

APOLLO

Rethinking public and private, safe  
and risky, and passive and active

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**Apollo Global Management**

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Unless otherwise noted, information as of November 2024

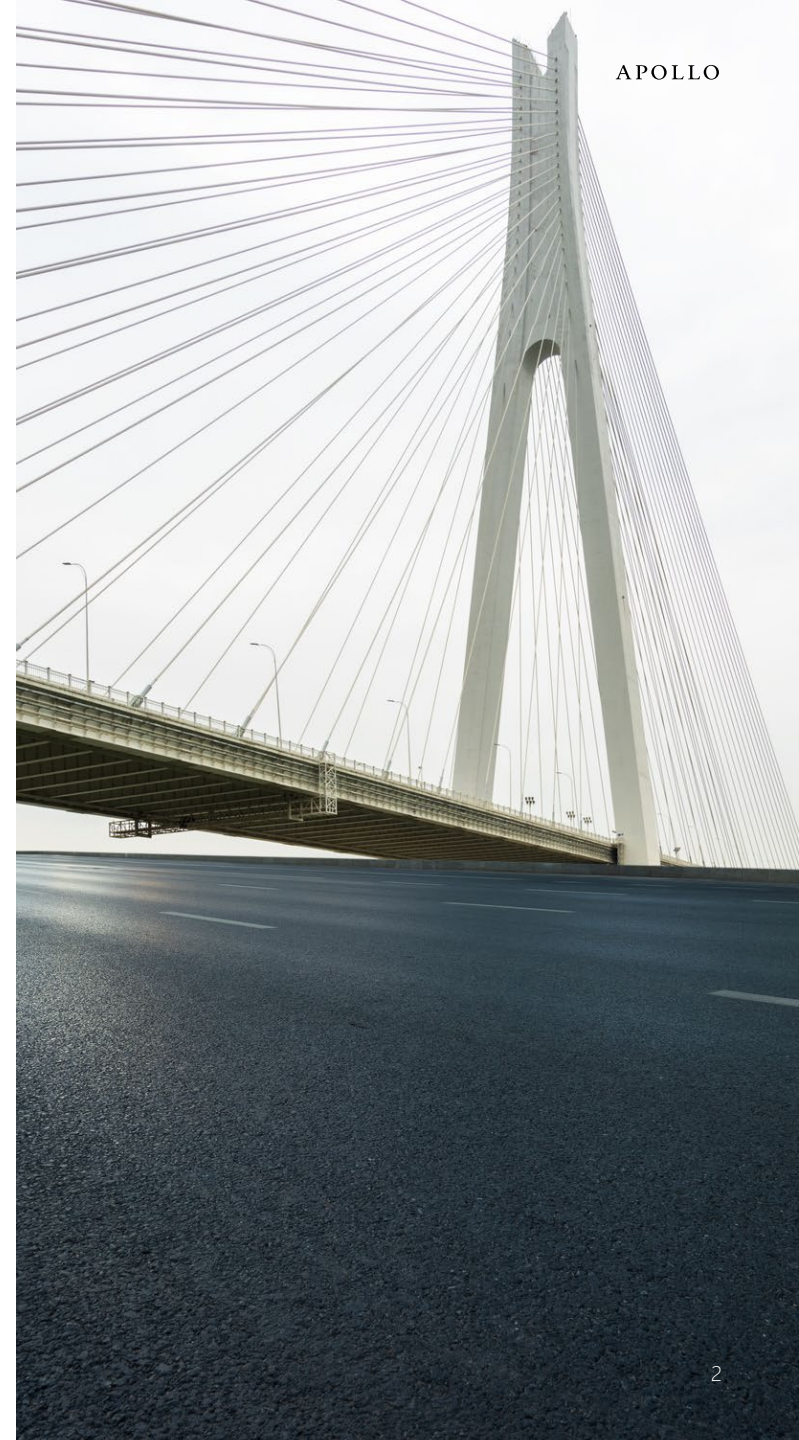
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## Conclusions

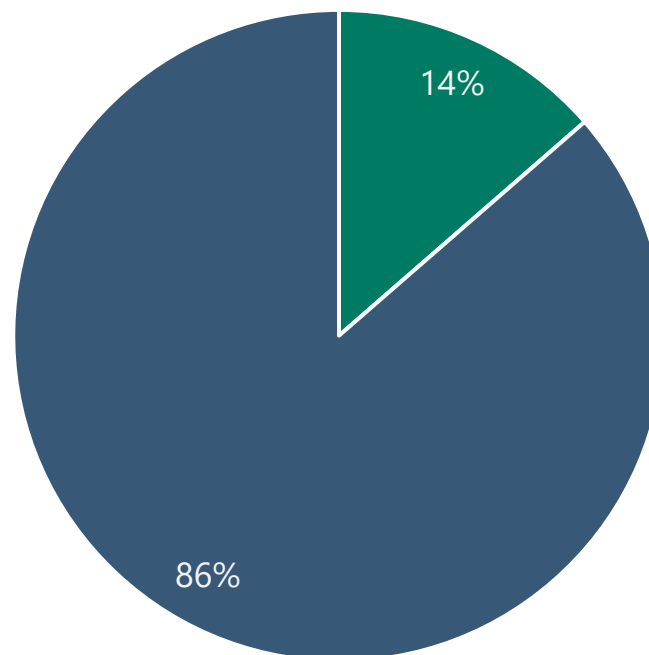
1. Public and private markets are converging, liquidity in public and private credit markets is converging.
2. In a world where public and private markets are converging, public markets can be safe and risky, and private markets can be safe and risky.
3. 90% of active managers of public equities underperform their index. Global equity investors have become highly leveraged to Nvidia because of the rise in passive investing, high concentration in equity markets, and a high share of foreign ownership.

# Rethinking public and private

# US: 86% of firms with revenues greater than \$100 million are private

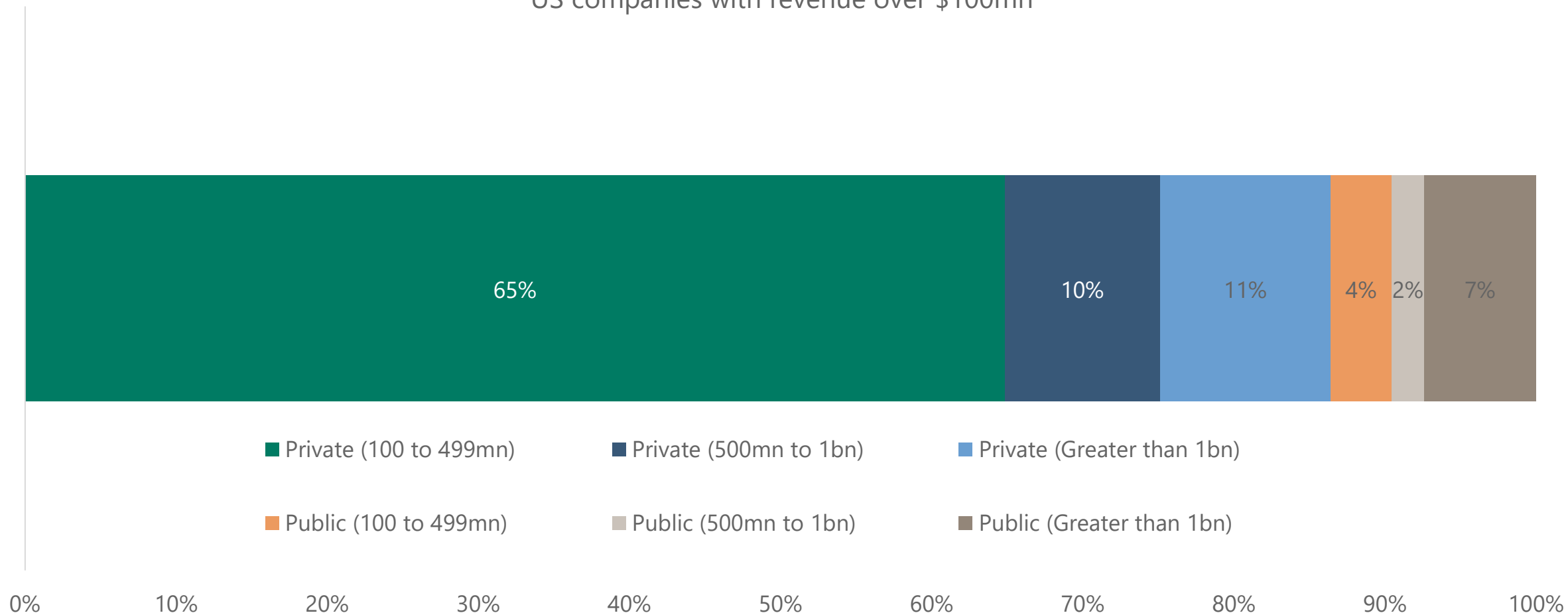
Share of public and private companies in the US, with revenue greater than \$100mn

■ Public companies ■ Private companies



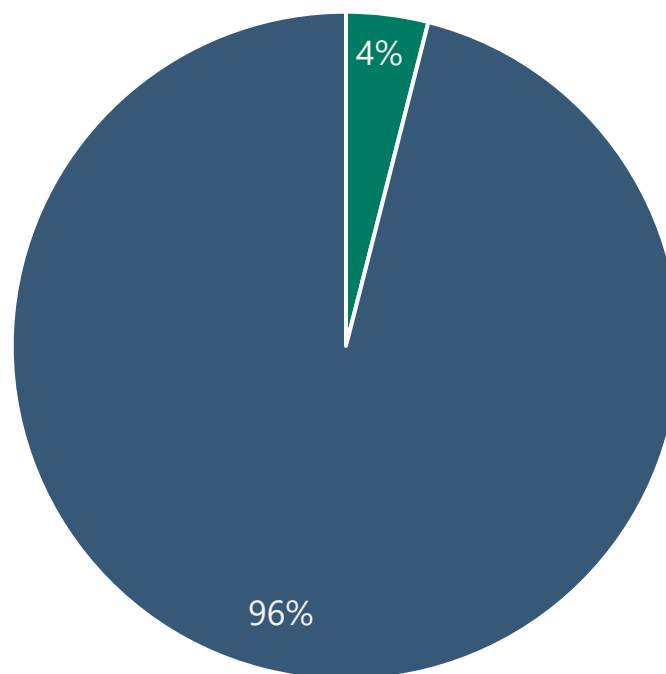
# Share of US companies with revenue greater than \$100 million

US companies with revenue over \$100mn



# Europe: 96% of firms with revenues greater than \$100 million are private

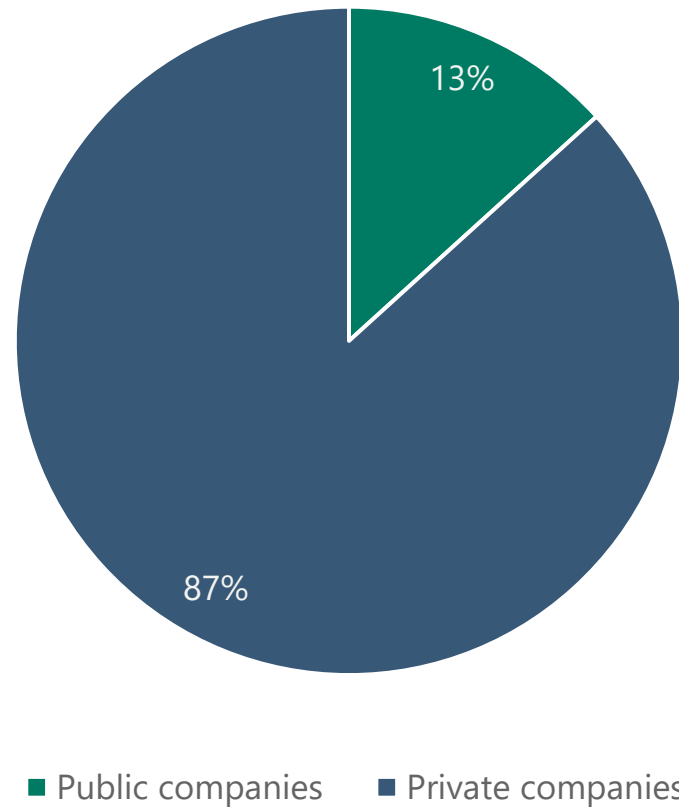
Share of public vs private companies in Europe, with revenue greater than \$100mn



■ Public companies ■ Private companies

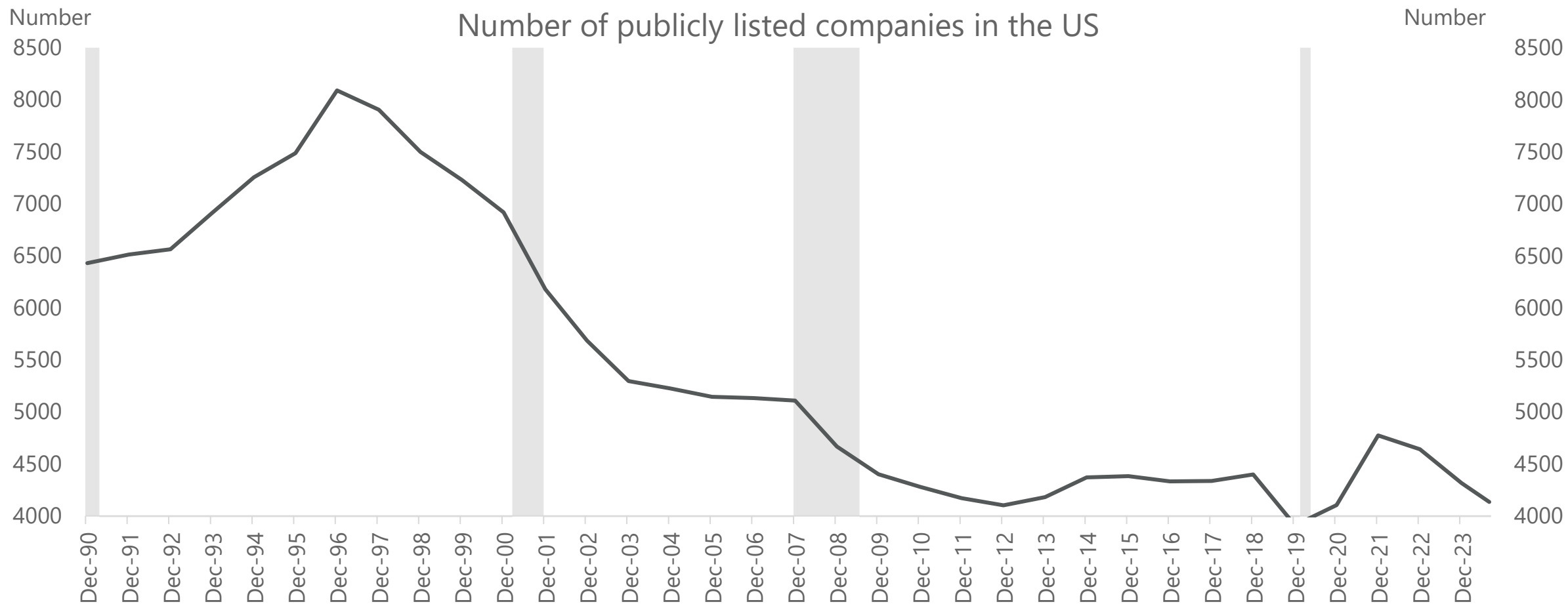
# Asia: 87% of firms with revenues greater than \$100 million are private

Share of public vs private companies in Asia, with revenue greater than \$100mn





# Number of publicly listed companies in the US have declined from 8000 to 4000



# UK publicly listed companies



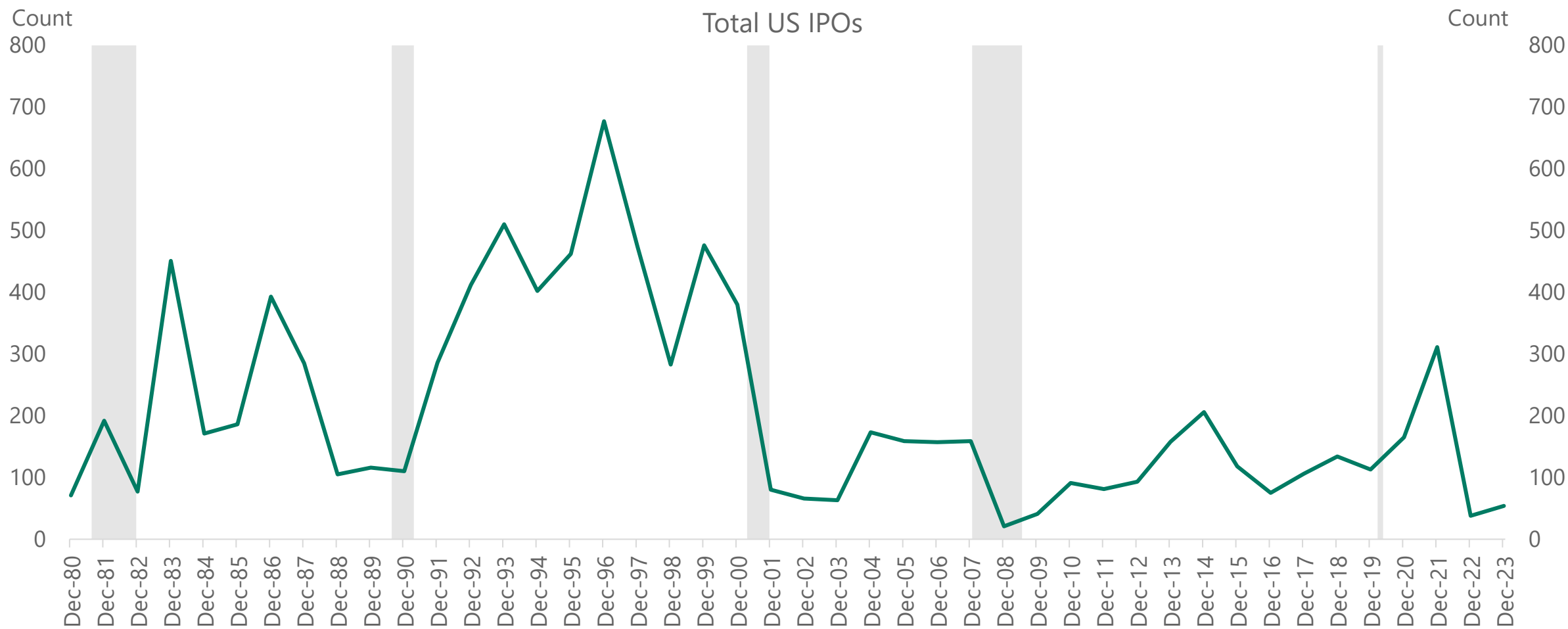
# Number of publicly listed companies have declined in Germany from 800 to 400

Number of domestically listed companies in Germany



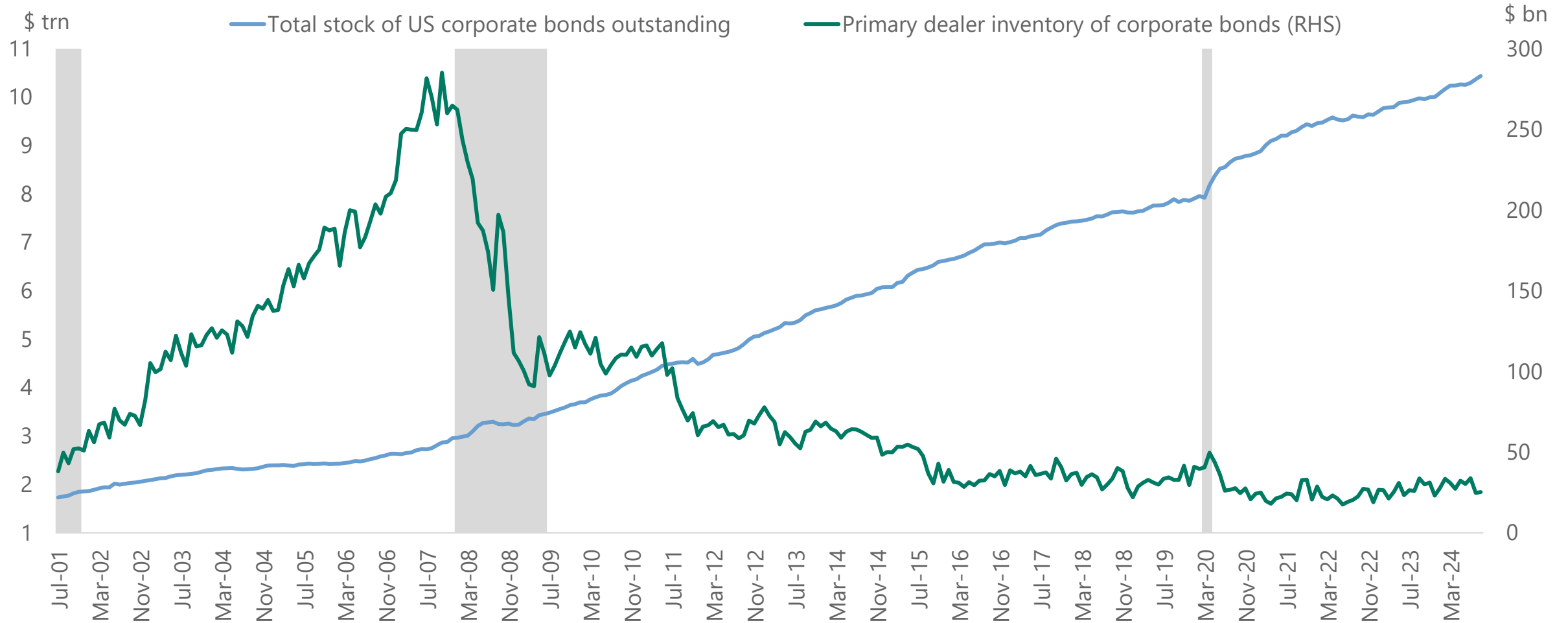
Source: World Development Indicators, Haver Analytics, Apollo Chief Economist

# And fewer companies are going public



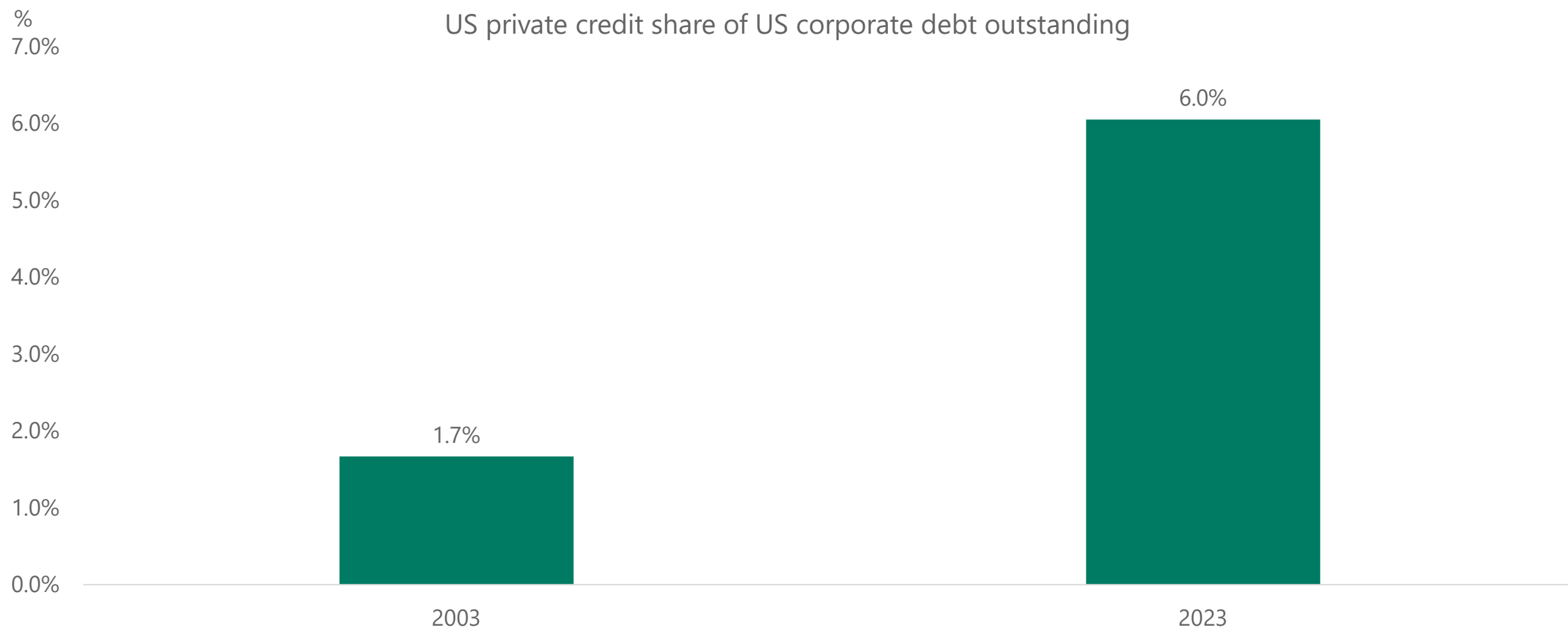
Source: Jay Ritter IPO data, Apollo Chief Economist

# Less and less liquidity in public bond markets



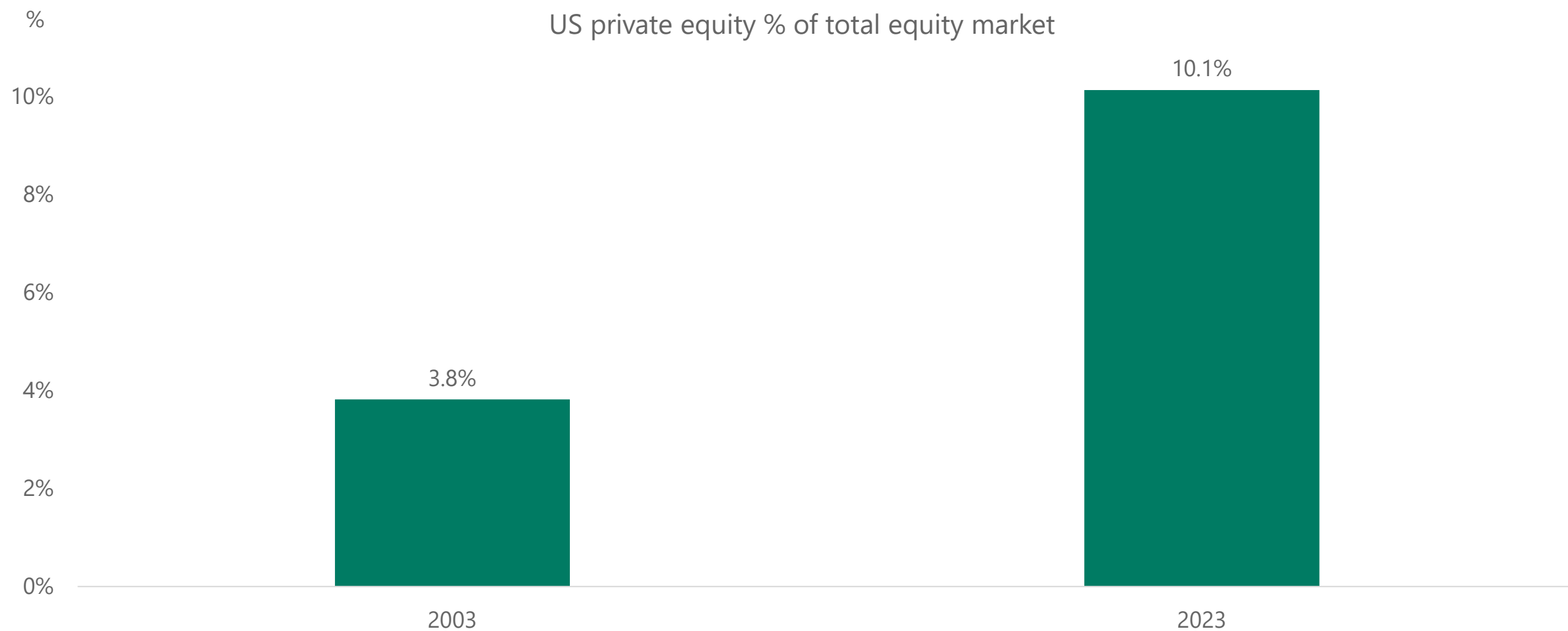
Source: FRBNY, ICE BofA, Haver Analytics, Bloomberg, Apollo Chief Economist

# Private credit share of US corporate debt outstanding



Source: Preqin, ICE BofA, PitchBook LCD, FRB, Bloomberg, Apollo Chief Economist. Note: US debt outstanding includes US IG and HY corporate bond market value outstanding, leveraged loans market value outstanding, US private credit AUM and US bank lending to corporates.

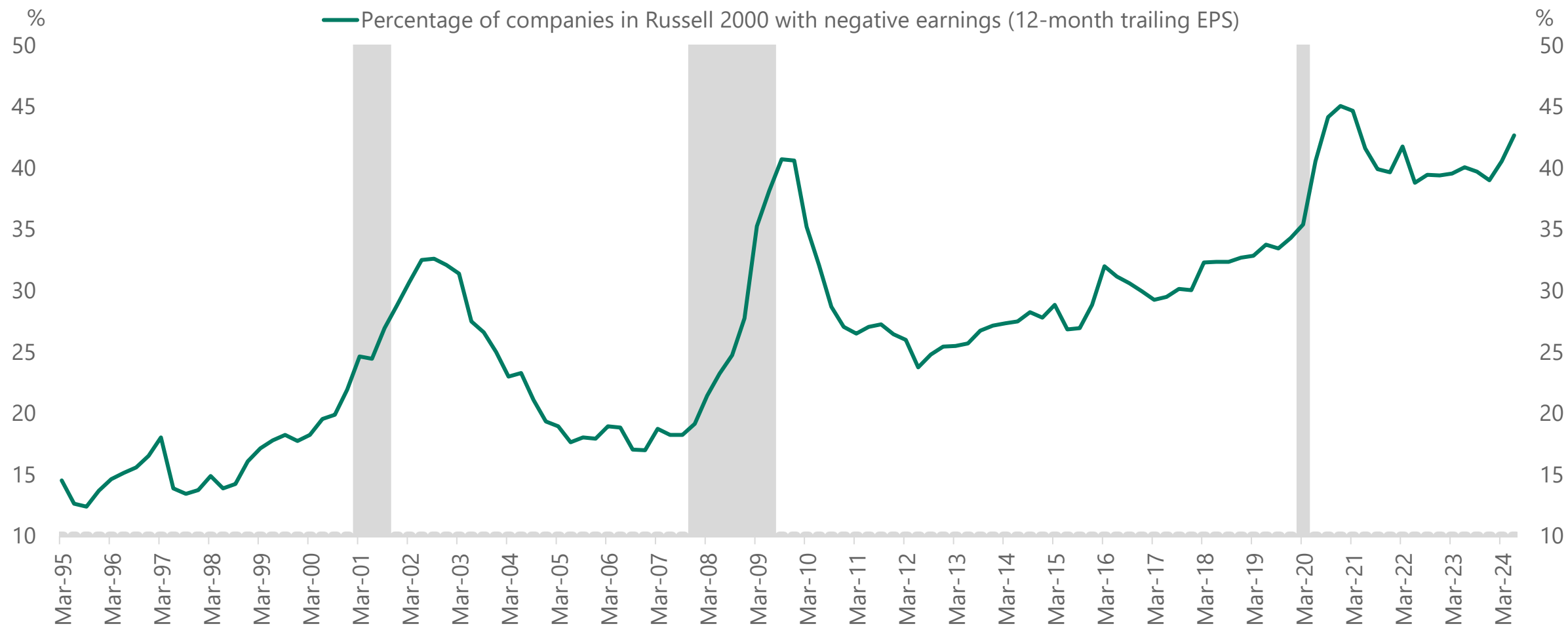
# Private equity share of total US equity market



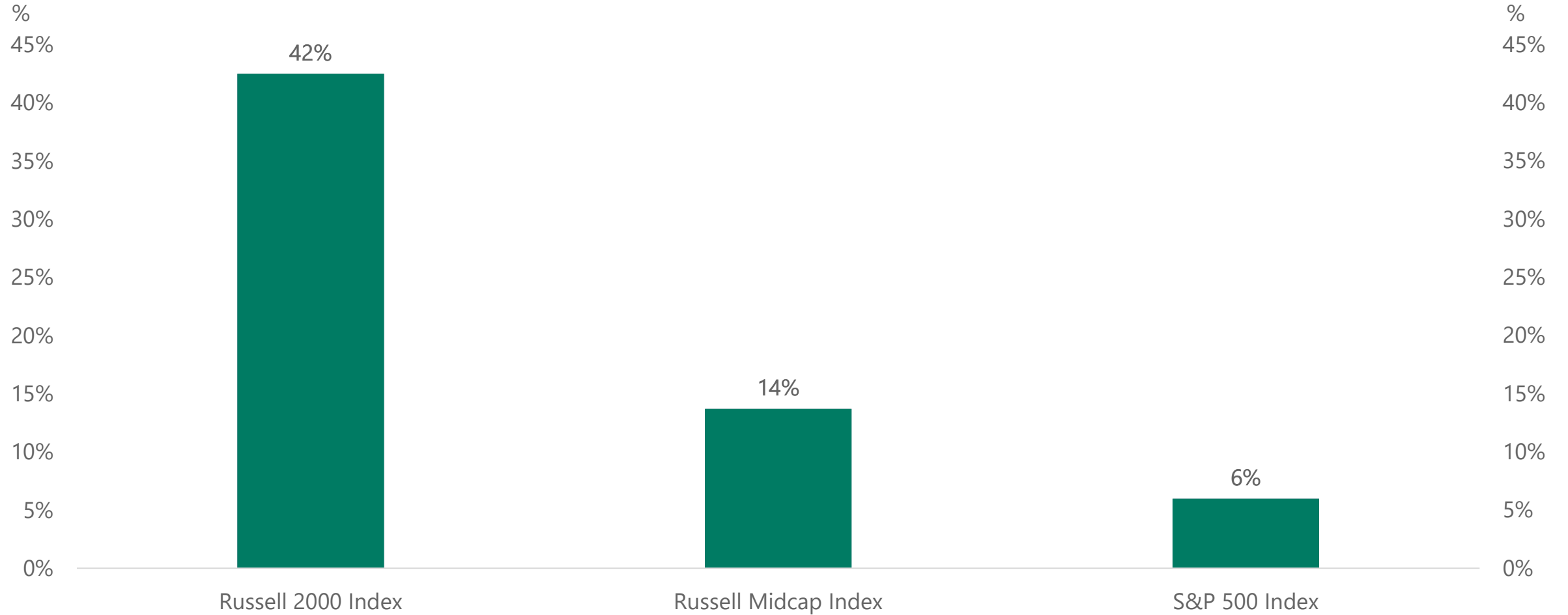
Rethinking safe and risky:  
Some equity investments are  
safe, and some equity  
investments are risky



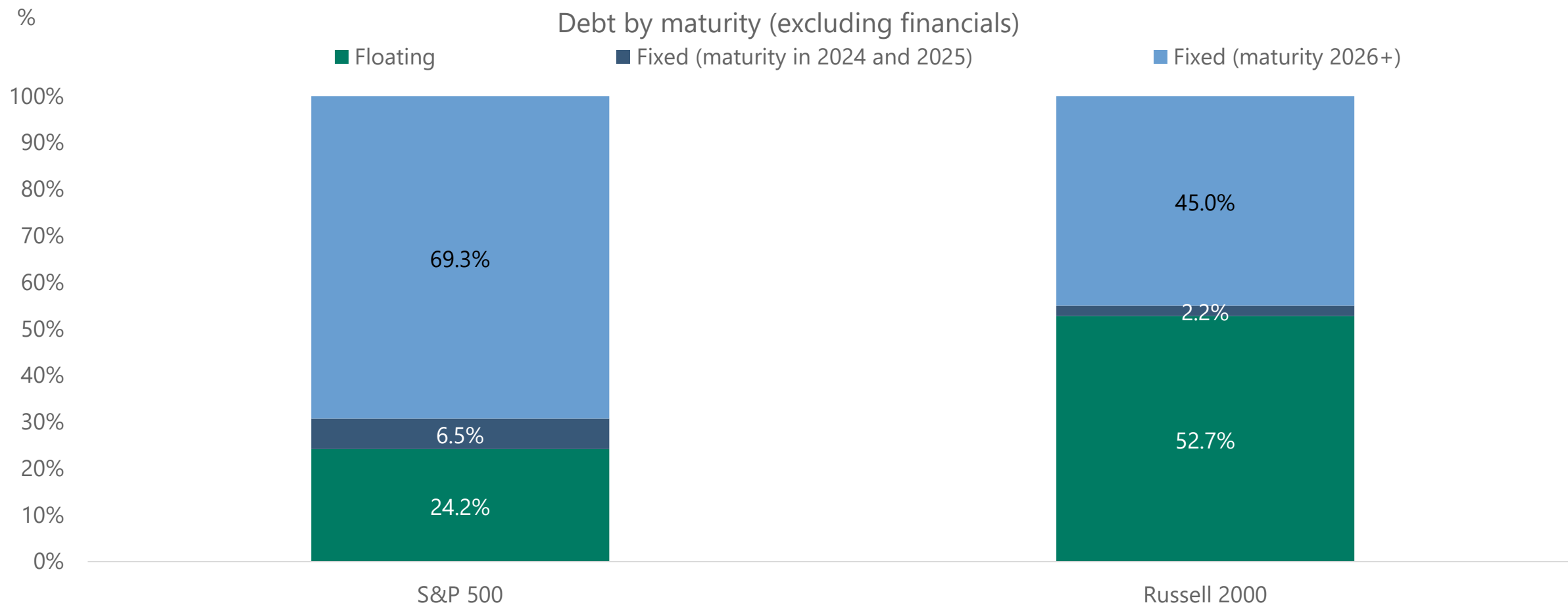
# The share of Russell 2000 companies with negative earnings continues to rise



# Small cap, mid cap, and large cap: Percentage of companies with negative earnings



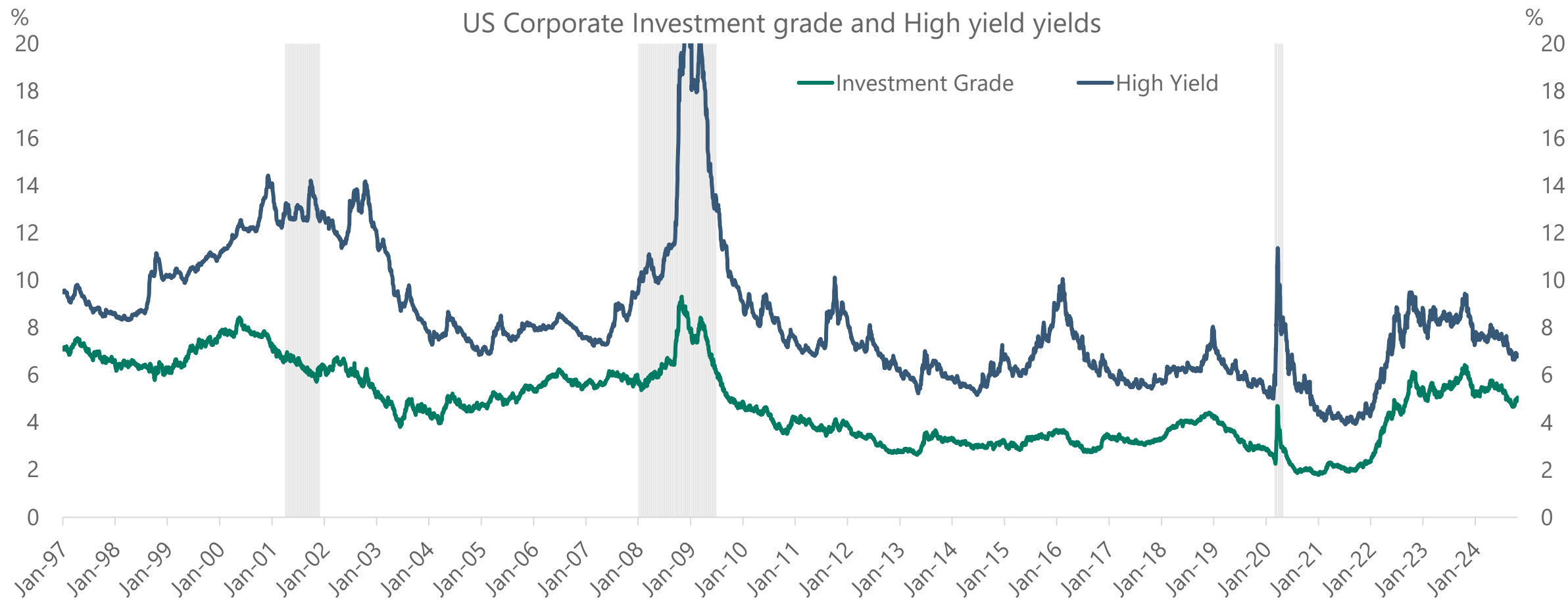
# Russell 2000 more vulnerable when rates stay higher for longer



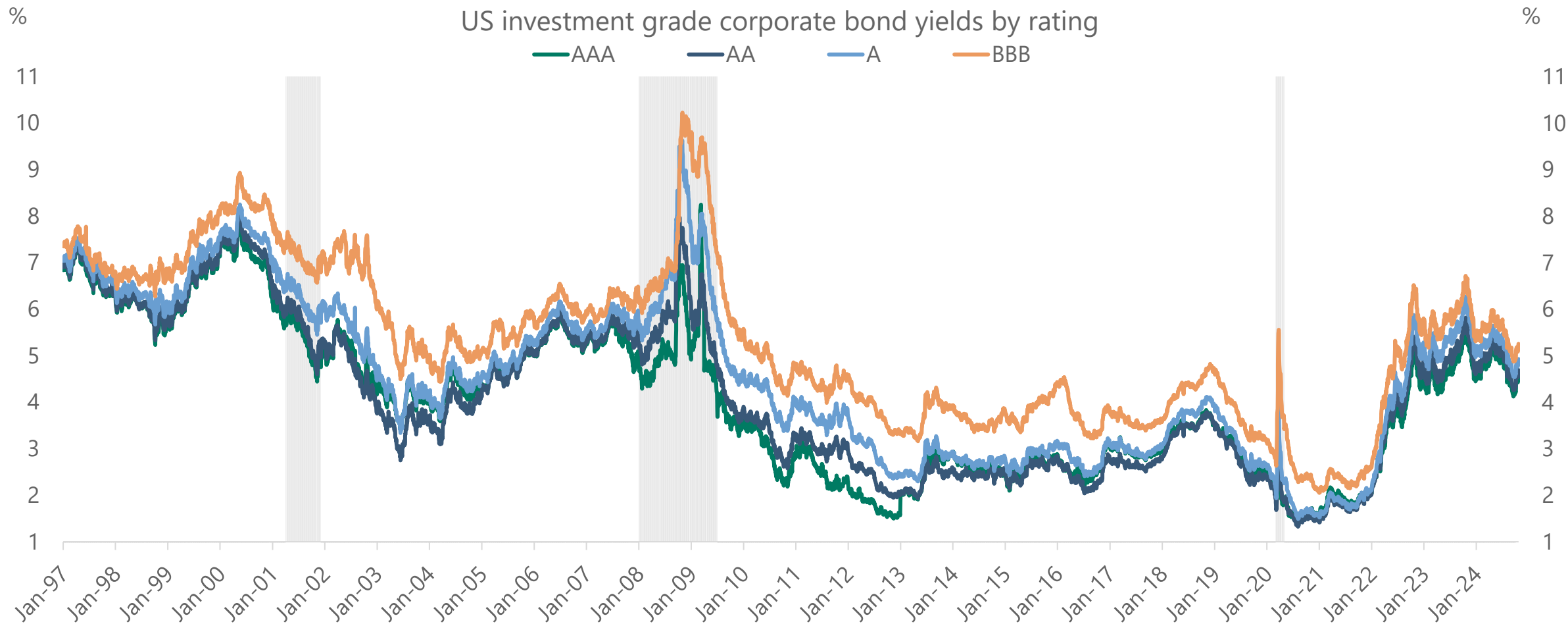
Source: Bloomberg SRCH, Apollo Chief Economist. Note: Includes bonds and loans (tranches) and excludes financials.

Rethinking safe and risky:  
Some credit investments are  
safe, and some credit  
investments are risky

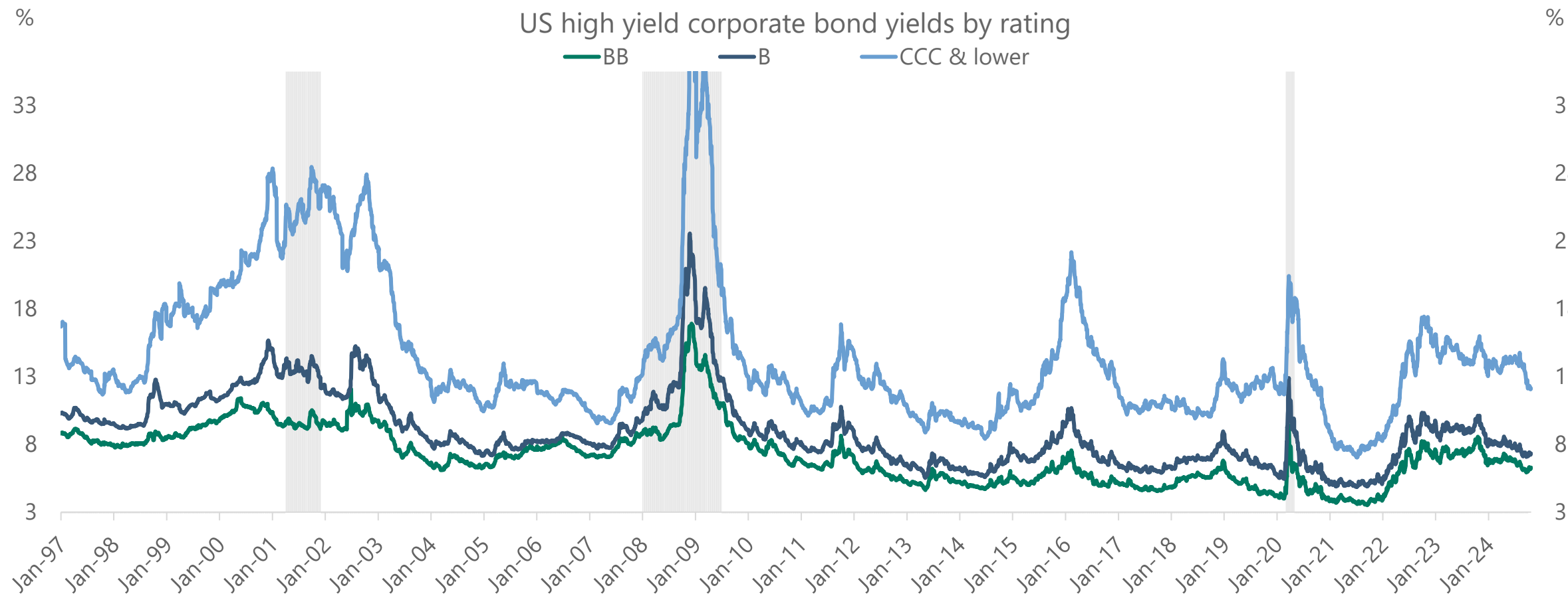
# US IG yield around 5% and HY yield around 6.8%



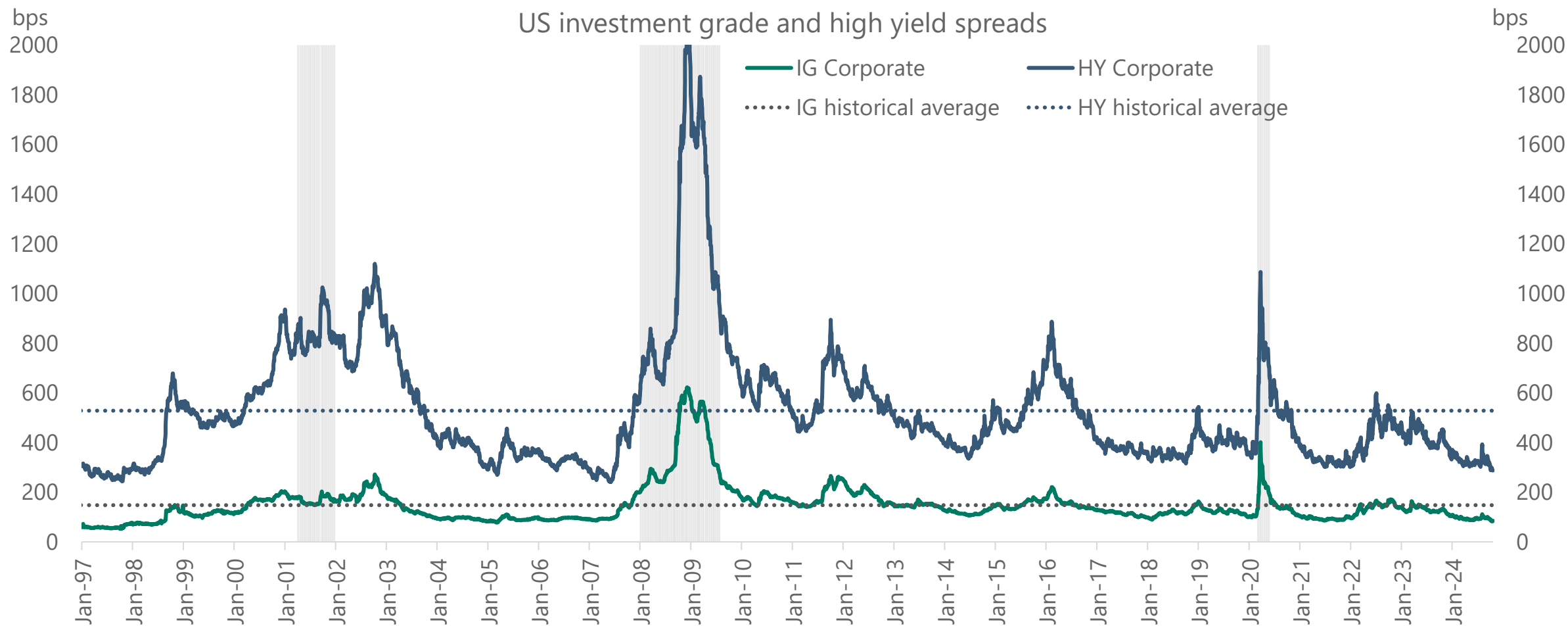
# US IG yield levels, by rating



# US HY yield levels, by rating

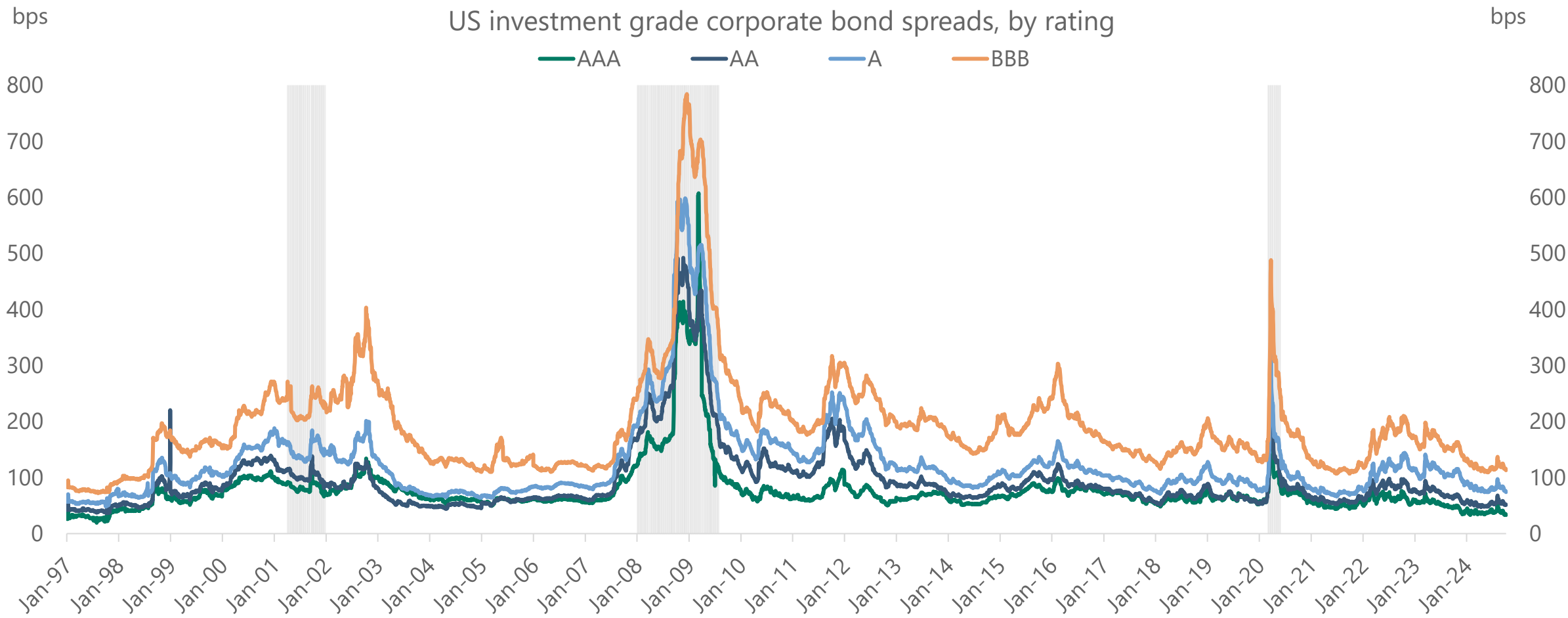


# High yield riskier than Investment grade

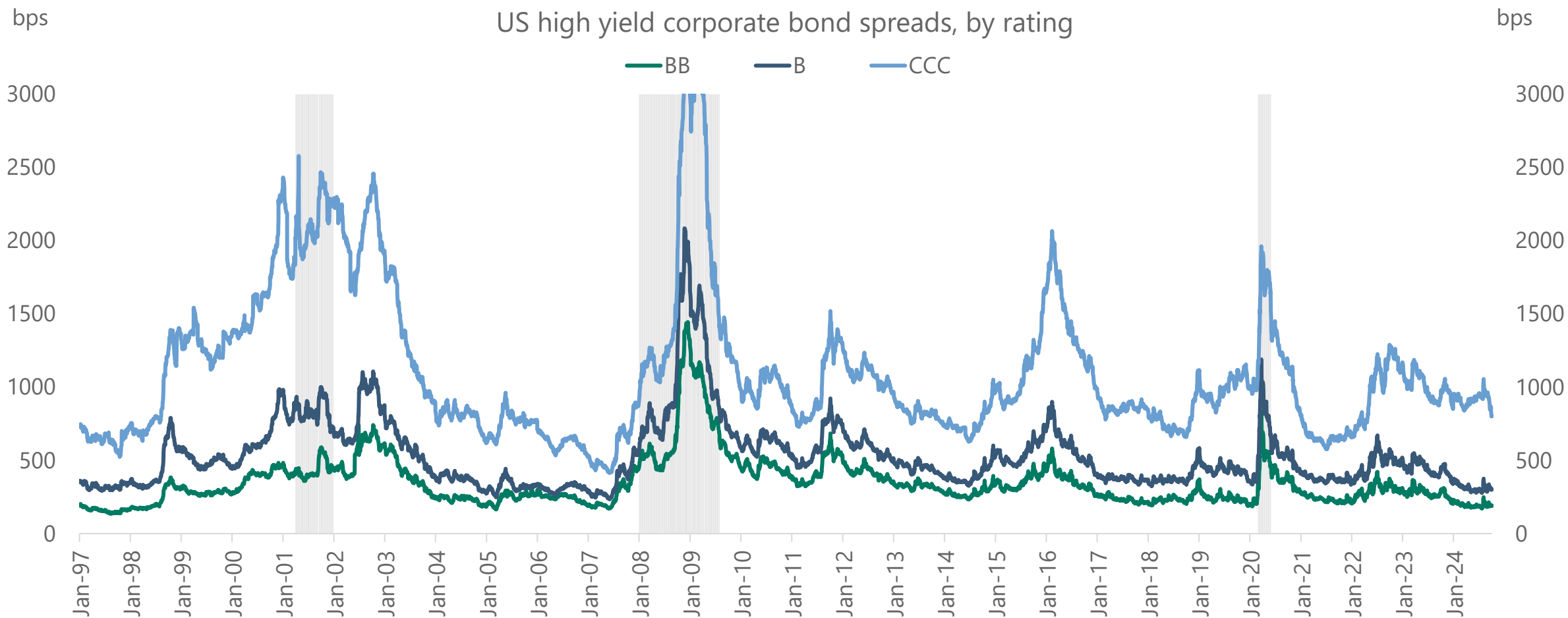




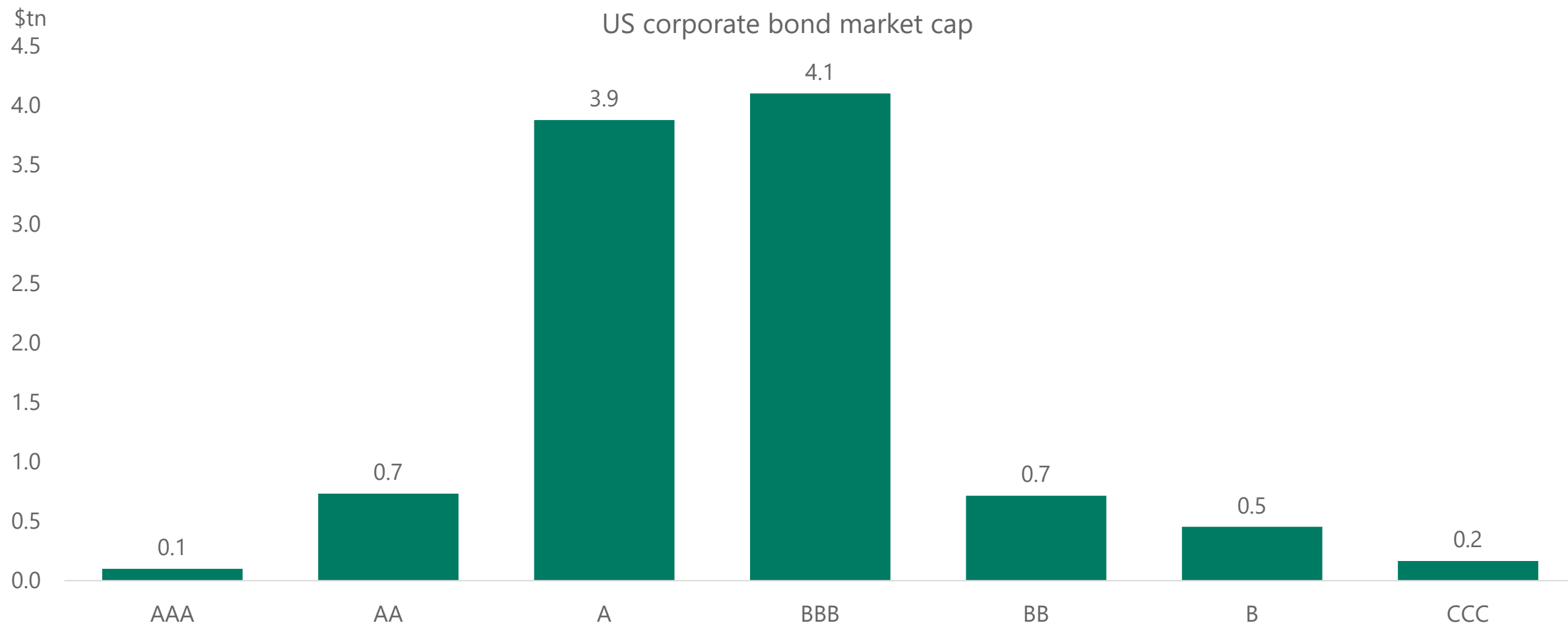
# IG spreads by rating



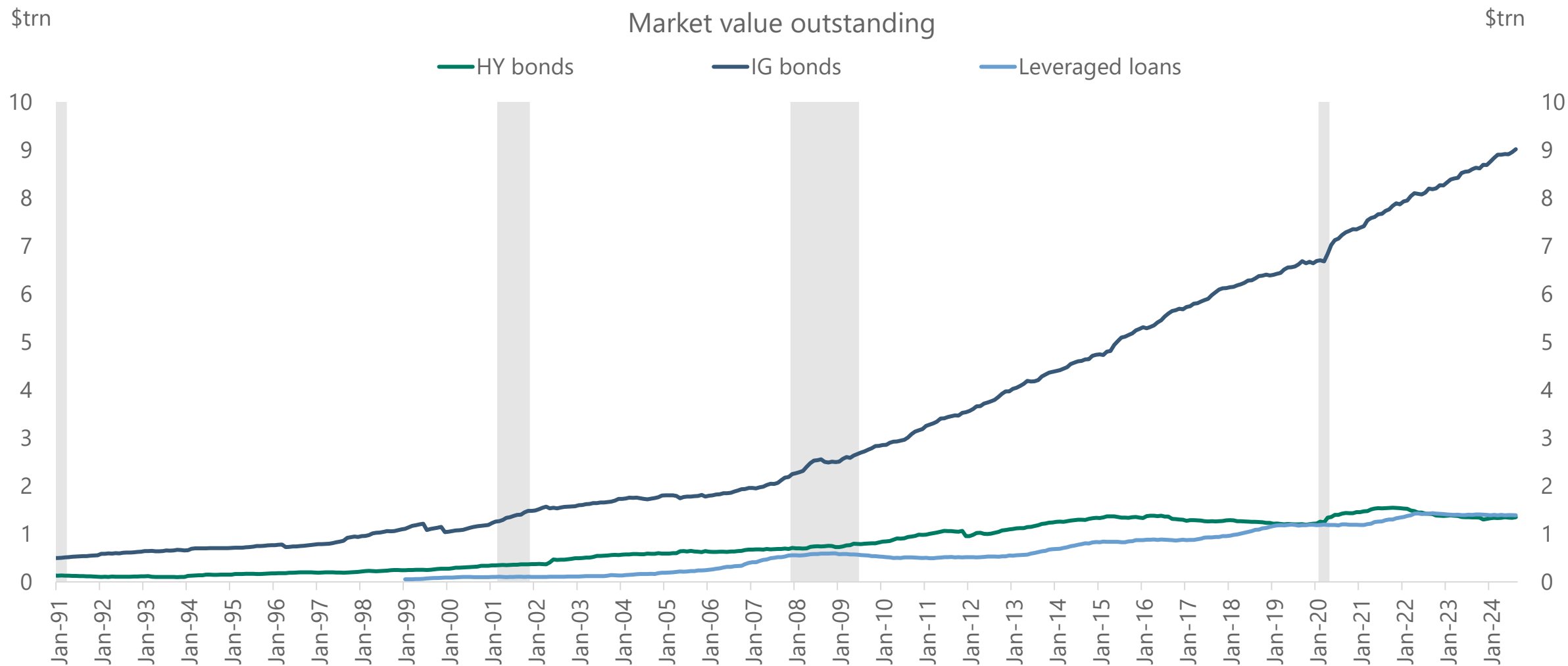
# HY spreads by rating



# Most corporate bonds outstanding are rated either BBB or single-A



# IG market is nine times bigger than HY and nine times bigger than the loan market



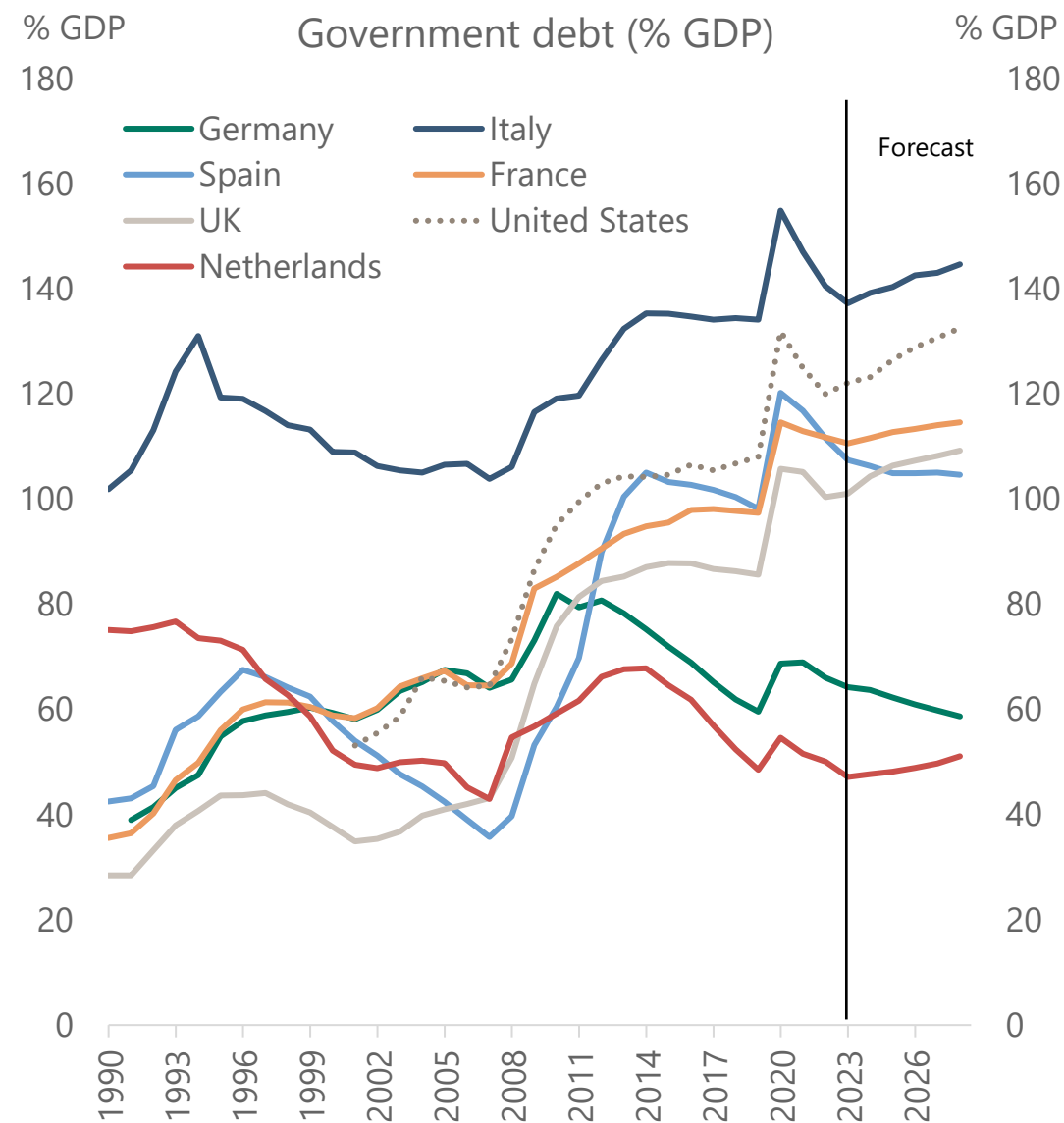
Source: ICE BofA, Bloomberg, PitchBook LCD, Apollo Chief Economist. Note: Ticker used for HY is H0A0 Index and for IG it is C0A0 Index and for Loans it is SPBDALB Index.

Rethinking safe and risky:  
Some sovereign investments  
are safe, and some sovereign  
investments are risky

# Debt/GDP by jurisdiction

	2019	2020	2021	2022	2023	'24e	'25e	'26e	'27e
Germany	60	69	69	66	64	64	62	61	60
UK	86	106	105	100	101	104	106	107	108
France	97	115	113	112	111	112	113	113	114
Italy	134	155	147	140	137	139	140	143	143
Spain	98	120	117	112	107	106	105	105	105
Netherlands	49	55	52	50	47	48	48	49	50
Switzerland	40	43	41	38	38	37	36	34	33
Poland	46	57	54	49	51	55	58	60	61
Belgium	98	112	108	104	104	105	107	109	112
Sweden	36	40	36	33	36	36	35	34	33
Ireland	57	58	54	44	43	41	39	36	35
Norway	41	46	42	36	42	38	35	34	33
Austria	71	83	83	78	76	75	75	76	76
Denmark	34	42	36	30	30	29	29	29	29
Portugal	117	135	125	112	99	95	91	87	83
Greece	186	213	201	179	169	159	152	148	145
United States	108	132	125	120	122	123	127	129	131
China	60	70	72	77	84	89	93	97	102
Japan	236	258	254	257	252	255	253	251	251
India	75	88	83	82	83	82	82	81	80

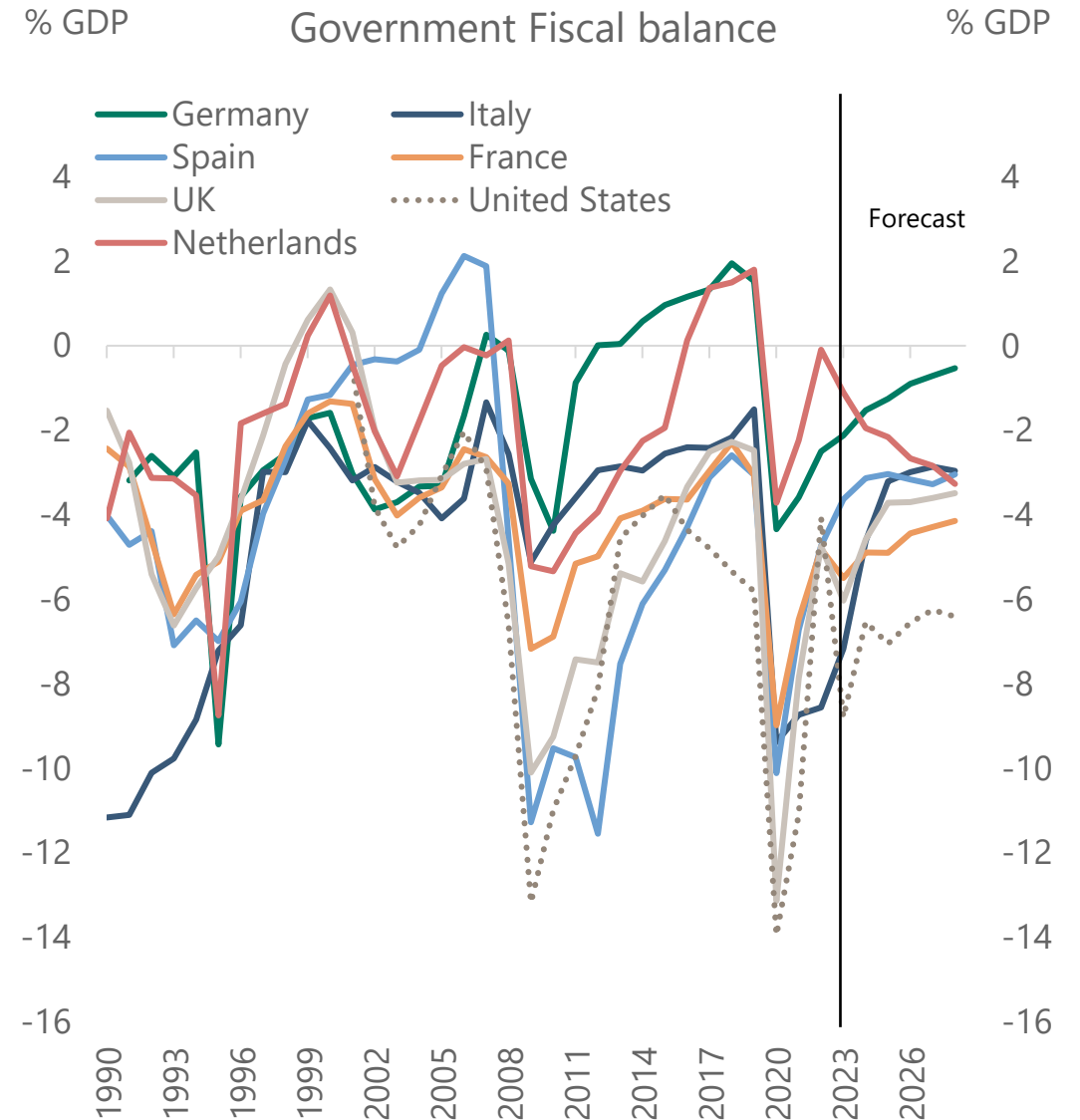
Source: IMF, Haver Analytics, Apollo Chief Economist



# Fiscal Balance (% GDP) by jurisdiction

	2019	2020	2021	2022	2023	'24e	'25e	'26e	'27e
Germany	1.5	-4.3	-3.6	-2.5	-2.1	-1.5	-1.3	-0.9	-0.7
UK	-2.5	-13.1	-7.9	-4.7	-6.0	-4.6	-3.7	-3.7	-3.6
France	-3.1	-9.0	-6.5	-4.8	-5.5	-4.9	-4.9	-4.4	-4.3
Italy	-1.5	-9.4	-8.7	-8.6	-7.2	-4.6	-3.2	-3.0	-2.9
Spain	-3.1	-10.1	-6.7	-4.7	-3.6	-3.1	-3.0	-3.2	-3.3
Netherlands	1.8	-3.7	-2.2	-0.1	-1.1	-2.0	-2.2	-2.7	-2.8
Switzerland	1.3	-3.0	-0.3	1.2	0.5	0.5	0.2	0.2	0.2
Poland	-0.7	-6.9	-1.8	-3.7	-5.6	-5.5	-4.8	-4.5	-4.4
Belgium	-2.0	-8.9	-5.4	-3.5	-4.6	-4.4	-4.7	-5.0	-5.4
Sweden	0.5	-2.8	0.0	1.3	-0.1	-0.7	-0.2	0.3	0.3
Ireland	0.5	-5.0	-1.5	1.7	1.5	1.4	1.3	1.1	0.8
Norway	6.5	-2.6	10.3	25.4	14.2	14.9	13.3	12.3	11.5
Austria	0.6	-8.0	-5.8	-3.5	-2.4	-2.6	-2.3	-2.0	-2.0
Denmark	4.1	0.4	4.1	3.3	2.7	1.5	0.8	0.2	-0.1
Portugal	0.1	-5.8	-2.9	-0.3	1.0	0.2	0.2	0.2	0.2
Greece	-0.1	-10.5	-7.5	-2.4	-1.7	-0.9	-0.9	-1.0	-1.3
United States	-5.8	-13.9	-11.1	-4.1	-8.8	-6.5	-7.1	-6.6	-6.2
China	-6.1	-9.7	-6.0	-7.5	-7.1	-7.4	-7.6	-7.8	-7.8
Japan	-3.0	-9.1	-6.1	-4.4	-5.8	-6.5	-3.2	-2.9	-3.1
India	-7.7	-12.9	-8.6	-9.2	-8.6	-7.8	-7.6	-7.3	-7.0

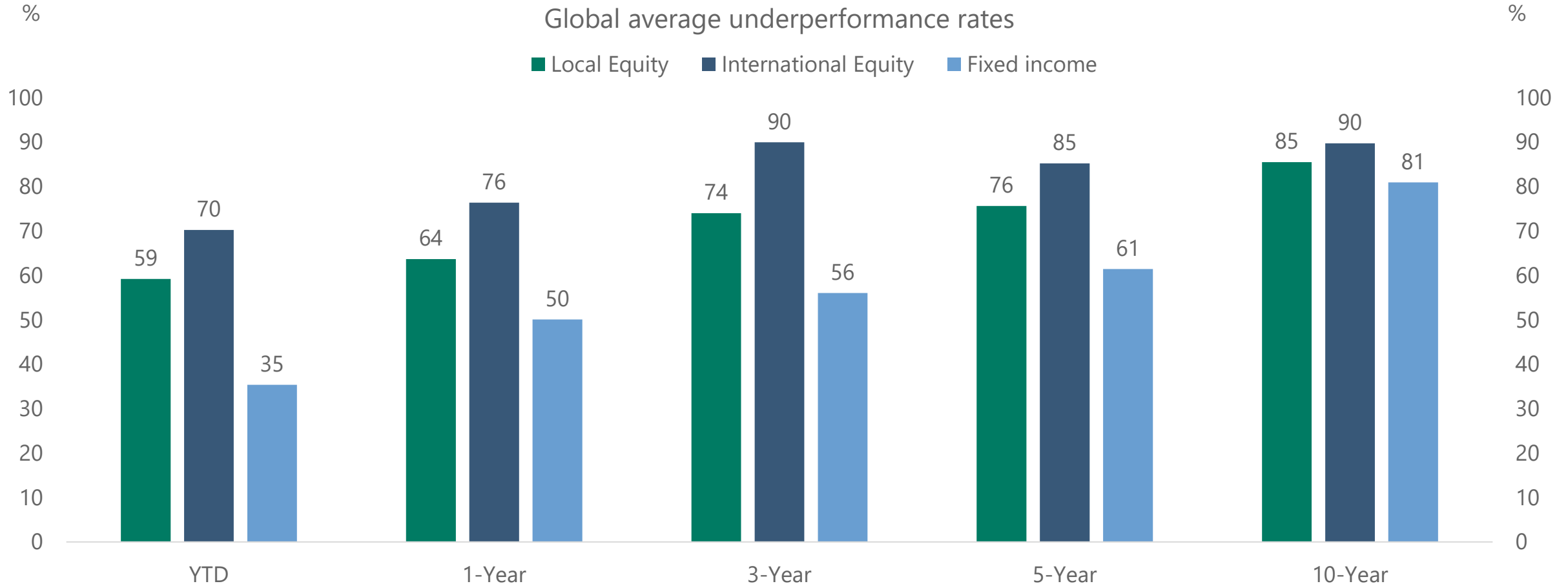
Source: IMF, Haver Analytics, Apollo Chief Economist



Rethinking active versus passive  
– including the role of concentration

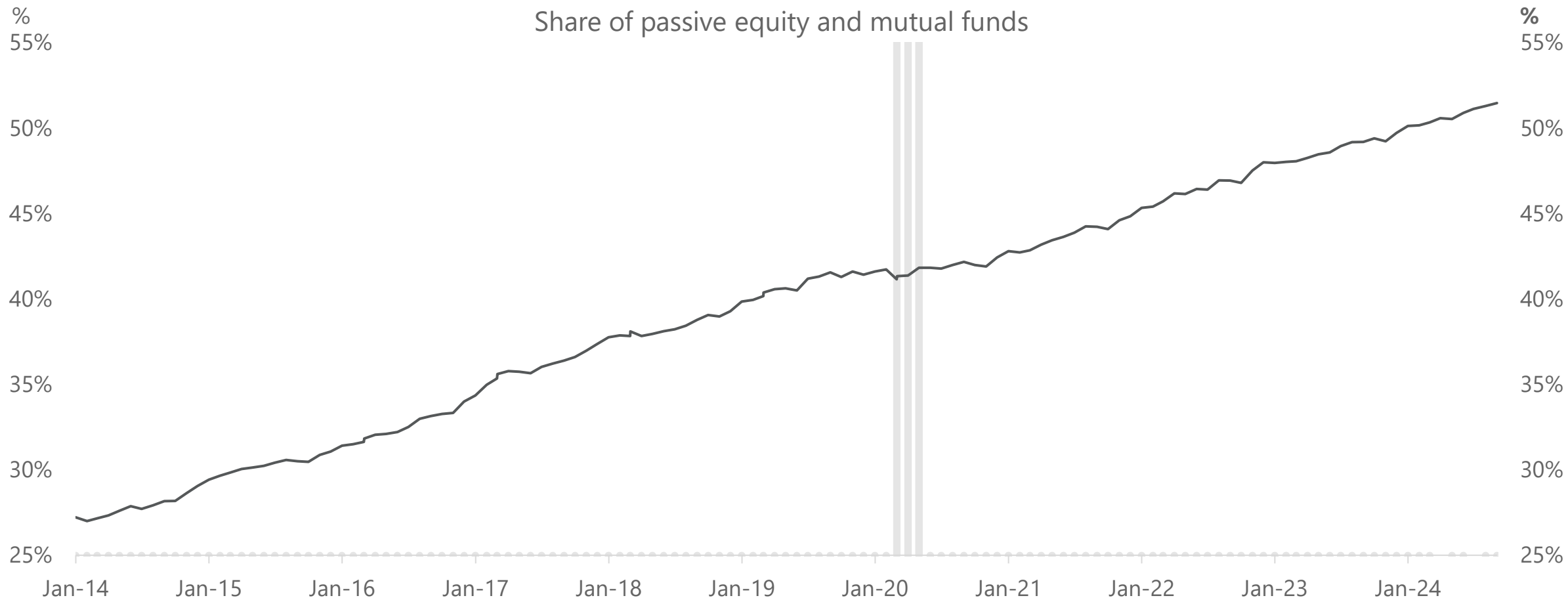


Roughly 90% of active equity fund managers underperform their index and 81% of active fixed income managers underperform their index on a 10-year horizon



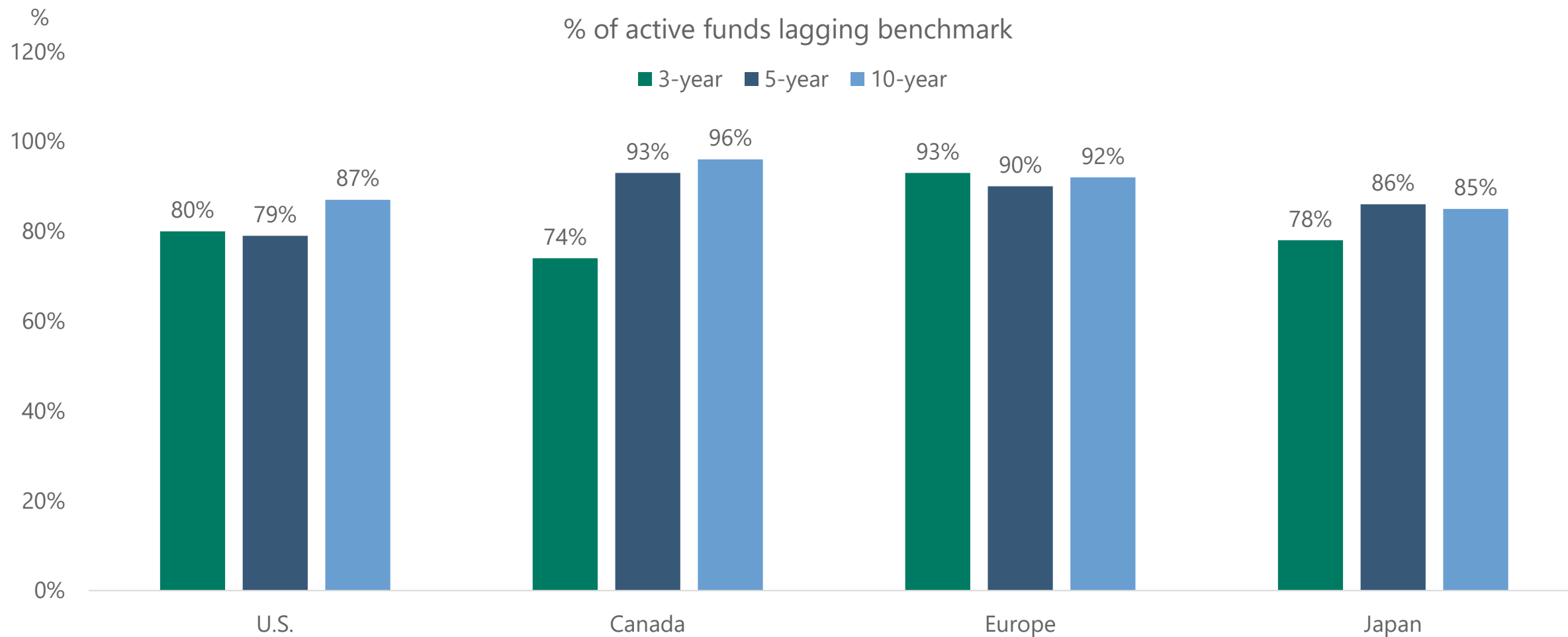
Source: SPIVA Global Scorecard, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> June 2024. Calculated as average of underperformance for each category for regions/countries US, Europe, Canada, Australia, MENA, Brazil, Chile, South Africa, India, Australia and Japan

# Share of passive funds rising

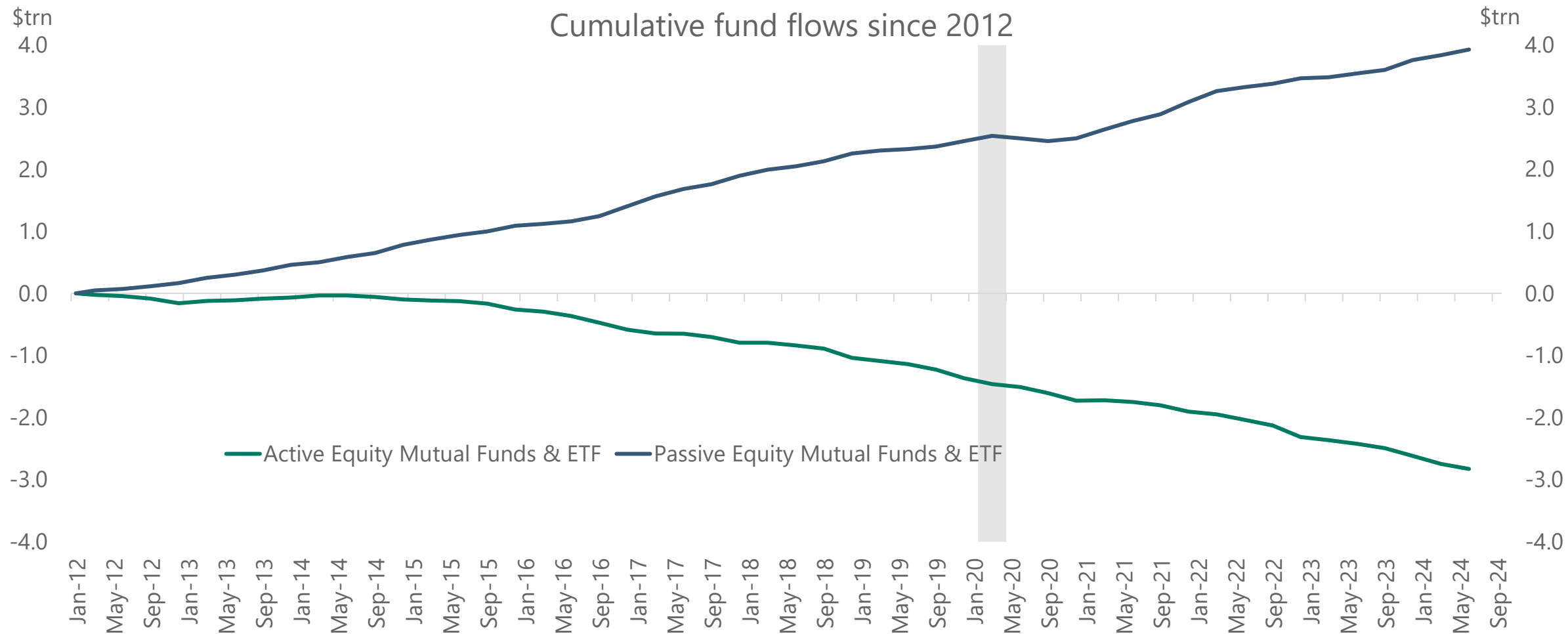


Source: Bloomberg, S&P SPIVA, Apollo Chief Economist.

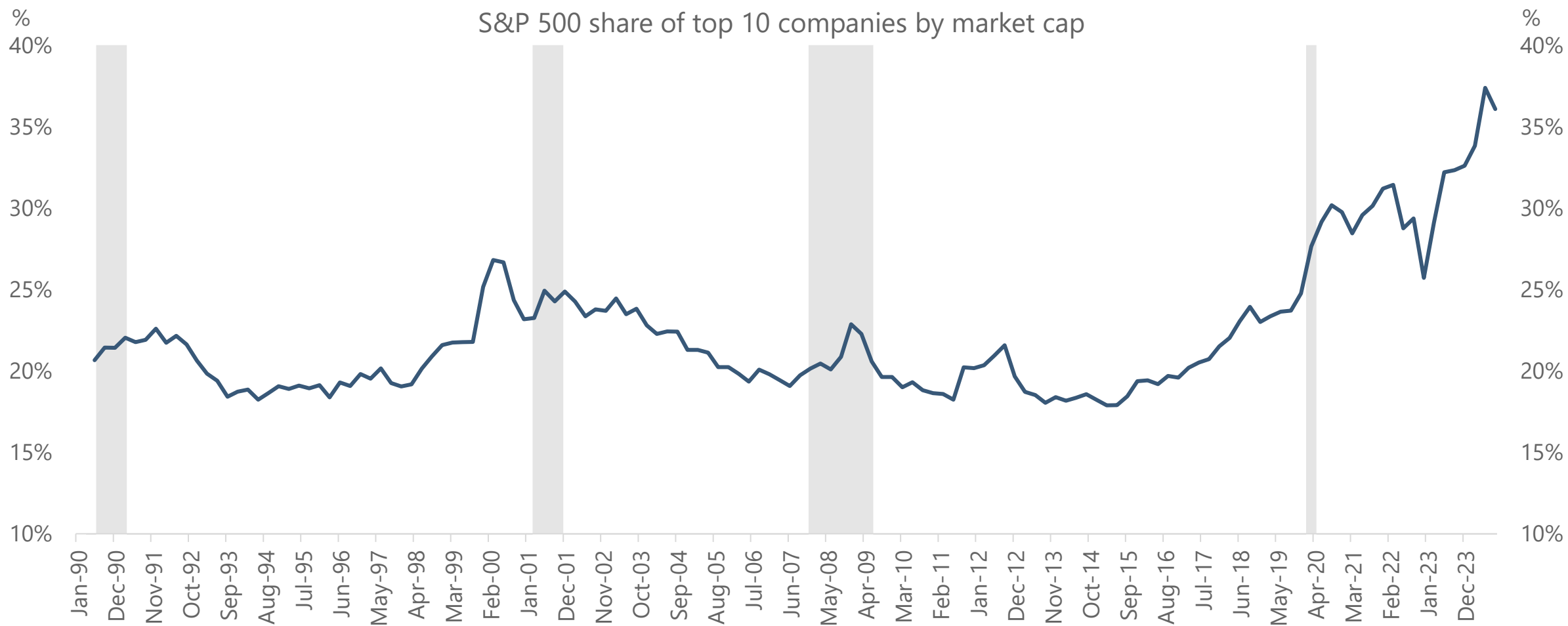
# Active funds lagging benchmark



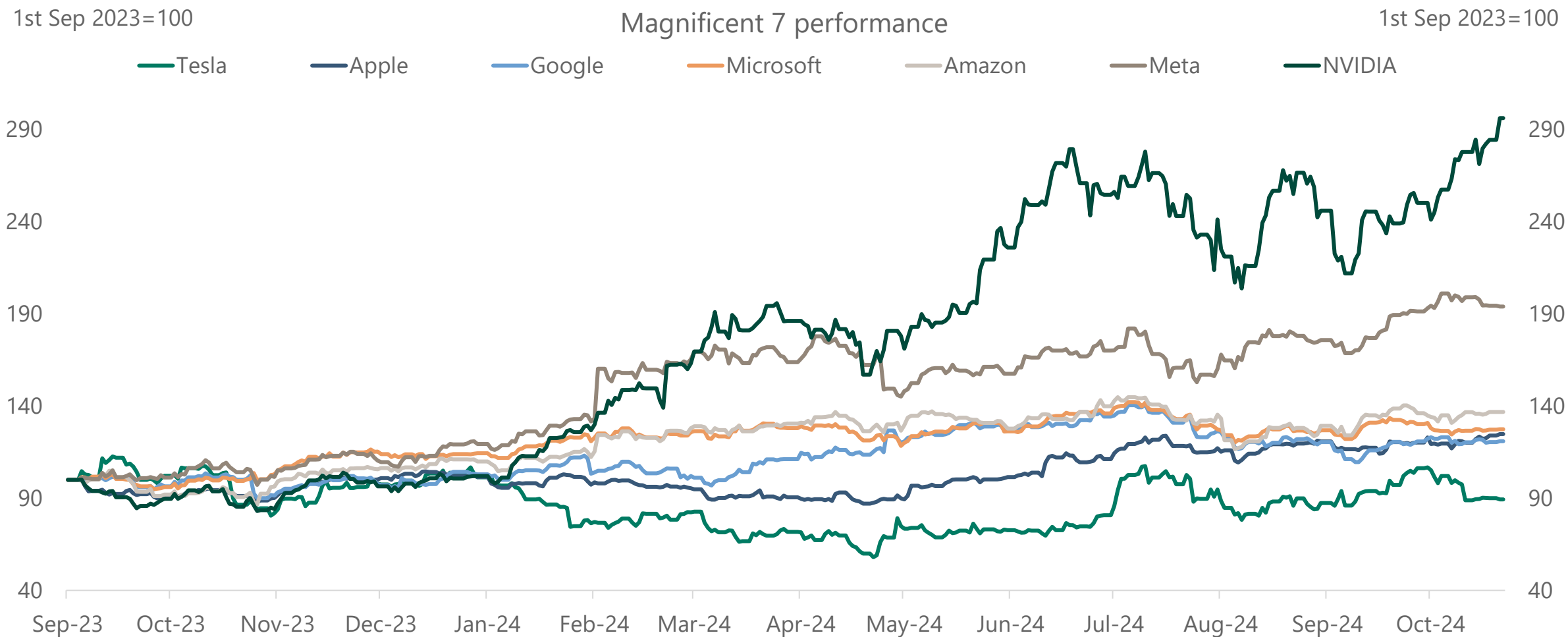
# Fund flows into passive funds and out of active funds



# The concentration in the S&P500 is more and more extreme



# The Magnificent 7 story is getting more complicated



# The current AI bubble is bigger than the 1990s tech bubble

12 month forward P/E

35

30

25

20

15

10

5

0

■ Top 10

■ Excluding top 10

■ S&P 500

1990

1995

2000

2005

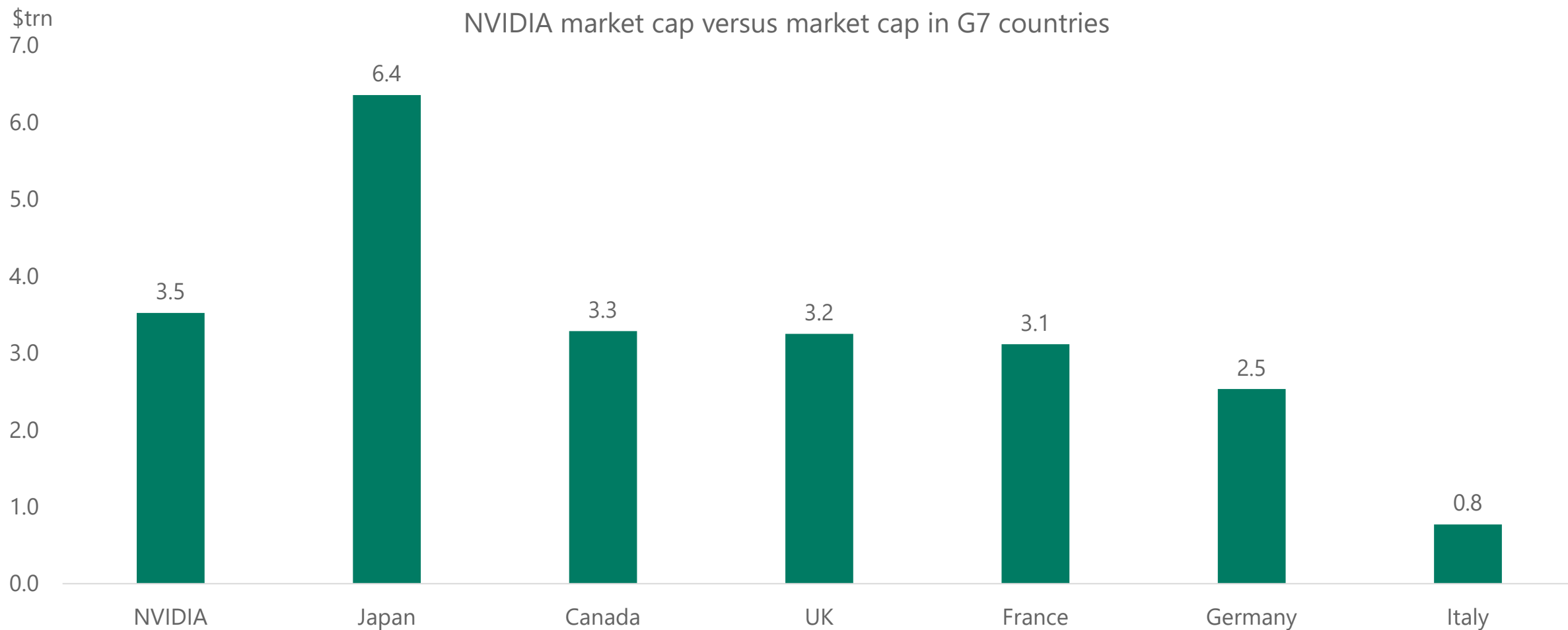
2010

2015

2020

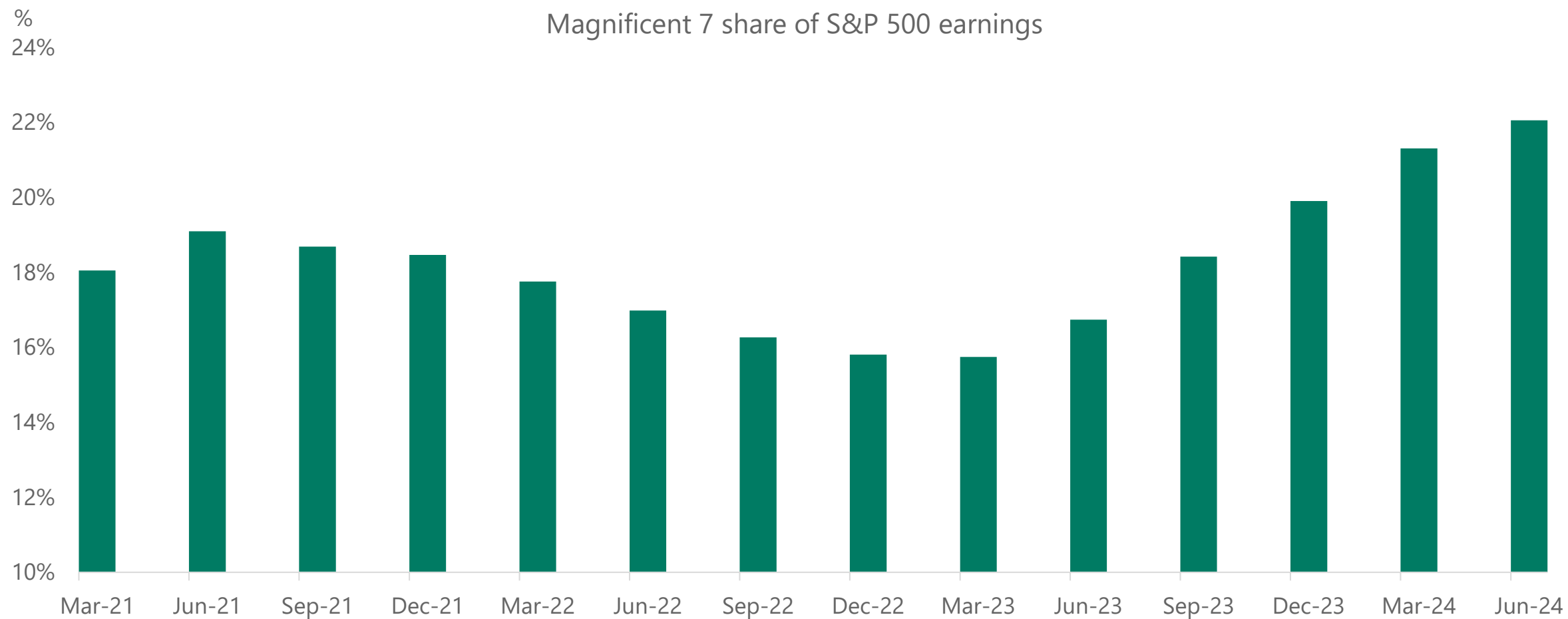
2024

# Global equity returns are basically about NVIDIA

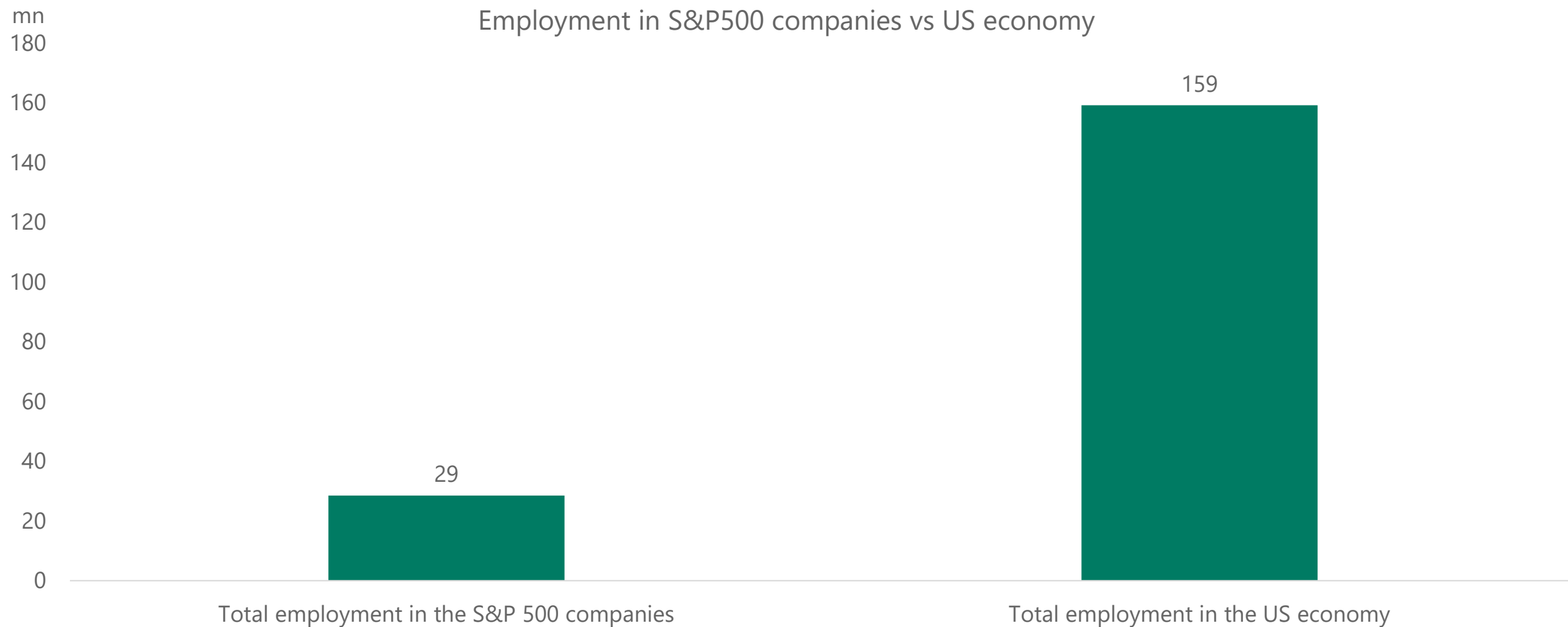




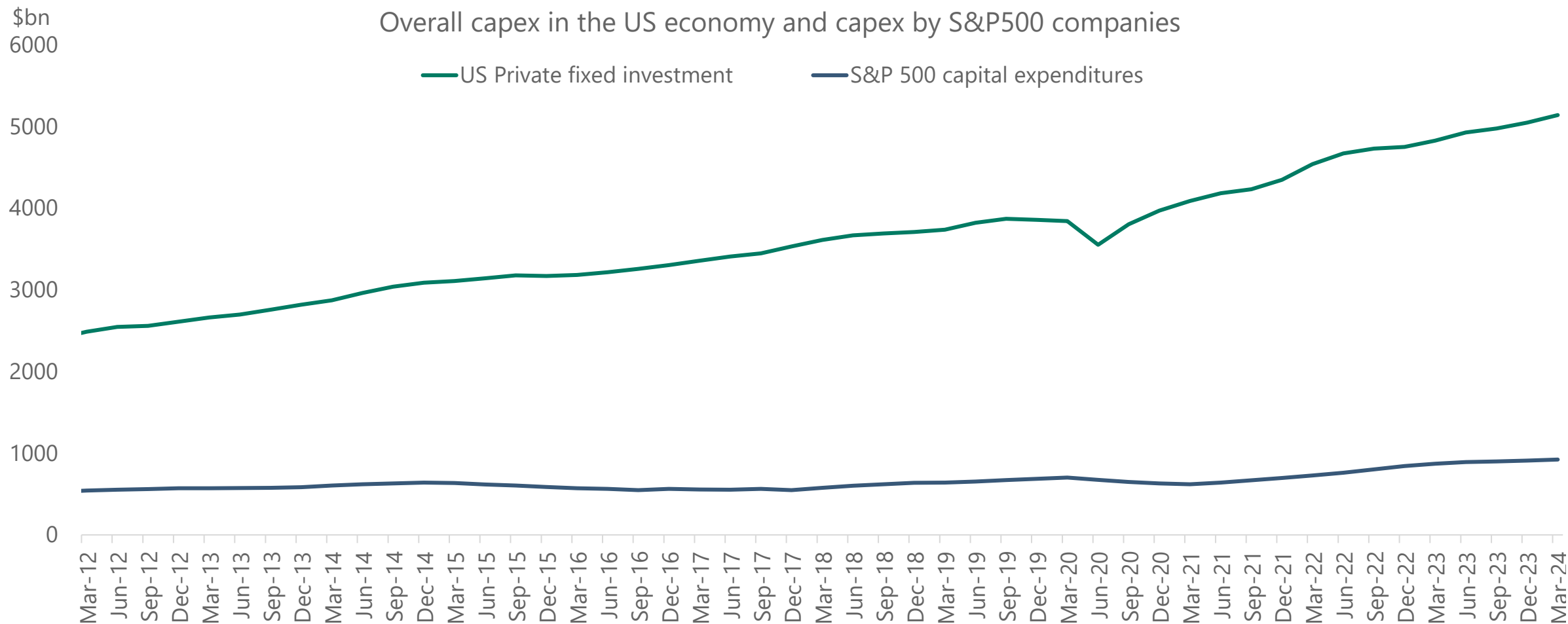
# Magnificent 7 share of S&P 500 earnings continues to rise



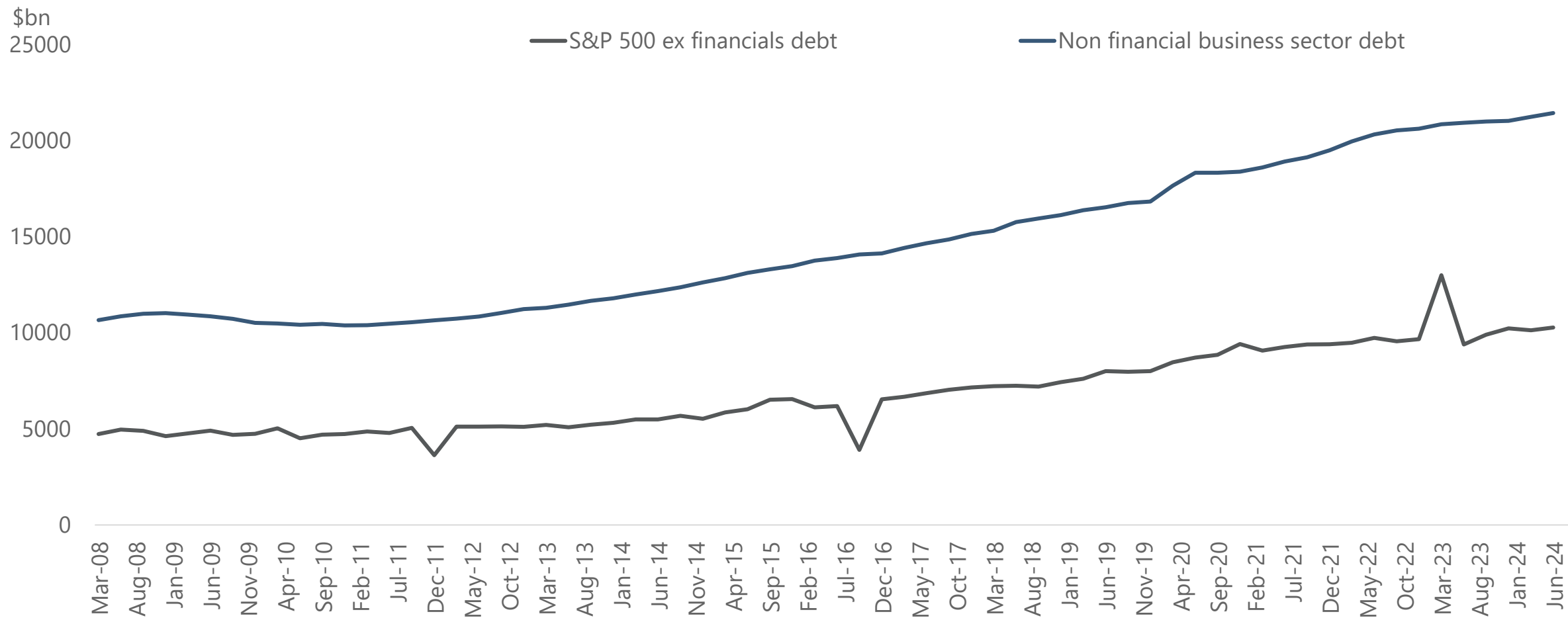
# Employment in S&P500 companies is 18% of total US employment



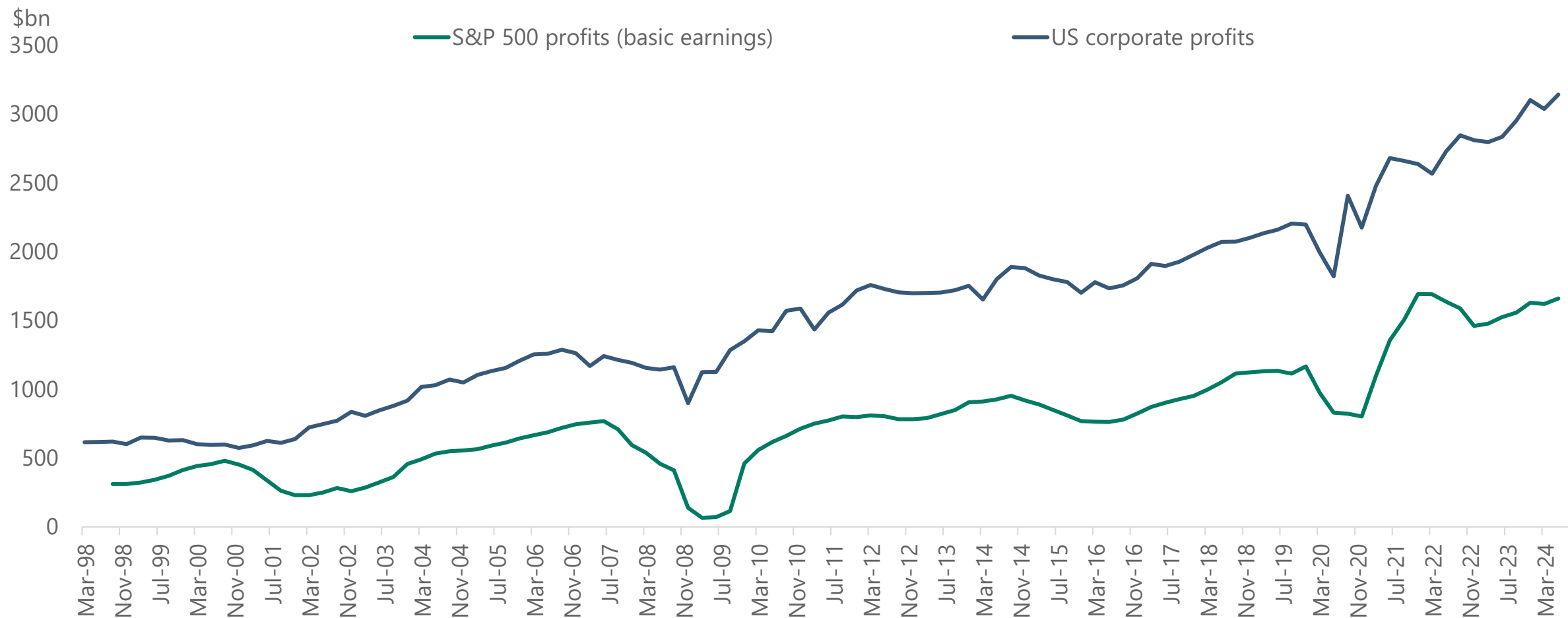
# Capex by S&P500 companies is 15% of total capex in the US economy



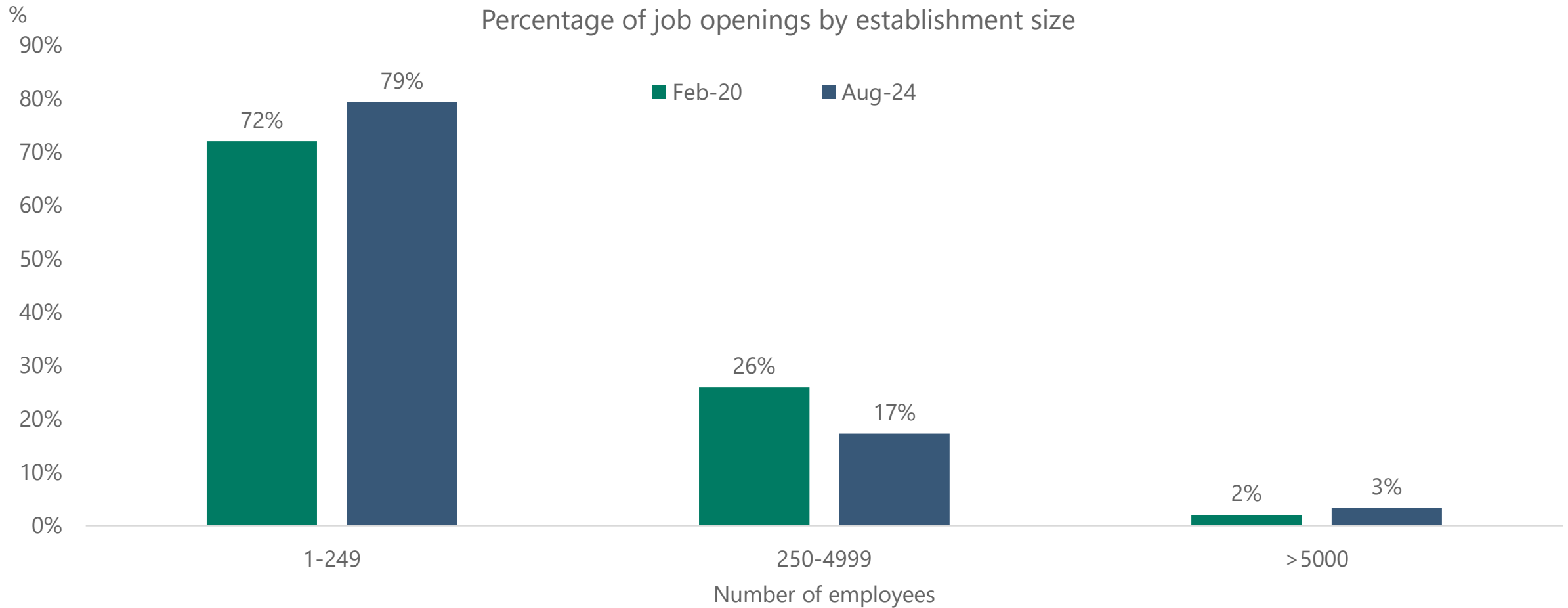
# Less than half of all corporate debt outstanding is from S&P500 companies



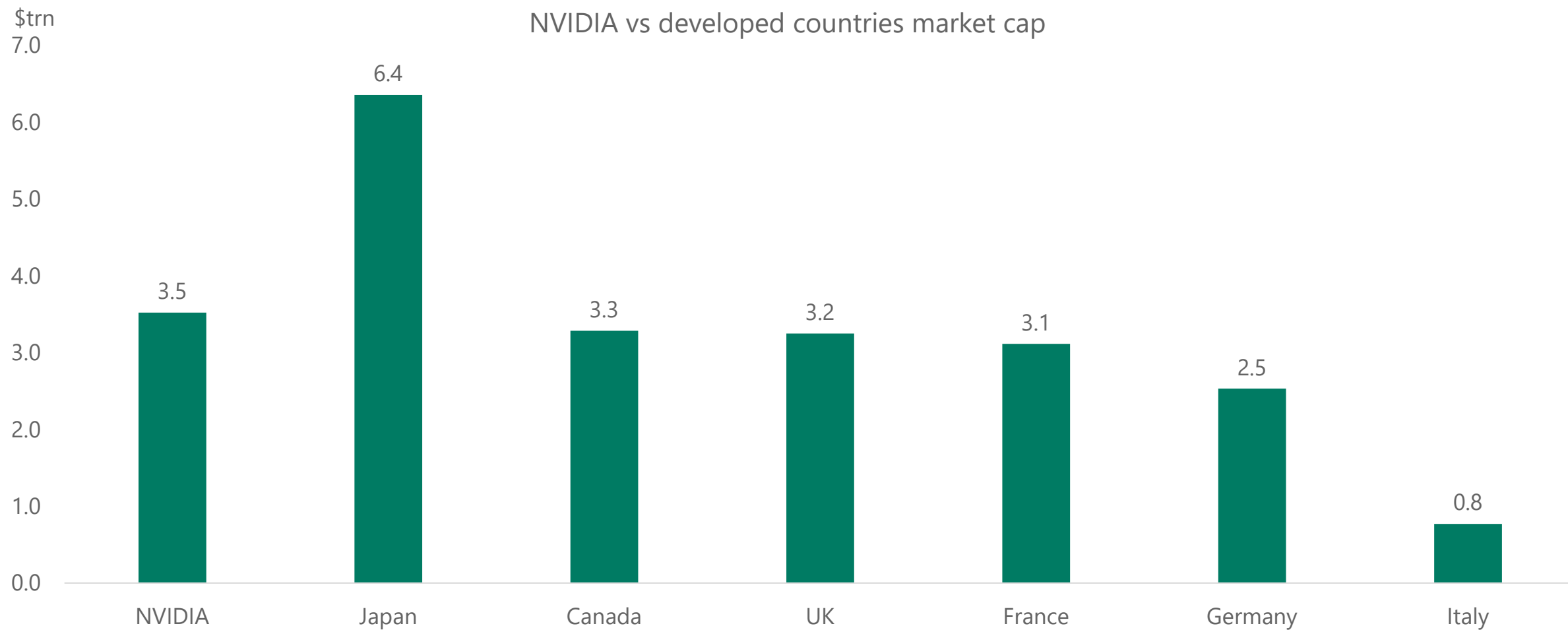
# S&P500 profits make up half of economy-wide corporate profits



# Small businesses, i.e. privately-owned firms, account for almost 80% of job openings



# Global equity returns are all about Nvidia





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Torsten Slok joined Apollo in August 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist at Deutsche Bank where his team was top ranked in the annual Institutional Investor survey for a decade. Prior to joining Deutsche Bank Mr. Slok worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D in Economics and has studied at the University of Copenhagen and Princeton University.