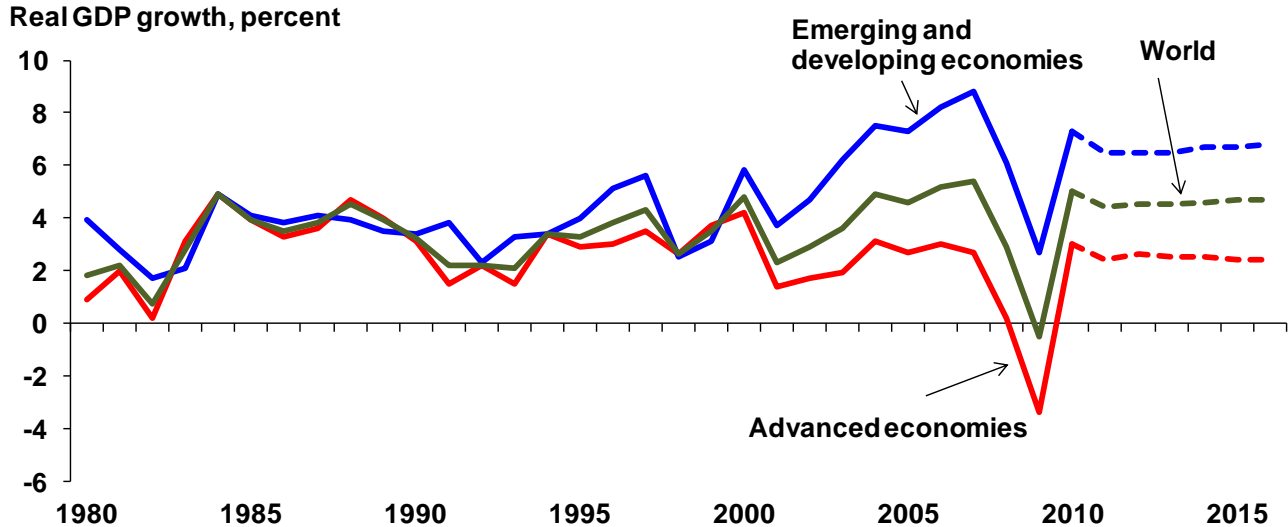


Global economy on track for solid recovery

World real GDP grew by 5 percent in 2010



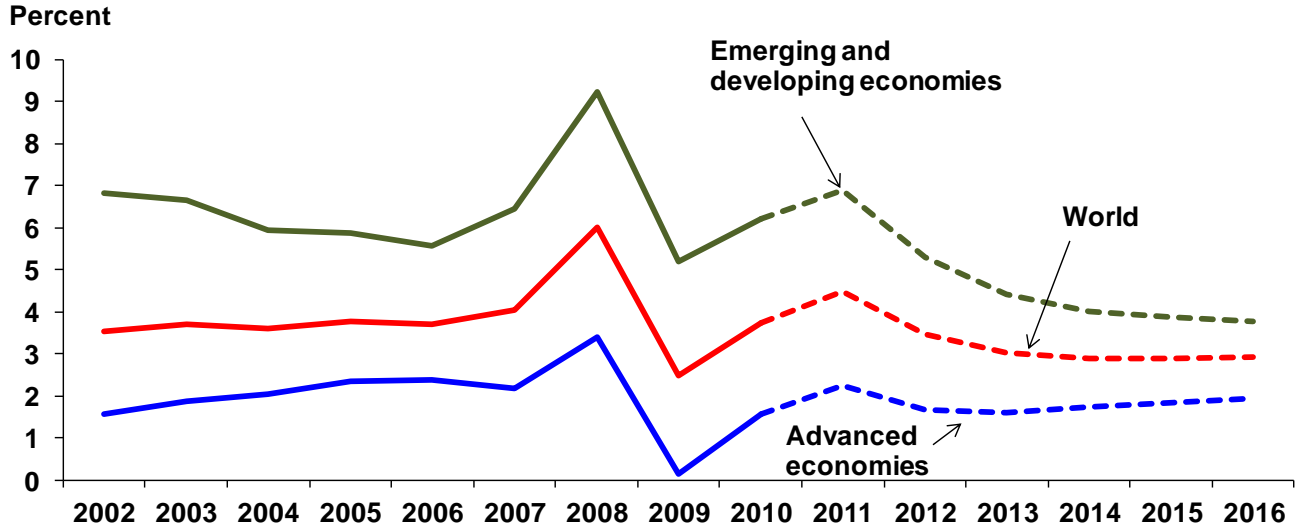
Source: World Economic Outlook, International Monetary Fund, April 2011 update.

Inflation risk ahead?



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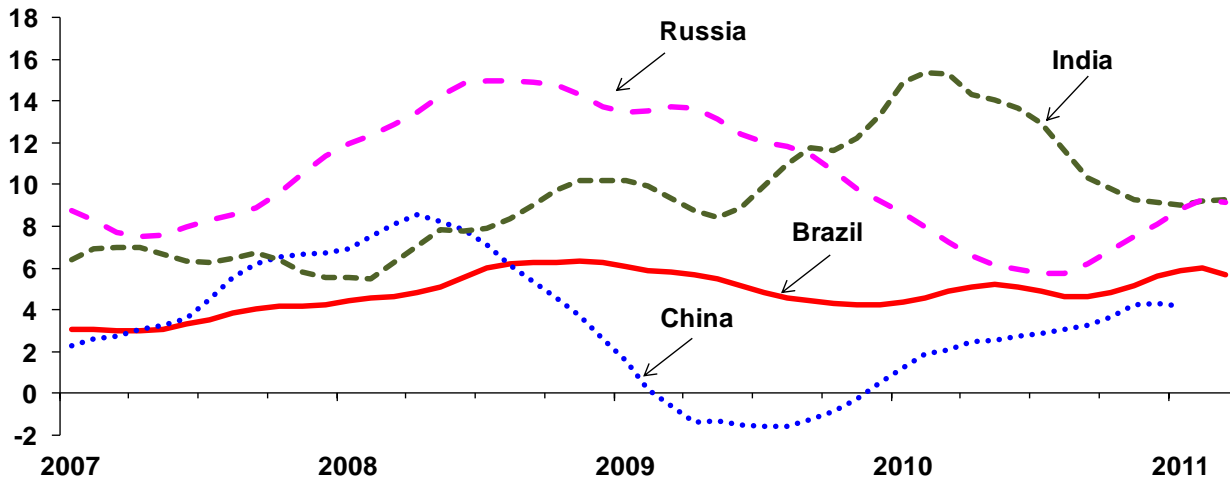
Percent change of consumer prices (year-to-year)



Source: World Economic Outlook, International Monetary Fund, April 2010 update.

Inflation pressure rising in emerging countries

% change in consumer price index, 3-month rolling average



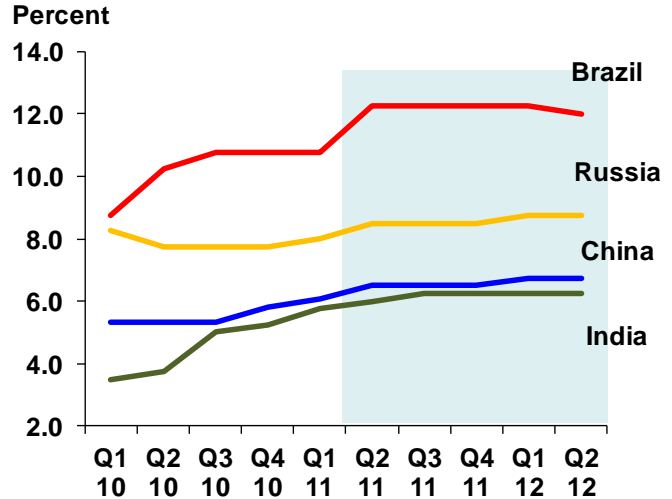
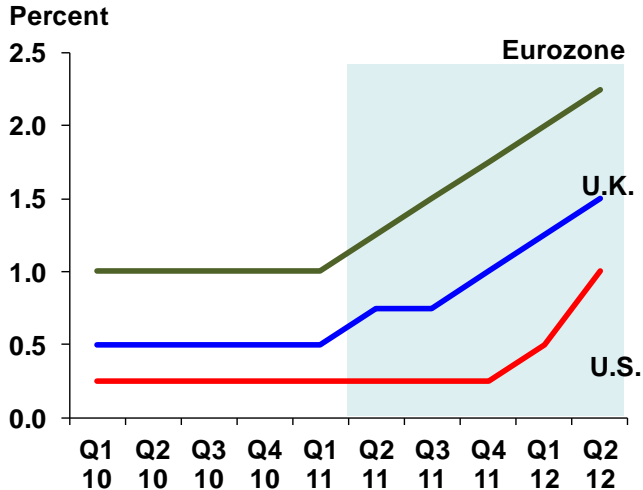
Source: OECD, Milken Institute.

End of the era of cheap capital?

Consensus forecasts: Central bank rates will increase in the next 12 months



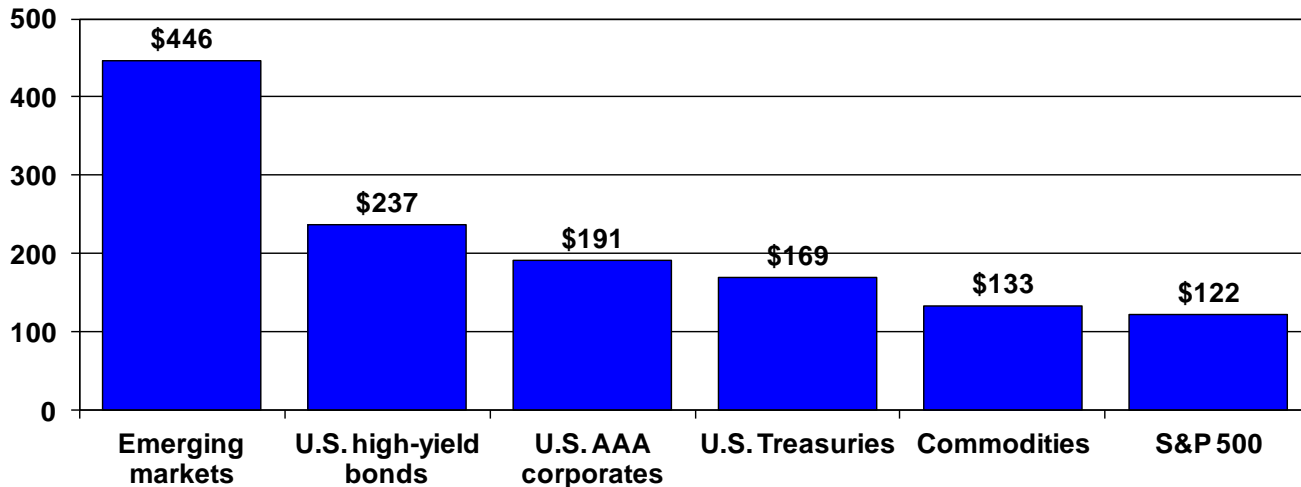
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Source: Bloomberg.

Investment returns for selected asset classes

As of March 2011, a \$100 investment made in December 2000 gives you:



Sources: Bloomberg, Milken Institute.

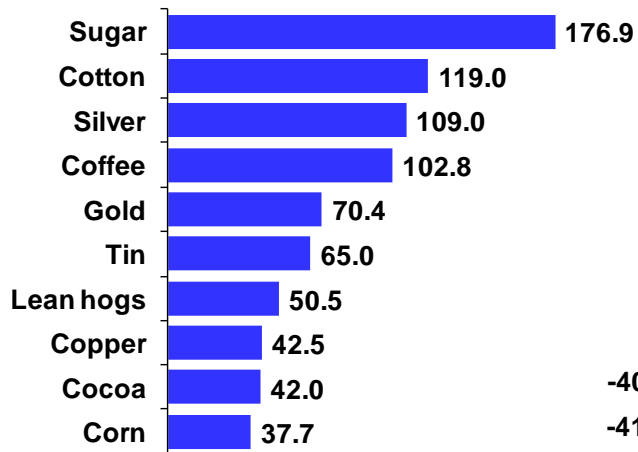
Returns on commodities

December 2007–December 2010

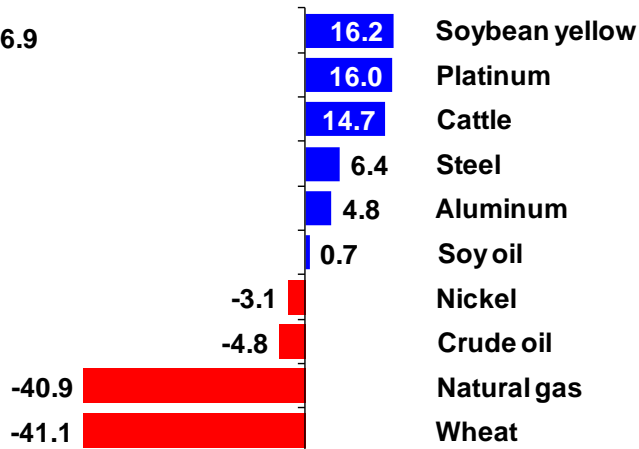


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Best-performing commodities



Worst-performing commodities



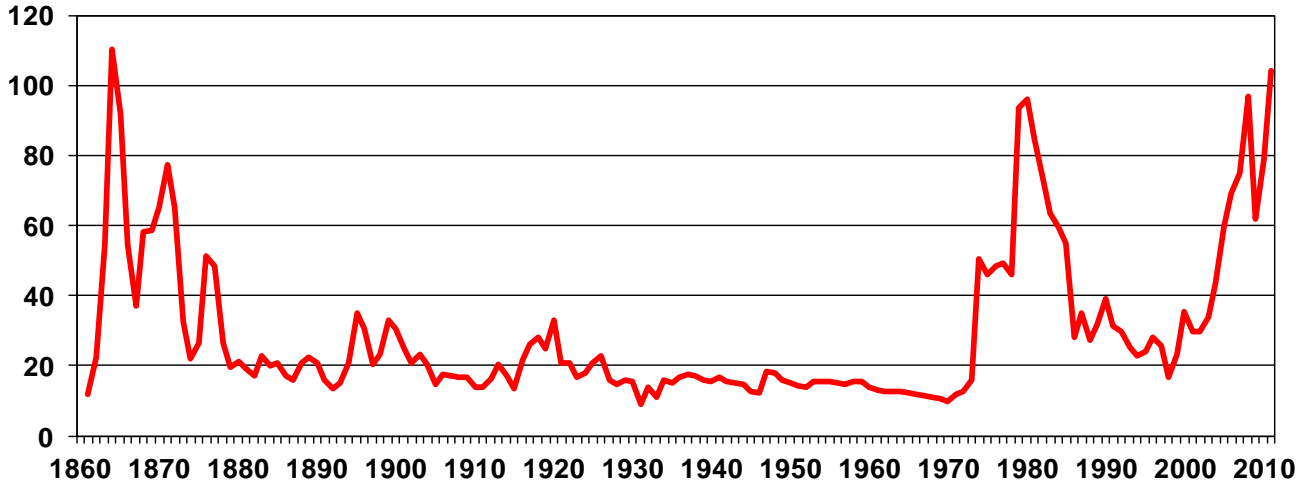
Oil prices in real terms nearly at historic high



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1861 to Q1 2011

Average crude oil price in 2009 dollars, US\$ per barrel

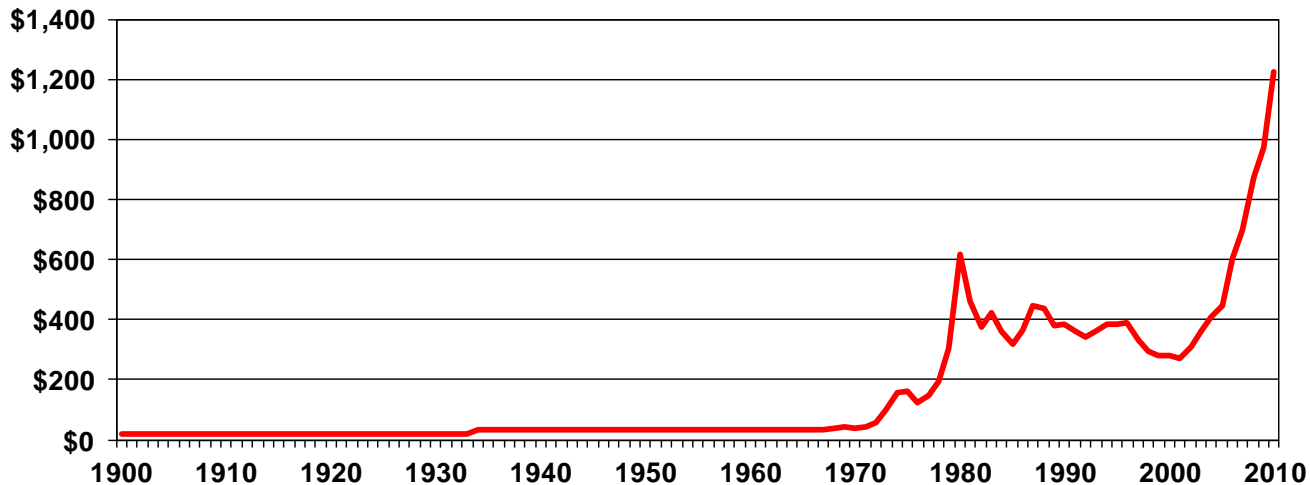


Sources: BP Amoco, Bloomberg, Bureau of Labor Statistics, Milken Institute.

Note: 1861-1944 U.S. average. 1945-1983 Arabian Light posted at Ras Tanura. 1984 onward Brent dated. 1861-2009 figures calculated by BP. 2010 and 2011 figures calculated by MI staff using data from Bloomberg and Bureau of Labor Statistics.

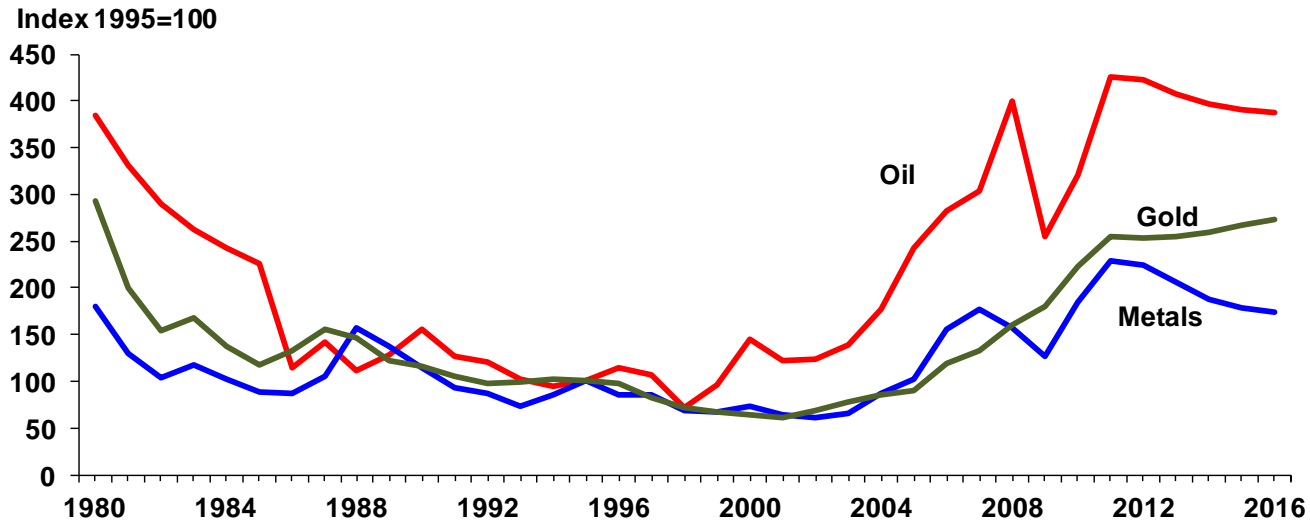
Recent run-up in gold price

Gold price, US\$ per ounce



Source: World Gold Council.

Real commodities prices



Outlook for commodity prices

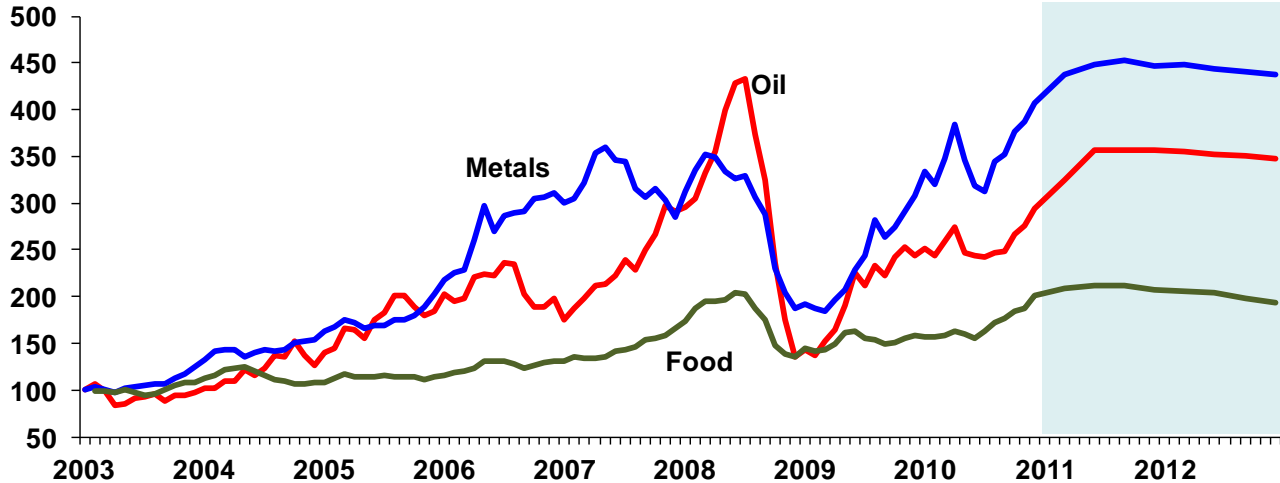
Monthly, 2003–2012



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Commodity prices, Jan. 2003 = 100

Forecast



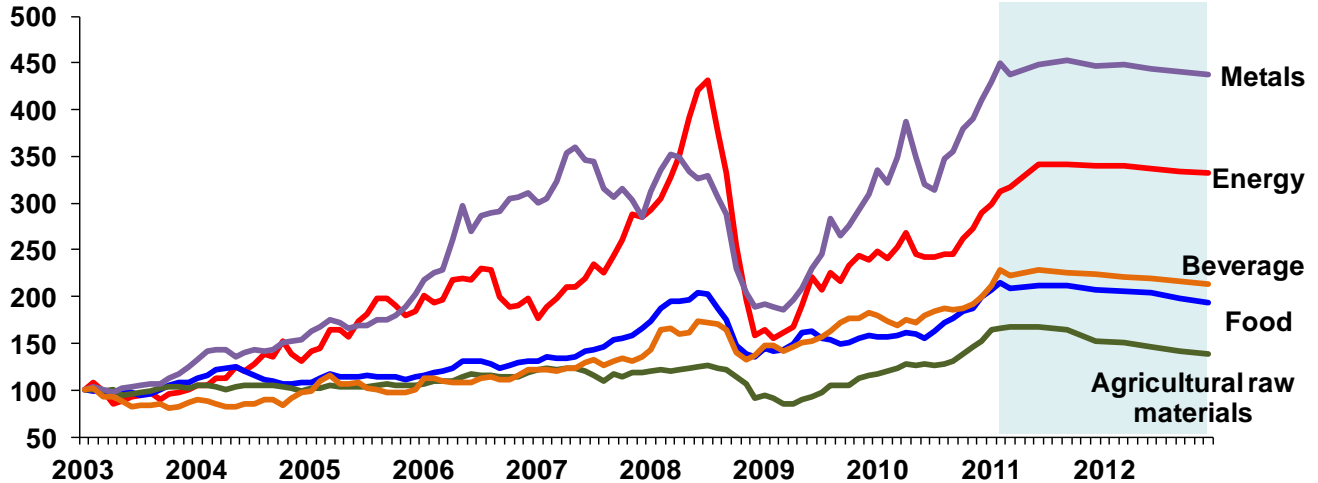
Outlook for commodity prices

Monthly, 2003–2012



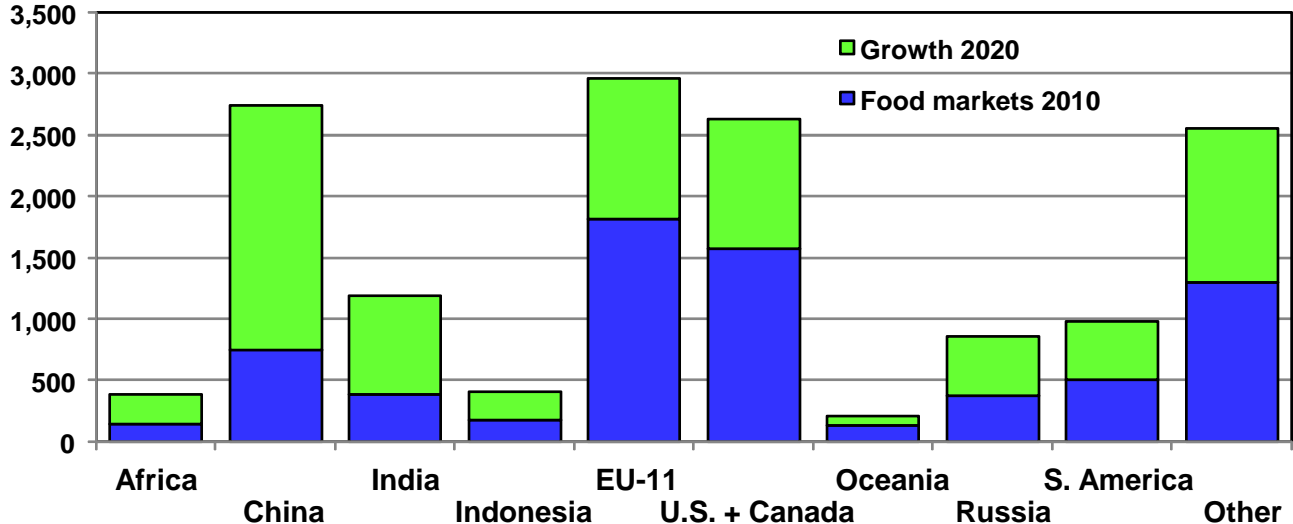
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Commodity prices, Jan. 2003 = 100



The effect of economic growth and population growth: Food markets to grow by 109% in ten years

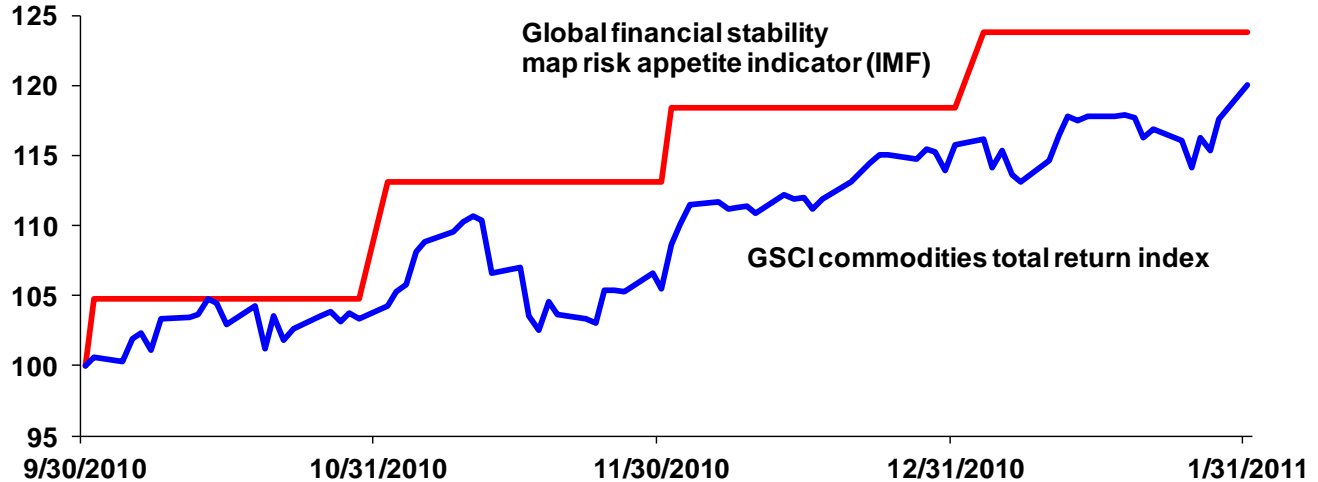
Size of food market, US\$ billions



Commodities prices pushed up by boosted risk appetite



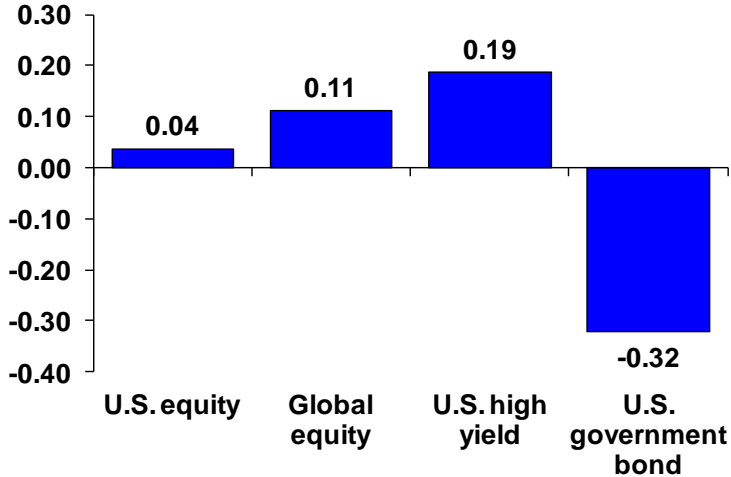
Index, 09/30/2010=100



Commodities: low correlation with other asset classes



Return correlation with commodities (Q1 1986-Q1 2011)



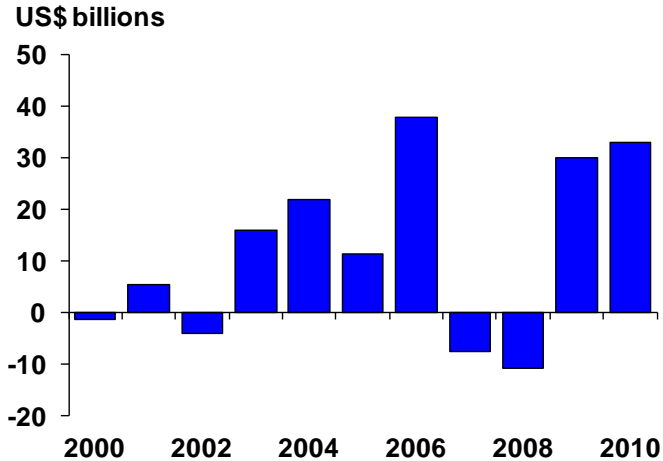
Sources: Bloomberg, Milken Institute.

Note: Measured quarterly from Q1 1986 to Q1 2011.

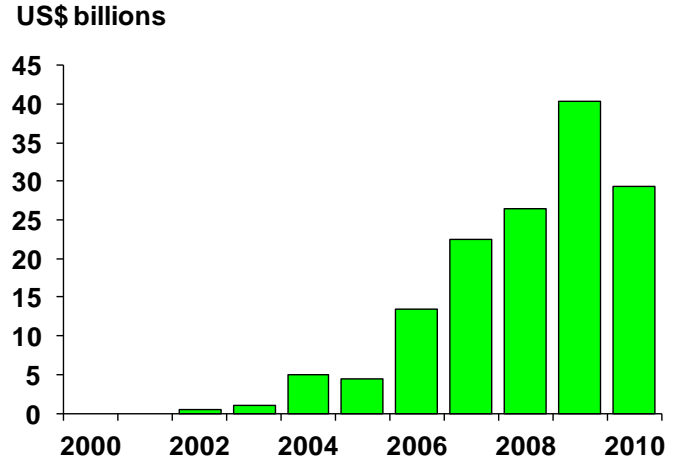


Net financial flows into commodities

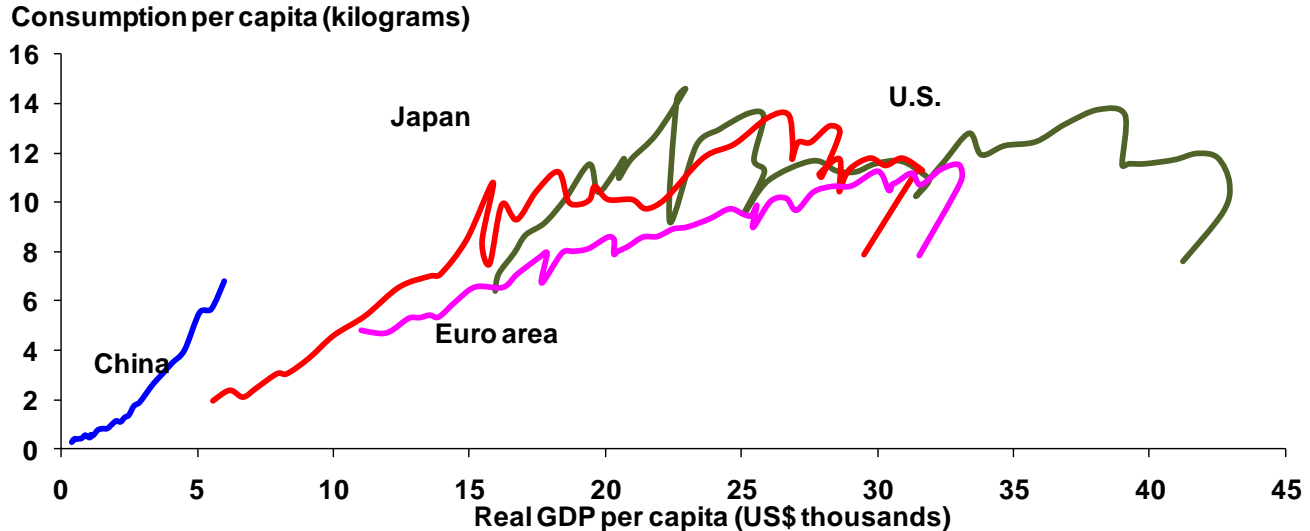
Index swaps



ETFs and medium-term notes



Aggregate metal consumption: China's path mirrors the exponential growth in its manufacturing sector

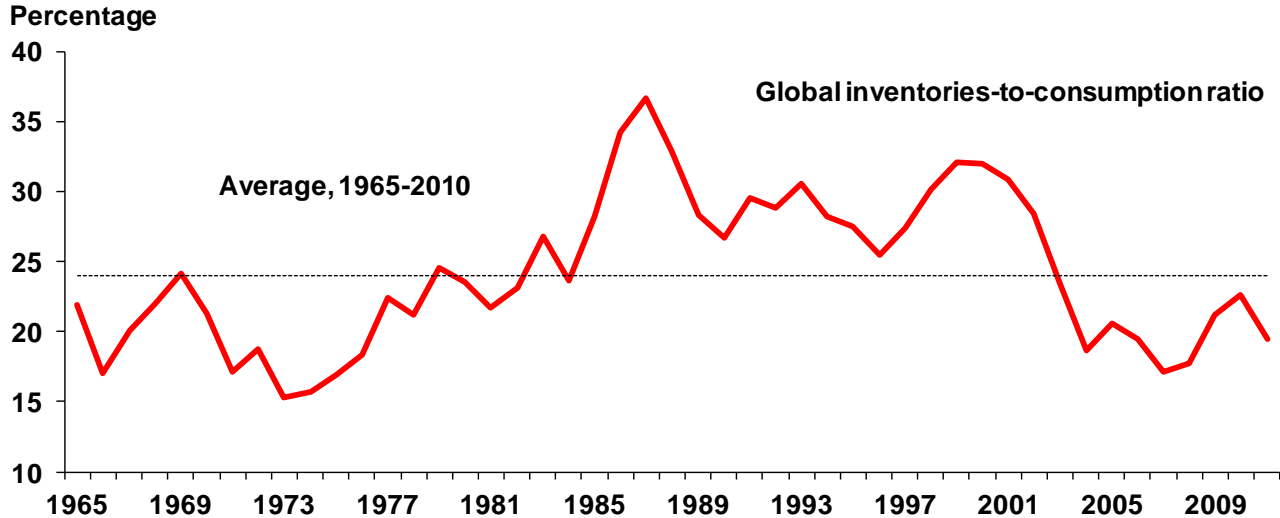


Global grain inventories remain low

1965–2011 (est.)



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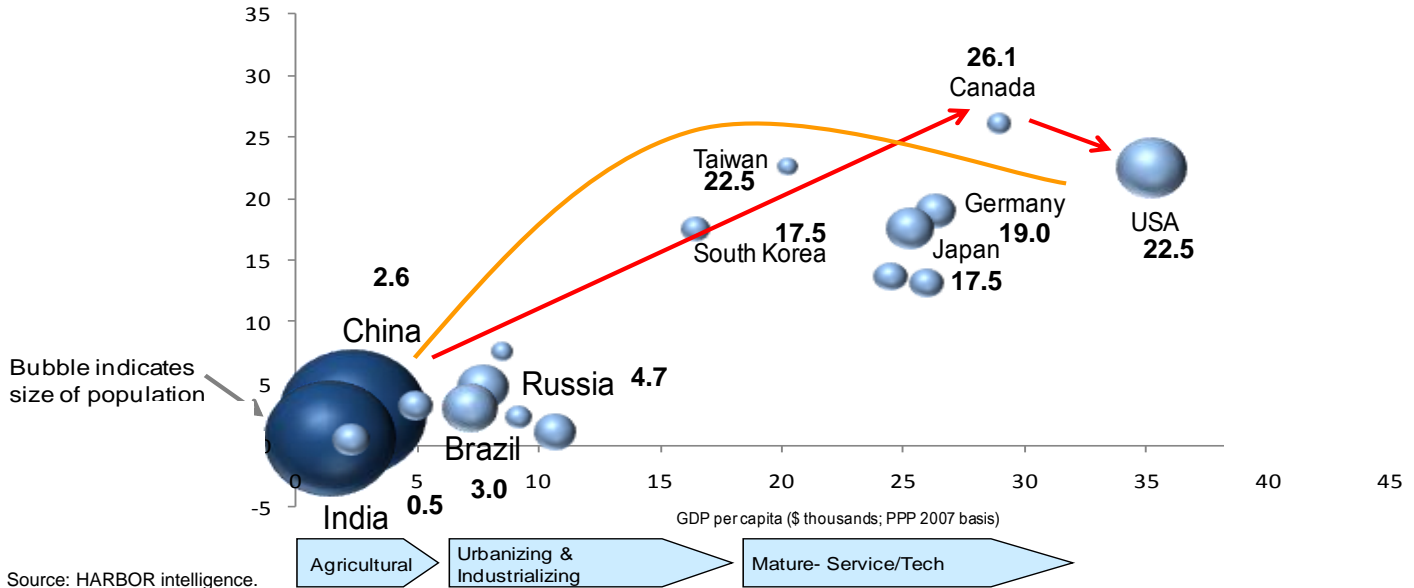




Kip Smith slides

Back in year 2000, China consumed 2.6 kg/capita of aluminum...

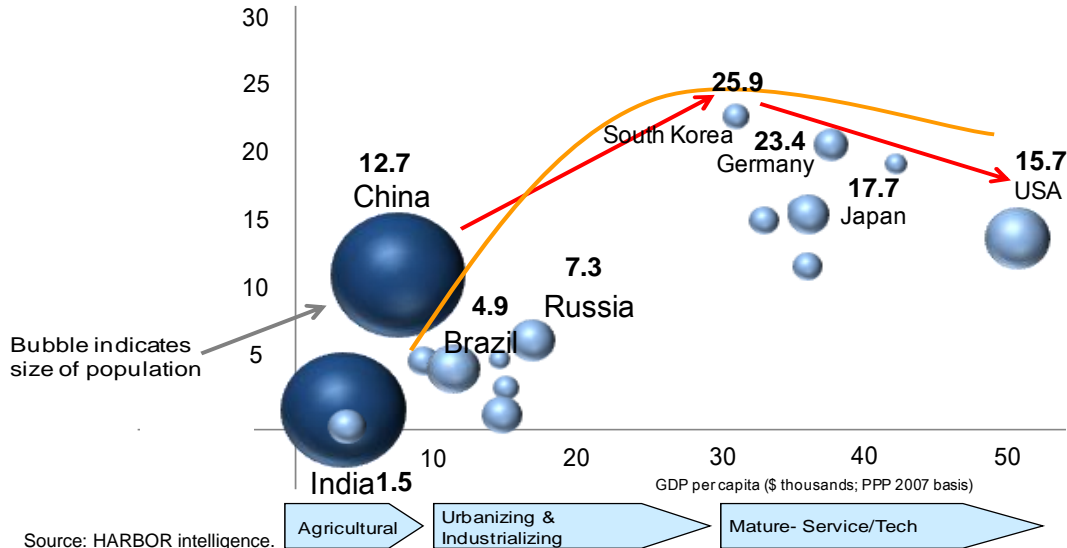
Primary aluminum demand per capita in 2000
(Kg per capita vs GDP per capita)



...which tripled by 2010 along with India (followed by other emerging markets)



Primary aluminum demand per capita, 2010
(Kg per capita vs GDP per capita)



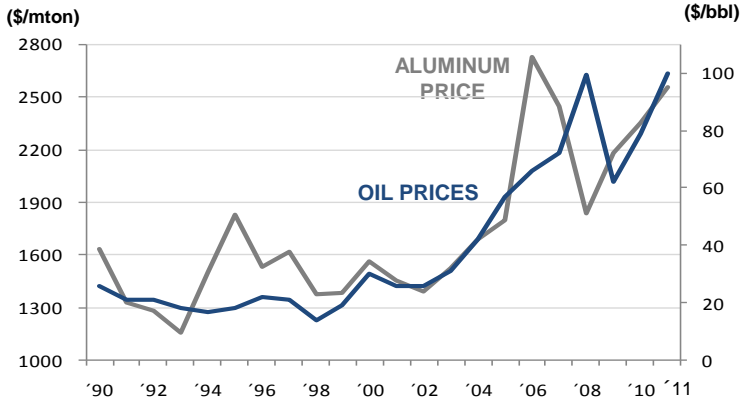
Higher electricity prices have impacted aluminum prices via costs



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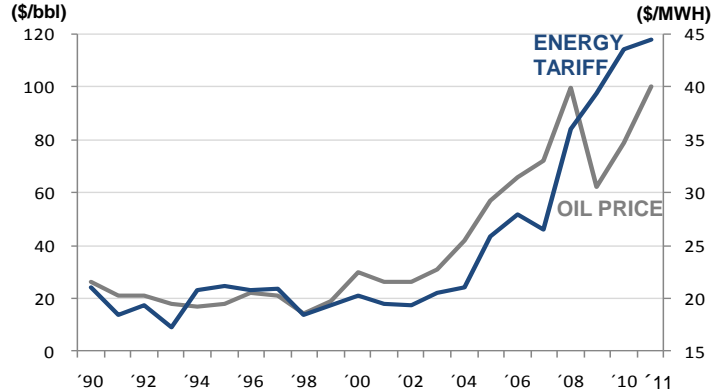
* There is a 90% historical correlation between oil and aluminum costs as higher energy prices impacts electricity costs in the industry.

LME Cash aluminum prices vs. WTI oil prices



Source: HARBOR intelligence.

Avg energy tariff in aluminum industry vs. WTI oil prices



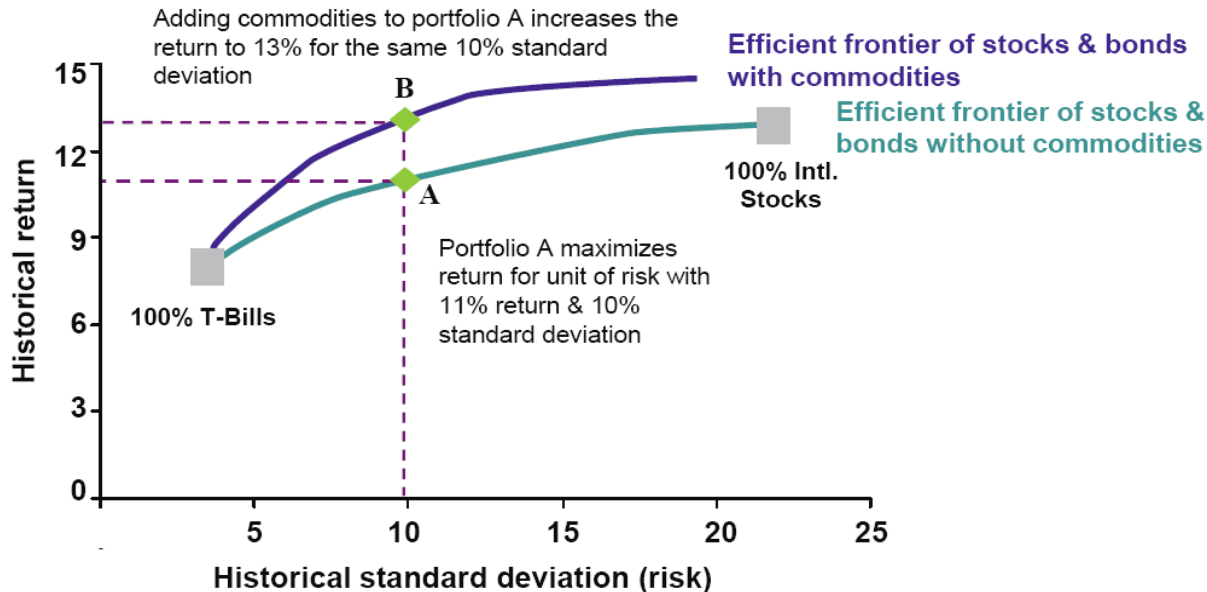


Joshua Harris slides

Adding commodities to a portfolio improves risk/return



Historical efficient frontier with and without commodities



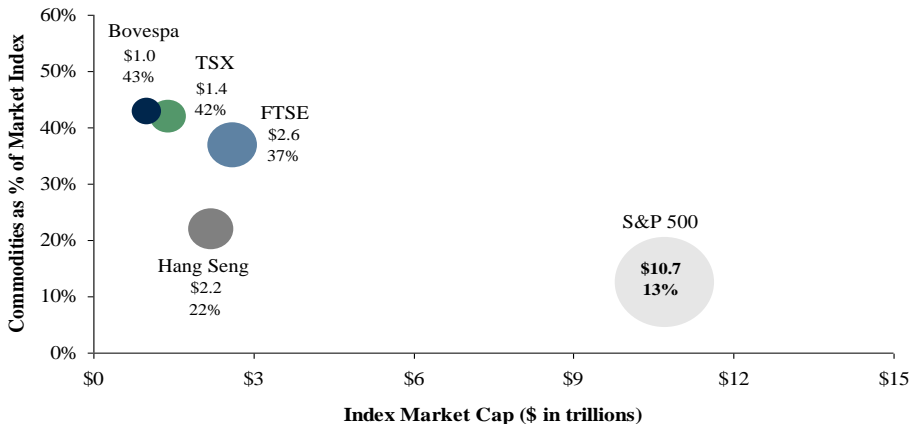
Investing in commodities: Public equities



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- Seeking exposure to commodities through public equities provides investors with a liquid investment option, but also has drawbacks with respect to optimizing operations

Commodities Represent Significant Percentage of Global Public Markets



Considerations of Public Equities

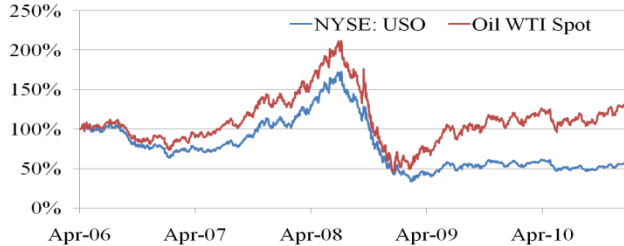
- Dominated by some of the largest companies in the world
- Volatile exposure
- Relatively unhedged commodity price risk
- Focus on higher ROI projects; undermanage smaller, non-core assets
- Benefit from going concerns, operational enhancements
- Ability for current income via dividends
- Liquid investment

Investing in commodities: ETFs

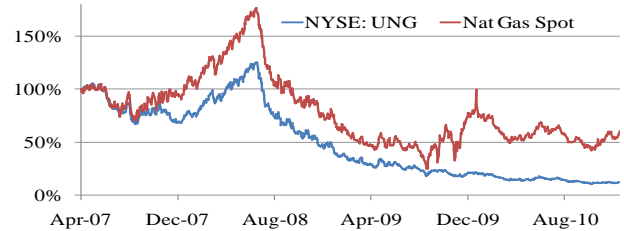


- Commodity ETFs have underperformed spot commodity prices due to the inefficiencies of owning futures contracts versus the physical commodity

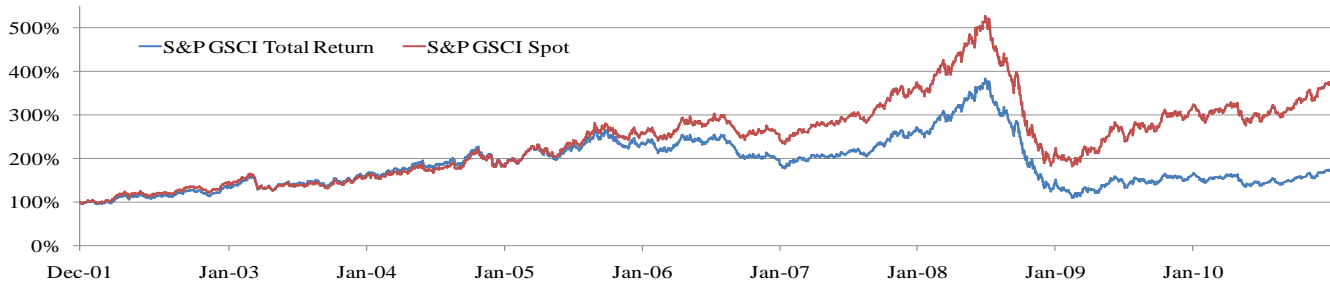
Oil – WTI/USO



Natural Gas – NYMEX/NGO



Commodities



Source: Bloomberg, USU and UNG from inception.

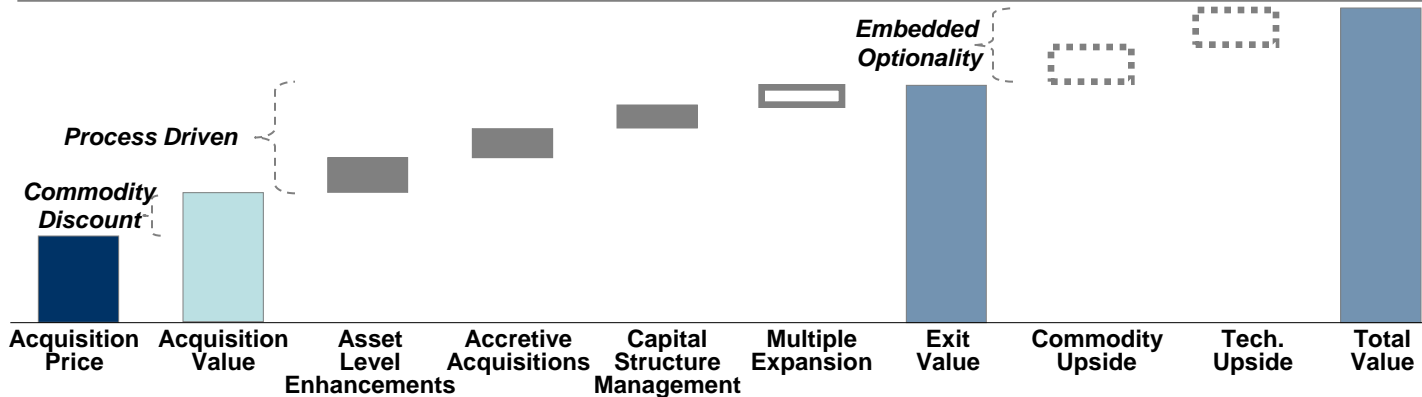
Investing in commodities: Private equity



- Ability to Actively Create Value

Process and control	Customized structuring	Embedded optionality
<ul style="list-style-type: none"> • <i>In-depth knowledge of assets</i> • <i>Implement strategic initiatives and operational enhancements</i> 	<ul style="list-style-type: none"> • <i>Hedging mitigates downside risk, supports leverage</i> • <i>Proactive capital structure enhancements</i> 	<ul style="list-style-type: none"> • <i>Upside potential from rising commodity prices</i> • <i>New technologies unlock resources and reduce costs</i>

Illustrative example: Private equity investment process in commodities



Investing in commodities: Private equity

- Ability to ***Buy Right***

Private asset purchases

- ***Direct ownership of physical assets at discount to the prices in the financial markets***
- ***Requires operating capabilities***

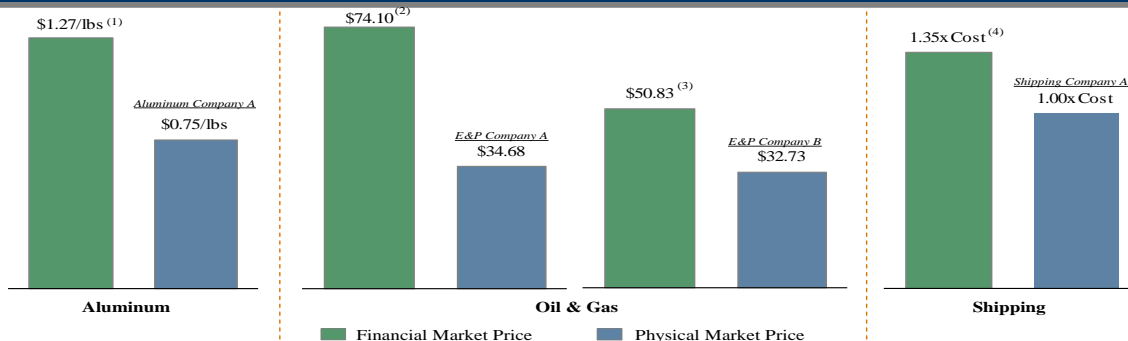
Distressed environments

- ***Commodities are cyclical and volatile by nature***
- ***Recurring periods of distress***

Nimble and opportunistic

- ***Major companies continue to dispose non-core, under-managed assets***
- ***Complex transactions hide potential value***

Public Financial Market Value vs. Private Market Value



Note: Investment examples selected on non-performance criteria and represent instances in which Apollo was able to acquire physical natural resources assets at a discount to where those assets traded in the financials market.

(1) May 2007 spot price, which was the month Apollo bought Aluminum Company A. (2) Weighted-average oil/gas 12-month forward price as of December 6, 2010, which was the date E&P Company A signed its definitive agreement to purchase first acquisition. Weighted average based on oil/gas composition of acquisition portfolio. (3) Weighted-average oil/gas 12-month forward price as of September 2009, which was the month Apollo bought E&P Company B. Weighted average based on E&P Company B. (4) Represents the average ratio of market capitalization to net asset value ("Price / NAV") for a comparable set of publicly traded companies across the tanker, dry bulk and container segments of the shipping industry, both currently and at the time of Apollo's establishment of Shipping Company A in Q2 2010.



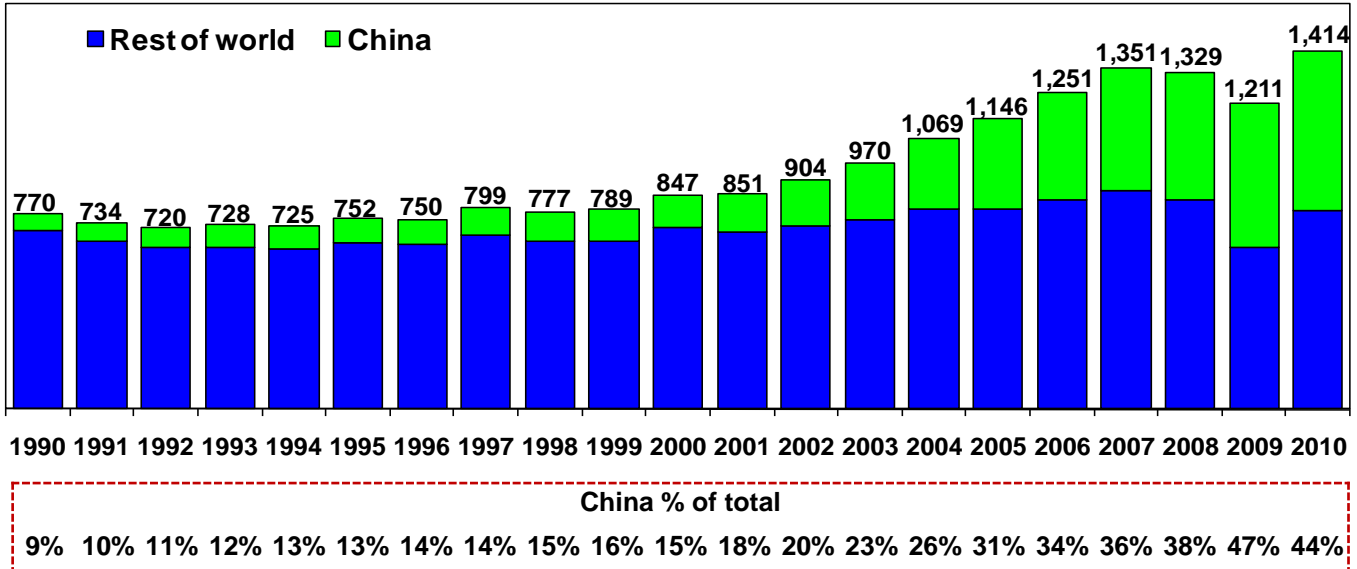
Lourenco Goncalves slides

Global crude steel production

MM tonnes



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Vale iron ore price history

\$ per metric tonne

