was to allocate to it 20% of the realized returns generated by the fund after capital contributions with respect to realized investments and expenses had been returned to the limited partners, and subject to achieving an 8% preferred return (with a full catch-up) on such capital contributions. In connection with the wind down of the Apollo Asia Opportunity Fund, an affiliate of Apollo was only entitled to a carried interest on the original liquidating shares at an annual rate of 20%, subject to first making up any losses carried forward from prior years on the original liquidating shares. Effective May 1, 2012, the management fees for the Investment Partnership’s investment in Apollo Asia Opportunity Fund were reduced to 0.75% annually. For the period prior to April 30, 2012, the management fees charged ranged from 1.0% or 1.5% on existing capital to 2% on capital that was previously converted into liquidating shares. For Apollo Asia Private Credit Fund, L.P., an affiliate of Apollo was entitled to a carried interest that was to allocate to it 12.5% of the realized returns generated by the fund after capital contributions and expenses have been returned to the limited partners, and subject to achieving a 7% priority return.
- ***Other Opportunistic Investment***—An affiliate of Apollo was entitled to a carried interest of 20% of the realized profits related to the Investment Partnership’s investment in GA

# Financial Statements of AAA Investments, L.P.

Data Holdings Ltd, subject to the Investment Partnership achieving a 15% preferred return.

- **Temporary Investments (including cash)** —The General Partner was not entitled to a carried interest with respect to temporary investments.

During the year ended December 31, 2012, the Investment Partnership paid \$10.3 million to the General Partner for realized carried interest. For the years ended December 31, 2013 and 2012, the General Partner was allocated carried interest by the Investment Partnership related to private equity co-investments of \$0.0 million and \$2.3 million, respectively. For the years ended December 31, 2013 and 2012, the General Partner was allocated carried interest by the Investment Partnership on opportunistic investments of \$31.9 million and \$54.8 million, respectively. For the years ended December 31, 2013 and 2012, affiliates of Apollo received \$33.0 million and \$0.0 million, respectively, related to carried interest for appreciation in net asset values in certain credit funds.

From time to time, the Investment Partnership may participate in transactions with affiliates of the General Partner including with, but not limited to, other funds managed by affiliates of its General Partner, portfolio companies of the Investment Partnership, and other affiliates of the General Partner. These transactions (which include, but are not limited to, the sale of portfolio assets among Apollo-sponsored funds or entities) are generally executed at fair value as determined by the investment manager.

**Asset Management**—During 2009, Apollo formed Athene Asset Management LLC (“Athene Asset Management”), an investment manager that provides asset management services to Athene including asset allocation and portfolio management strategies, and receives fees from Athene for providing such services. In addition, certain Apollo affiliates manage assets for Athene Asset Management and earn sub-advisory fees for these services. As of December 31, 2013, all of Athene’s assets were managed by Athene Asset Management.

Athene Asset Management receives a gross management fee equal to 0.40% per annum on all assets under management in accounts owned by or related to Athene (the “Athene Accounts”), with certain limited exceptions.

In connection with the Transaction, a subsidiary of the Investment Partnership contributed three investment partnerships to Athene (the “Contributed Partnerships”). The Contributed Partnerships pay a quarterly management fee and carried interest to Apollo with respect to the assets contributed in the Transaction. With respect to capital invested in an Apollo fund, Apollo receives management fees directly from the relevant funds under the investment management agreements with such funds and not pursuant to the services agreement with the Contributed Partnerships. In addition, carried interest is payable by the Contributed Partnerships with respect to each investment or group of investments (as specified in the particular partnership agreement), at a rate of 20% of the profit of such investment or group of investments, subject to applicable hurdle rates. Each investment or group of investments is treated separately for the

# Financial Statements of AAA Investments, L.P.

purposes of calculating carried interest. The contributed assets also included certain investments in funds managed by Apollo, carried interest on which is assessed at the fund level.

Under an amended services contract with Athene, effective February 5, 2013, Apollo earns a quarterly monitoring fee of 0.50% of Athene's capital and surplus as of the end of the applicable quarter multiplied by 2.5, other than with respect to the Excluded Athene Shares, at the end of each quarter through December 31, 2014, the termination date. This quarterly monitoring fee is not applicable to the amount of invested capital attributable to the Excluded Athene Shares. All such monitoring fees are paid pursuant to a derivative contract between Athene and Apollo. Each quarter, monitoring fees earned are translated into an accrued notional number of shares of Athene Holding Ltd., and the accrued notional shares of Athene Holding Ltd. are fair valued. At Athene's option, all notional shares accrued pursuant to the terms of the derivative contract are payable either in shares of Athene Holding Ltd. or cash equal to the fair value of such shares of Athene Holding Ltd. at the time of settlement. Settlement occurs on the earlier of a change of control of Athene or October 31, 2017.

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 years ended December 31, 2013 and 2012, Athene Asset Management and other Apollo subsidiaries earned revenues in the aggregate totaling \$403.6 million and \$115.7 million, respectively, consisting of management fees, sub-advisory fees, monitoring fees and net carried interest income, respectively, 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.

**Note Receivable from Affiliate**— Note receivable from affiliate at December 31, 2013 and 2012 represents a short-term promissory note receivable from Athene with a principal amount of approximately \$51.3 million and \$113.3 million, respectively. This note bears interest at a rate of 0.30% per annum and is payable upon demand by the Investment Partnership, at the Investment

# Financial Statements of AAA Investments, L.P.

Partnership's option, in either cash or shares of Athene Holding Ltd. at a price of \$13.46 per share, and Athene may prepay at its option at any time, without penalty. During the year ended December 31, 2013, the Investment Partnership received a \$62.0 million paydown on the note receivable from Athene. This note had a fair value of \$89.0 million and \$113.3 million at December 31, 2013 and 2012, respectively, and the associated change in fair value has been reflected in the net change in unrealized appreciation/depreciation on investments in the Statement of Operations. The Investment Partnership has determined that the note receivable from affiliate would be categorized as a Level III asset in the fair value hierarchy. The fair value was determined based on the Athene share valuation. Refer to Note 3 for the quantitative measures used to determine fair value of the Athene Holding Ltd. shares.

**Due from Affiliates**—Included in due from affiliates at December 31, 2013 and 2012 was \$0.9 million and \$3.2 million, respectively, receivable from AAA for expense reimbursements.

**Due to Affiliates**—Due to affiliates at December 31, 2013 and 2012 consisted of \$14.5 million and \$0.6 million, respectively, payable to Apollo Alternative Assets or affiliates for management fees, broken deal expenses, investment-related expenses and other general and administrative expenses. Also included in due to affiliates was \$1.7 million and \$1.3 million payable at December 31, 2013 and 2012, respectively, to Apollo Alternative Assets or affiliates for services rendered by an employee of Apollo for assistance with the strategic positioning of AAA.

**Personal Interests of Directors**—Certain directors of the Managing General Partner, the Managing Investment Partner and Apollo Alternative Assets GP Limited, the general partner of Apollo Alternative Assets, L.P., participate in certain of the investments in which the Investment Partnership invests. The following is a summary of the personal interests of the directors in such investments at fair value:

<i>(in thousands)</i>	As of December 31, 2013	As of December 31, 2012
Apollo Investment Fund VI	N/A	\$ 75,157

In addition, certain directors of the Managing General Partner, the Managing Investment Partner and Apollo Alternative Assets GP Limited are AAA unitholders. At December 31, 2013 and 2012, the directors owned approximately 2.3 million and 2.3 million Units of AAA, respectively. This excludes 2.0 million and 2.3 million Units owned by an affiliate of Apollo, which certain directors were deemed to beneficially own at December 31, 2013 and 2012, respectively.

# Financial Statements of AAA Investments, L.P.

## 7. FINANCIAL HIGHLIGHTS

Financial highlights for the Investment Partnership were as follows:

	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012
<b>Total return*</b>	22.38%	24.12%
<b>Ratios to average net assets*:</b>		
Expenses	0.53%	2.49%
Investment loss	(0.51)%	(0.61)%

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

The Investment Partnership's turnover ratios were 0% and 17% for the years ended December 31, 2013 and 2012, respectively.

## 8. 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.

## 9. SUBSEQUENT EVENTS

Management has evaluated all subsequent events or transactions for potential recognition or disclosure through February 6, 2014, the date on which these financial statements were available to be issued, and has determined that there were no subsequent events requiring adjustments to or disclosure in the financial statements.



# Financial Statements of AAA Investments, L.P.

## 10. SUPPLEMENTAL FINANCIAL INFORMATION (UNAUDITED)

### Quarterly Results

The following represents the Investment Partnership's unaudited quarterly results for the years ended December 31, 2013 and 2012. These quarterly results were prepared in accordance with U.S. GAAP and reflect all adjustments that are, in the opinion of the Managing General Partner, necessary for a fair statement of the results:

<i>(in thousands)</i>	For the Three Months Ended March 31, 2013	For the Three Months Ended June 30, 2013	For the Three Months Ended September 30, 2013	For the Three Months Ended December 31, 2013
Investment income	\$ 73	\$ 38	\$ 39	\$ 39
Expenses	(1,554)	(2,048)	(1,966)	(3,855)
Net investment loss	(1,481)	(2,010)	(1,927)	(3,816)
Net realized losses from sales	—	—	(121,577)	—
Net change in unrealized appreciation/ depreciation on investments	51,382	10,638	212,227	231,118
	51,382	10,638	90,650	231,118
Net increase in net assets resulting from operations	<u>\$ 49,901</u>	<u>\$ 8,628</u>	<u>\$ 88,723</u>	<u>\$ 227,302</u>

<i>(in thousands)</i>	For the Three Months Ended March 31, 2012	For the Three Months Ended June 30, 2012	For the Three Months Ended September 30, 2012	For the Three Months Ended December 31, 2012
Investment income	\$ 10,184	\$ 11,031	\$ 4,122	\$ 3,604
Expenses	(9,391)	(9,802)	(11,752)	(7,380)
Net investment (loss) income	793	1,229	(7,630)	(3,776)
Net realized gains (losses) from sales	13,972	25,745	(171,535)	178,346
Net change in unrealized depreciation /appreciation on investments	139,022	(34,826)	201,400	2,690
	152,994	(9,081)	29,865	181,036
Net increase (decrease) in net assets resulting from operations	<u>\$ 153,787</u>	<u>\$ (7,852)</u>	<u>\$ 22,235</u>	<u>\$ 177,260</u>