NOYACK

Investment Report

Apollo Debt Solutions BDC

Private Credit

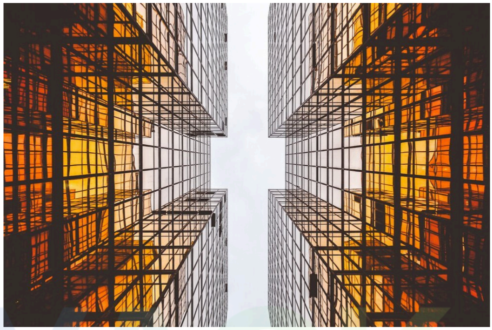
SCORE

CLASS
S

MANAGED BY
Apollo Credit Management, LLC

RELEASE DATE
06/10/23

UPDATED
02/05/24



Net Asset Value	Amount Raised	Min. Investment	Distributions	Advisor
$4.1B	$4.62B	$2,500	Monthly	Apollo Credit Management, LLC

Net Asset Value: $4.1B
Max. Offering Size: $5B
Investment Style: Core
HQ Location: New York, NY
Eligibility: Accredited Investors

Amount Raised: $4.62B
Legal Construction: DST
Asset Class: Private Credit
Inception: December 4, 2020 (Class I)

Min. Investment: $2,500
Annualized Distribution Rate: 8.88% (Class S)
ITD Net Total Return: 4.75% (with upfront placement fees)

Distributions: Monthly
Incentive Fees: 12.5% of net investment income; 12.5% of capital gains.
Annual Management Fee: 1.25%
Holding Period: Permanent Capital

Advisor: Apollo Credit Management, LLC
Auditor: Deloitte & Touche LLP
Counsel: Simpson, Thatcher & Bartlett LLP

Strategy

The Apollo Debt Solutions BDC Fund has a clear investment objective with a focus on **generating current income** through interest payments and other income-generating assets.

This is achieved by investing in a diverse range of directly originated assets, such as loans and debt securities, issued by large private U.S. borrowers that have more than $75 million in EBITDA.

While the main focus is on U.S. companies, the portfolio may also include European and other non-U.S. companies, providing the fund with exposure to a variety of markets and industries. The Fund currently holds 179 portfolio companies. As of Dec. 31, 2023, the current NAV/share was $24.63.

In addition to current income generation, the fund also seeks long-term capital appreciation as a secondary objective. This involves strategically selecting investments that have the potential for growth over time, with the aim of increasing the initial investment value.

Style

	Value	Core	Growth
Large		■	
Mid			

The fund's focus on senior secured large corporate direct origination, broadly syndicated loans, and middle-market direct lending provides the opportunity to invest in companies that can deliver stable and consistent returns, while also offering the potential for long-term growth. The fund aims to create a balanced and diversified portfolio that can deliver consistent returns and mitigate market risk.

As of December 31, 2023, the fund's portfolio composition comprises 99% first lien and 95% floating-rate assets, which illustrates the emphasis on senior secured positions. This approach helps to mitigate risk and ensures that the fund is well-positioned in the capital structure of its target companies.

One can see how interest rates are structured within in this fund. They are SOFR (Secured Overnight Financing Rate) + a certain agreed upon rate. SOFR is a variable rate. For example, MRO Holdings is being charged the current SOFR rate plus 625 bps (6.25%). This total rate is considered a **high yield** rate.

Industry/Company	Investment Type	Interest Rate [12]	
Aerospace & Defense			
MRO Holdings			
MRO Holdings, Inc.	First Lien Secured Debt	S+625, 0.50% Floor	1
			T
Asset Backed Securities			
Roaring Fork III-B			
Roaring Fork III-B, LLC	First Lien Secured Debt	S+540, 0.00% Floor	
			To
Automobile Components			
Mavis Tire Express Services			
Mavis Tire Express Services Corp.	First Lien Secured Debt	S+411, 0.75% Floor	
			Tota
Biotechnology			
Azurity Pharmaceuticals			
Azurity Pharmaceuticals, Inc.	First Lien Secured Debt	S+673, 0.75% Floor	
Building Products			
US LBM			
LBM Acquisition, LLC	First Lien Secured Debt	S+385, 0.75% Floor	1
Capital Markets			
Arrowhead Engineered Products			
Arrowhead Holdco Company	First Lien Secured Debt	S+450, 0.75% Floor	
Edelman Financial Services			
The Edelman Financial Engines Centre, LLC	First Lien Secured Debt	S+361, 0.75% Floor	

Fit Check

ELIGIBILITY

Investors must have either:
- a gross annual income of at least $70,000 and a net worth of at least $70,000, or
- a net worth of at least $250,000.

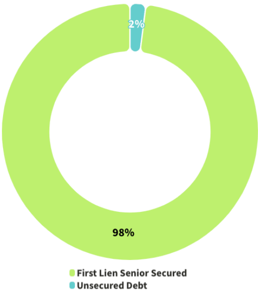
SUITABILITY

The Apollo Debt Solutions BDC Fund is suitable for investors with a long-term investment horizon and a moderate to high risk tolerance. The fund's primary focus on generating current income through interest payments and other income-generating assets, while seeking long-term capital appreciation as a secondary objective, makes it an attractive choice for those looking to balance income generation and potential growth.

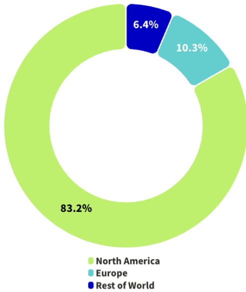
Portfolio Snapshot

As of 12/31/2023

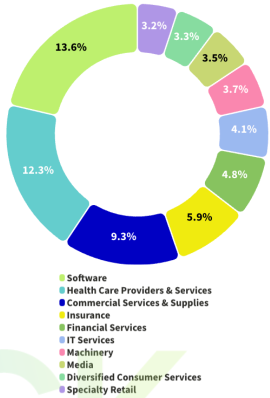
Asset Type



Geography



Industry



Score Breakdown

BULLS SAY

- **Deal sourcing capabilities**: A large alternative credit manager with $444 billion in credit AUM and 330+ credit investment professionals, currently has 3,300+ credit relationships, current lenders to over 3,300 issuers, lender of ~$20 billion to the top 30 financial sponsor relationships, Incumbency helps drive deal flow and "first-look" at deal opportunities.
- **Positioned well for an economic downturn**: A defensively positioned portfolio with 99% first lien debt investments, 95% of the portfolio is floating rate debt, Net loan-to-value of the portfolio is 39%, Interest coverage of 2.4x. As of December 31, 2023, the Fund's net leverage ratio was 0.61x.

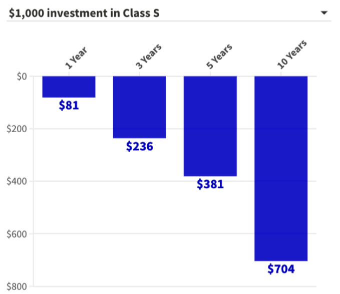
BEARS SAY

- **Expensive**: A large sales load is charged on the initial transaction and total annual expenses are over 7% for every share class
- **Misalignment**: Only 1 of the 3 portfolio managers has stock ownership in the fund.

Price Tag

Fees & Expenses	Class S	Class D	Class I
Minimum initial investment	$2,500	$2,500	$1,000,000
Availability	Brokerage and transaction accounts	Brokerage and transaction accounts	Wrap accounts, and through participating broker-dealers and RIA's
Transaction fees			
Selling commissions	Up to 3.5%	Up to 1.5%	None
Annual fees			
Management fee	1.25%	1.25%	1.25%
Distribution and servicing fee	0.85%	0.25%	None
Interest payment on borrowed funds	5.69%	5.69%	5.69%
Operating expenses	0.48%	0.48%	0.48%
Total annual fund expenses	8.27%	7.67%	7.42%

To help you compare the cost of investing in this offering with other offerings, Apollo has provided an example of the projected dollar amount of total expenses that would be incurred over various periods with respect to a hypothetical investment in each class of common stock.



Disclaimer

In calculating the projections above, Apollo made a few assumptions:

(1) A hypothetical 5.0% annual return, as required by regulation of the SEC and applicable to all registered investment companies. The assumed return is not a prediction of, and does not represent, the projected or actual performance of the Fund. Performance will vary and may result in a return greater or less than 5.0%.

(2) Projections exclude any potential incentive fee on net realized capital gains, assuming a 5.0% return solely from net investment income.

(2) Annual operating expenses and offering expenses remain at the levels set forth in the Price Tag table above.They should not be considered a representation of future expenses. Actual expenses may be greater or less than those shown.

(3) Net return after payment of fees and expenses is distributed to shareholders and reinvested at NAV.

(4) Your placement agent does not charge you any transaction fees.

Managers

Earl Hunt, Fund Chief Executive Officer and Chairperson

Industry Experience 21 years

Career highlights Mr. Hunt has been with Apollo Global Management, Inc. and/or its affiliates since 2021. Prior to joining Apollo, Mr. Hunt was a Partner in the Global Markets division at Goldman Sachs. He also served as a member of Goldman Sachs's Partnership Committee, Global Markets Operating Committee, and was co-chair of the Global Markets Inclusion and Diversity Committee. Previously, Mr. Hunt was co-head of U.S. Distressed and Par Loan sales in the Leveraged Finance Sales Group at Goldman Sachs. Prior to joining Goldman Sachs in 2015, Mr. Hunt worked at Citi for 11 years, where he was a director in Leveraged Finance sales.

Education B.A. Brown University.

Jim Vanek, Fund Portfolio Manager; Partner Credit

Industry Experience 18 years

Career highlights Mr. Vanek joined the Firm in 2008, and before that he was Associate Director, Loan Sales & Trading in the Leveraged Finance group at Bear Stearns. He is a board member of the Loan Syndications and Trading Association, a leading advocate for the US syndicated loan market.

Education B.A. Duke University, MBA Columbia Business School.

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Robert Givone | Co-Chief Investment Officer

Industry experience 24 years

Career highlights Mr. Givone joined the Firm in 2015. Before joining Apollo, he was a Senior Research Analyst within the Distressed Credit Opportunity Group at Davidson Kempner from January 2009 to July 2015. Prior to that time, Mr. Givone was a Vice President at Brencourt Advisors from February 2006 to January 2009 and was an Investment Banking Analyst at Lehman Brothers from 2004 to 2006.

Education B.A. Columbia University.

Full Review

ALIGNMENT

BELOW AVERAGE

The Apollo Debt Solutions BDC Fund's portfolio managers demonstrate varying degrees of alignment with the fund's investors through their personal capital investments. While Earl Hunt owns about 48,000 shares valued at approximately $1,100,000 as of March 2023, both James Vanek and Robert Givone have no equity in the fund. This discrepancy raises concerns about the alignment between the managers' interests and those of the investors.

Having a more substantial personal stake in the fund can enhance the alignment between managers and investors, as it ensures that the managers experience the same degree of risk and reward as other investors. In this case, Earl Hunt's significant personal investment provides a higher level of alignment with the fund's investors, while the lack of equity held by the other two managers could potentially limit their overall commitment.

The fund's fee structure presents some challenges to the overall alignment between the fund managers and investors. In addition to an annual management fee of 1.25% and a distribution fee of 0.85% for Class S shares, Apollo projects another 4.06% in interest payment on borrowed funds and 1.45% of other operating expenses. This amounts to a 7.61% annual expense ratio before taking into account the performance fee. This relatively high expense ratio may hinder the fund's performance and reduce the long-term returns for investors, which could negatively impact the alignment between the managers and investors.

On a more positive note, the fund's performance fee structure demonstrates an attempt to align the managers' interests with investors'. After a hurdle rate of 5% is achieved, the manager earns 100% of the Fund's remaining net investment income up to a "catch-up rate" of 5.72%. A 12.5% share of net profits is paid for any excess return thereafter.

This performance fee structure incentivizes the fund managers to actively pursue the targeted rates of return, promoting alignment with investors' interests. However, it is essential to consider the potential impact of the substantial upfront and annual fees on this Fund's overall alignment. The excessive fees could counteract the positive alignment incentive created by the performance fee, ultimately affecting the fund's performance and long-term returns for investors.

PERFORMANCE

AVERAGE

The Apollo Debt Solutions BDC Fund has outperformed competitive offerings and exhibited strong growth, year-to-date. The Fund invests in a wide array of directly originated assets such as loans and debt securities, which are issued by large private U.S. borrowers boasting more than $75 million in EBITDA. This strategy has enabled the Fund to surpass similar private credit offerings in terms of returns. Specifically, FY 2023, the Fund for Class S shares had a total return of +15.23.

The Fund has consistently paid out distributions, each month, since Class S' inception of January 2022. It has not ever missed a payment. For January 2024, the Fund distributed $0.1822 per share. With a current NAV/share of $24.63, this monthly distribution rate comes out to $0.0073974. When annualized this rate equals 8.877%.

Offering	Year-to-date Annualized Net Return	Inception-to-date Annualized Net Return	Annualized Distribution Rate on NAV
Apollo Debt Solutions BDC Class S	1.12%	-0.34%	8.23%
PIMCO Flexible Credit Income Fund Class A-3	0.68%	-8.43%	8.80%
Carlyle Tactical Private Credit Fund Class A	1.33%	-4.38%	10.18%
Apollo Diversified Credit Fund Class A	-0.98%	-8.43%	8.90%

As of December 31, 2023, the Fund's portfolio composition comprised 99% first lien and 95% floating-rate assets, showcasing a strong emphasis on senior secured positions. This focus helps to mitigate risk and ensures that the Fund holds a favorable position within the capital structure of its target companies. The portfolio exhibits diversification across multiple sectors, with the top three industries represented being Software (13.6%), Health Care (12.3%), and Commercial Services (9.3%). This sectoral diversification serves to reduce the impact of market fluctuations, contributing to the Fund's overall stability and resilience.

Apollo's success in capitalizing on rising rates over the past year, with 99% of the portfolio in floating rate instruments, has positioned the Fund as one of the best performing private credit offerings. This strategic allocation of floating rate instruments allowed the Fund to navigate the market better than its competitors, withstanding fluctuations in interest rates and market dynamics. Although the Fund's distribution rate is slightly below what some competitors' yields, it remains competitive with Class S at 8.88%, Class D at 9.49%, and Class I at 9.75%. This reflects the Fund's ability to generate attractive income for its investors.

The Apollo Debt Solutions BDC Fund's outperformance can be attributed to its ability to adapt to market conditions by allocating the majority of its portfolio to floating rate instruments, which are less sensitive to interest rate changes. This approach enables the Fund to capture value from rising rates while limiting potential downside risks. Additionally, the Fund's commitment to directly originating assets from large private U.S. borrowers and maintaining senior secured positions has allowed it to capitalize on unique investment opportunities and reduce potential risks. This strategy, combined with the Fund's diversification across industries, provides investors with a resilient and stable investment opportunity in the private credit space.

MARKET RISK

LOW

The Apollo Debt Solutions BDC Fund prioritizes downside protection by adopting a conservative investment approach. This approach combines a rigorous, bottom-up, private equity-style underwriting process with detailed transaction structuring to mitigate risk. Leveraging Apollo Credit platform's **incumbency and status as a preferred lending partner**, the Fund is well-equipped to bilaterally negotiate highly structured, senior secured loans that address the unique risks associated with each corporate borrower. By investing primarily in senior term loans with robust covenant packages, the Fund aims to provide **downside protection through priority, undiluted claims on underlying collateral**. Apollo's in-house experience with managed funds investing across the capital structure enables the Fund to consider more complex investment structures than other investors.

The Fund's **strong credit selectivity** is a crucial driver of its performance. With a value-driven investment approach emphasizing downside protection, Apollo's GCC business has a notably low **0.1% annual average default rate** compared to the broader leveraged loan market's 2.9% annual average default rate. Furthermore, even in default events, Apollo's GCC business experiences substantially higher recovery rates (73%) compared to the broader leveraged loan market (61%). Given the large market opportunity in corporate direct lending, the Fund is well-positioned to exercise quality credit selection in any market environment.

Additionally, the Fund is strategically positioned for potential economic downturns. The portfolio is defensively structured, with **99% first lien debt investments** and **95% floating rate debt**. The Fund must maintain at all times a 150% asset coverage ratio. These factors emphasize the Fund's commitment to managing market risk and ensuring a stable performance even in challenging economic conditions.

BUSINESS RISK

LOW

The Fund capitalizes on Apollo Credit's **extensive scope and connections to generate deal flow** and establish a competitive edge in sourcing deals. Apollo's proprietary sourcing engine and strong reputation offer a significant barrier to entry and access to exclusive investment opportunities. With 30 years of experience, Apollo has cultivated expansive networks through its private equity and credit businesses. Its deep understanding of various industries allows it to uncover idiosyncratic opportunities, often in out-of-favor sectors. The Apollo Credit platform's scale and breadth primarily drive the sourcing for the Company, with Apollo being a lender to approximately 3,000 companies globally.

Apollo's status as a preferred lending counterparty stems from its scale and ability to create innovative capital solutions, particularly in complex situations. Its capital base allows it to underwrite and commit to large transactions, streamlining the execution process for borrowers. Apollo's scale is augmented by Apollo Global Securities, which has syndicated approximately $40 billion of debt since 2016. The Company's unique approach and close relationships with institutional investors provide bespoke capital solutions tailored to borrowers' needs, ensuring funding certainty and fostering strategic partnerships.

LIQUIDITY RISK

BELOW AVERAGE

The Fund does not currently intend to list the Shares for trading on any securities exchange and does not expect any secondary market to develop for its shares in the foreseeable future. As a result, **shares in the fund are highly illiquid**. Apollo plans to provide some liquidity to investors by making **quarterly share repurchase offers** for between 5% and 25% of the Fund's outstanding shares at NAV, but it is likely that the Fund may offer to repurchase only the minimum amount of 5% of outstanding shares.

Although the Fund plans on making quarterly repurchase offers, they have the right to postpone or suspend share repurchases if approved by a vote of a majority of the Board. For reference, during fiscal year 2022, the Apollo Debt Solutions BDC **repurchased nearly $50 million worth of shares amounting to 2.59% of NAV at the end of the period**. Investors should evaluate the illiquid nature of the shares and their investment time horizon before considering an investment in the Fund.

DEBT RISK

BELOW AVERAGE

Investors should be aware that, while leverage is critical to amplify returns, the use of leverage exposes the Fund to a higher degree of additional risks, including risk of default or a decrease in creditworthiness, particularly in a significant economic downturn. Some assets within the portfolio have been acquired with the use of leverage and the investment team may borrow money for future investments as well.

The Fund has entered into a **loan agreement with JPMorgan Chase Bank** to borrow up to a maximum amount of $2.085 billion, of which $976.4 million was borrowed as of year-end 2022. The Fund has persisted in operating near the lower boundary of its targeted leverage range, which spans from 1.0x to 1.25x net debt to equity, and the Fund managers maintained their focus on optimizing funding sources and liquidity. As of March 31, 2023, the Fund's **net leverage ratio stood at 0.81x**, with around $1.4 billion of surplus availability under secured funding facilities.

TRANSPARENCY

HIGH

The Apollo Debt Solutions BDC Fund provides investors with regular reporting and a user-friendly website to help ensure transparency and reliability. As an interval fund, investors benefit from daily public NAV per share updates on the Fund's website to keep track of performance. To create transparency with regards to their valuation methodology, the Fund's financial statements include a breakdown of the changes in investments' fair value for which valuation inputs required significant management judgment. In addition, the Fund utilizes third party pricing services to assist in determining fair value valuations.

Fund updates are shared quarterly with investors, including financial information on portfolio holdings and share repurchase offer notices. Updates are accessible on Apollo's website, making it easy for investors to seek information about the fund's strategy, performance, and investment process. The Fund also produces several marketing materials such as fact cards, brochures, and quarterly market commentary by portfolio managers.

Check out the NOYACK scoring methodology

Peer Group

	APOLLO	CARLYLE	PIMCO
Vehicle name	Apollo Debt Solutions BDC (Class S)	Carlyle Tactical Private Credit Fund (Class A)	PIMCO Flexible Credit Income Fund (Class A-3)
Minimum investment	$2,500	$10,000	$2,500
Holding period	Permanent Capital	Permanent Capital	Permanent Capital
Annual management fee	1.25%	1.4%	1.3%
Distribution and Servicing Fee	0.85%	0.25%	0.50%
Sales Load	3.0%	3.0%	2.0%
Inception Date	January 2022 Class>Class S)	June 2018	February 2017
1-Year Net Returns	+15.23% (as of 12/31/2023)	+8.52% (A Shares with 3% Sales Load) and +11.88% (A Shares without Sales Load)	+7.61% (as of 1/31/2024)
Net Returns Since Inception (Annualized)	2.53%	+4.2% (A Shares with 3% Sales Load) and +4.85% (A Shares without Sales Load)	+4.73 (as of 1/31/2024)
Annualized Distribution Rate	8.88%	10.40 (LTM) (as of 12/31/2023)	9.41% (as of 12/31/2023)
NOYACK® Score	★★★½☆	★★★★☆	★★★☆☆

Disclaimer