

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, 2010 and 2009*

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.....	20
Forward-Looking Statements.....	22
Business Description	23
Overview and Outlook	25
Portfolio and Investment Activity	27
Results of Operations	36
Liquidity and Capital Resources	39
Risk Factors.....	50
Critical Accounting Policies	55
Recent Accounting and Reporting Developments	58
Financial Statements of AP Alternative Assets, L.P.	F-1
Financial Statements of AAA Investments, L.P.	F-34

CERTAIN INFORMATION

STATEMENT OF RESPONSIBILITY

The portions of this financial report that relate to AP Alternative Assets, L.P. (“AP Alternative Assets”), 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 AAA Investments, L.P., 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 AAA Investments, L.P. 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 the Partnerships 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

DIRECTORS AND ADVISORS

The board of directors of AAA Guernsey Limited currently consists of Leon Black, Henry Silverman, Marc Rowan, Beno Suchodolski, Louise Blouin, Paul Guilbert and Rupert Dorey. The address of each of 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 Henry Silverman. The address of each of 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 each of AP Alternative Assets, L.P. ("AP Alternative Assets" or "AAA") and AAA Investments, L.P. The address of Northern Trust International Fund Administration Services (Guernsey) Limited is Trafalgar Court, Les Banques, St. Peter Port, Guernsey, Channel Islands, GY1 3QL.

Deloitte LLP has been retained to serve as the independent auditors of each of AP Alternative Assets and AAA Investments, L.P. The address of Deloitte LLP in Guernsey is Regency Court, Glatigny Esplanade, St. Peter Port, Guernsey, Channel Islands, GY1 3HW.

Apollo Alternative Assets, L.P. provides investment management, operational and financial services to AP Alternative Assets and AAA Investments, L.P. under a services agreement. The address of Apollo Alternative Assets, L.P. is Walker House, P.O. Box 908GT, Mary Street, George Town, Grand Cayman, Cayman Islands.

The website address for AP Alternative Assets, L.P. is 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") and invests in private equity and capital markets investment opportunities 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 asset manager with over 20 years of experience investing across the capital structure of leveraged companies.

We invest substantially all of our capital in Apollo-sponsored entities, funds and private equity transactions. As of December 31, 2010, our portfolio consisted of: (1) private equity co-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 (either held directly or through its ownership in certain other entities); (2) investments in Apollo Strategic Value Offshore Fund, Ltd. ("Apollo Strategic Value Fund"), an Apollo-sponsored fund focused on value-driven, distressed and special opportunity investments; (3) investments in Apollo Asia Opportunity Offshore Fund, Ltd., ("Apollo Asia Opportunity Fund"), an Apollo-sponsored fund focused on debt and equity investment opportunities in the public and private markets in Asia; (4) investments in AP Investment Europe Limited ("Apollo Investment Europe"), an Apollo-sponsored European performing debt and mezzanine investment fund; (5) investments in Apollo European Principal Finance Fund, L.P. ("Apollo European Principal Finance Fund"), an Apollo-sponsored vehicle focused on opportunities in the non-performing loans sector in Europe; (6) investments in Apollo Credit Senior Loan Fund, L.P. ("Apollo Credit Senior Loan Fund"), an Apollo-sponsored vehicle focused on senior secured floating rate loans; (7) other opportunistic investments comprised of an investment in Apollo Life Re Ltd., an Apollo sponsored vehicle that owns the majority of the equity of Athene Holding Ltd., the parent of Athene Life Re Ltd. ("Athene"), a Bermuda based reinsurance company focusing on the life reinsurance sector and Athene Life Insurance Company, a recently-organized Indiana-domiciled stock life insurance company focused on the institutional GIC-backed note and funding agreement markets; and (8) temporary investments.

The net asset value of AP Alternative Assets as of December 31, 2010, was approximately \$1,636.7 million.

ABOUT AP ALTERNATIVE ASSETS

COMPETITIVE STRENGTHS

We believe our competitive strengths include:

- the strong long-term track record of Apollo in targeted investment classes
- our diversified exposure to the investment strategies managed by Apollo
- 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

Beginning in July 2007, the financial markets encountered a series of adverse events starting with the sub-prime fall-out which led to a global liquidity and broader economic crisis which resulted in a negative impact on the Investment Partnership's investments. Although the global capital markets have experienced significant improvement from historically low levels, the current environment continues to be characterized by uncertainty and volatility as investors seek further indications regarding the sustainability of the recent market recovery. We do not currently know the full extent to which this ongoing economic uncertainty and volatility will affect us or the markets in which we operate. If the economic outlook worsens, we and the funds we invest in may experience further tightening of liquidity, and reduced earnings and cash flows. Such market conditions could also have an impact on our ability to liquidate positions in a timely and efficient manner and maintain adequate reserves required under our credit facility. As a result, despite recent improvements in the global capital markets, the sources of liquidity described herein under "Liquidity and Capital Resources" may not only be more difficult but also impossible to obtain in the current market environment.

ABOUT APOLLO

Founded in 1990, Apollo is a leading global alternative asset manager with a track record of successful private equity and credit-oriented capital markets investing. Apollo is led by its managing partners Leon Black, Joshua Harris and Marc Rowan. At December 31, 2010, Apollo had a team of 485 employees. Apollo has offices in New York, Los Angeles, 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 quickly adapt 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

ABOUT AP ALTERNATIVE ASSETS

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 through 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 20-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 oriented capital markets operations commenced in 1990 as a complement to its private equity investment activity. Apollo currently manages a number of credit oriented capital markets funds, including mezzanine funds, senior credit funds, distressed and hedge funds, and a non-performing loan fund. We may invest in, or alongside of, these capital markets vehicles which take advantage of the same disciplined, value-oriented investment philosophy employed with respect to Apollo's private equity investment activities. Our current capital markets fund investments include: Apollo Strategic Value Fund, Apollo Asia Opportunity Fund, Apollo Investment Europe, Apollo European Principal Finance Fund and Apollo Credit Senior Loan Fund.

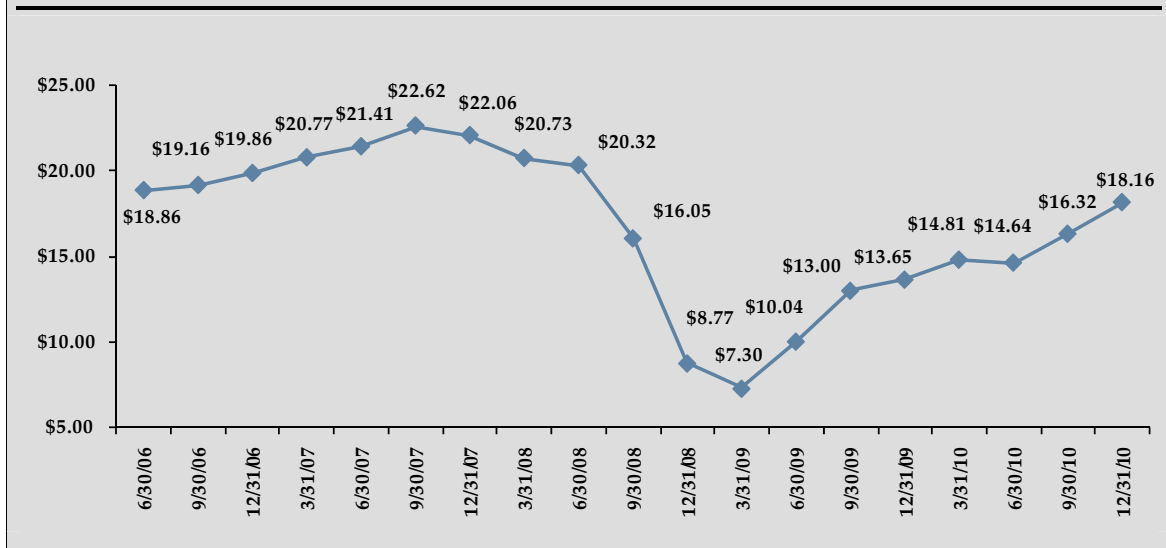
Apollo's investment professionals frequently collaborate and share information across disciplines including market insight, management, banking and consultant contacts as well as potential investment opportunities, which Apollo believes enables it to more successfully invest across a company's capital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

OVERVIEW OF INVESTMENT RESULTS

As of December 31, 2010, the net asset value of AP Alternative Assets was approximately \$1,636.7 million, or \$18.16 per common unit. This reflects a net increase in net assets after contributions and other capital transactions, including share repurchases, of approximately \$312.2 million, or \$4.51 per common unit during the year ended December 31, 2010. This reflects a net increase in net assets after contributions and other capital transactions, including share repurchases, of approximately \$165.3 million, or \$1.84 per common unit during the quarter ended December 31, 2010.

ABOUT AP ALTERNATIVE ASSETS

FIGURE 1: NET ASSET VALUE PER UNIT



OVERVIEW OF INVESTMENT PORTFOLIO

The following portfolio allocation includes the fair value of the Investment Partnership's investment portfolio as of December 31, 2010, but excludes temporary investments. The sector and geographic allocations reflect investments made as of December 31, 2010 and include the Investment Partnership's proportional share of exposure in the respective Apollo capital markets funds.

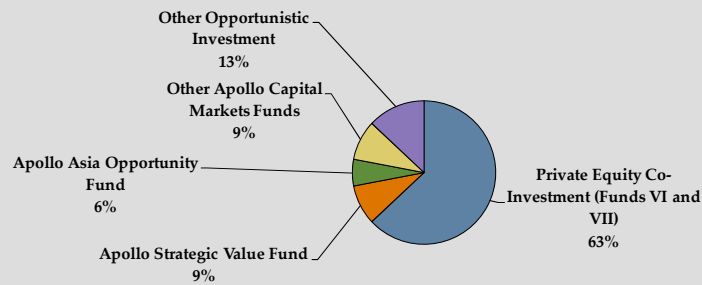
ABOUT AP ALTERNATIVE ASSETS

FIGURE 2: PORTFOLIO ALLOCATION

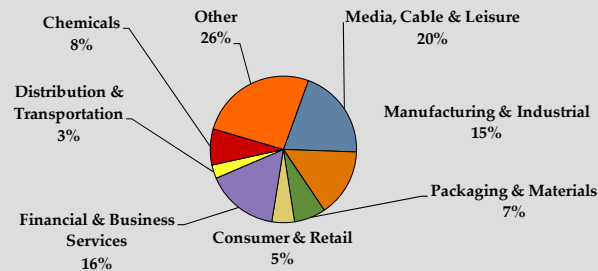
(Figures in thousands)

Private Equity Co-Investment (Funds VI and VII)	\$	1,156,112
Apollo Strategic Value Fund		160,262
Apollo Asia Opportunity Fund		110,029
Other Apollo Capital Markets Funds		162,996
Other Opportunistic Investment (Apollo Life Re Ltd.)		249,900
Total	\$	1,839,299

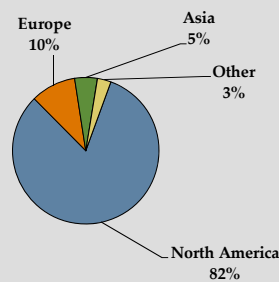
Portfolio Allocation



Sector Allocation



Geographic Allocation



ABOUT AP ALTERNATIVE ASSETS

PRIVATE EQUITY CO-INVESTMENT

The Investment Partnership has entered into co-investment agreements with both Apollo Investment Fund VI and Apollo Investment Fund VII, which are private equity funds sponsored by Apollo.

Due to the unprecedented market volatility and tightening of the credit markets, particularly during the fourth quarter of 2008 and the first quarter of 2009, the Investment Partnership took certain steps in an effort to ensure that it continues to maintain appropriate cash reserves should the markets deteriorate further. As part of this process, beginning in the fourth quarter of 2008 and continuing into the third quarter of 2009, the Investment Partnership exercised the right to opt out of new co-investments alongside Apollo Investment Fund VI and Apollo Investment Fund VII and their parallel investment vehicles, as permitted by its co-investment agreements. The Investment Partnership's opt-out decisions are each made on a case-by-case basis taking into consideration reserves and liquidity at the time of the potential co-investment transaction. Beginning in the third quarter of 2009, the Investment Partnership resumed making co-investments alongside the private equity funds, however, in the fourth quarter of 2009, the co-investment agreements with Apollo Investment Fund VI and Apollo Investment Fund VII were amended as described below.

Apollo Investment Fund VI has \$10.1 billion of committed capital. Under a co-investment agreement with Apollo Investment Fund VI, the Investment Partnership initially agreed to co-invest with the fund in each of its investments in an amount equal to 12.5% of the total amount invested by Apollo Investment Fund VI, subject to certain exceptions pursuant to which the Investment Partnership may be excluded from, or may opt out of, an investment. On December 16, 2009, the co-investment agreement with Apollo Investment Fund VI was amended to provide that no new investments will be made by the Investment Partnership. In addition, the only follow-on investments that will be made are those which are expected to protect the Investment Partnership's interest in its existing portfolio companies, subject to certain exceptions pursuant to which the Investment Partnership may be excluded from, or may opt out of, an investment. Such investments will be made by the Investment Partnership and Apollo Investment Fund VI in the same proportions as the relevant portfolio company is owned by each of them at that time. These proportions reflect the fact that the Investment Partnership's original percentage holding may have been diluted due to its prior exercise of opt-out rights. As of December 31, 2010, the Investment Partnership had invested or committed to invest approximately \$1.4 billion alongside Apollo Investment Fund VI.

Apollo Investment Fund VII has \$14.7 billion of committed capital. Under the co-investment agreement effective December 31, 2007 with Apollo Investment Fund VII, the Investment Partnership has a variable co-investment commitment ranging from 0% to 12.5% of investments committed to by Apollo Investment Fund VII during each calendar year, subject to certain exceptions pursuant to which the Investment Partnership may be excluded from, or may opt out of, an investment. The co-investment percentage is set at the beginning of each calendar year by the Board of Directors of AP Alternative Assets' managing general partner. Effective December

ABOUT AP ALTERNATIVE ASSETS

16, 2009, the co-investment agreement with Apollo Investment Fund VII was amended such that any follow-on investments which are expected to protect the Investment Partnership's interest in an existing portfolio company are made by the Investment Partnership and Apollo Investment fund VII in the same proportions as the relevant portfolio company is owned by each of them at that time. These proportions reflect the fact that the Investment Partnership's original percentage holding may have been diluted due to its prior exercise of opt-out rights and the annual variation in co-investment percentage. Where a follow-on investment is made with Apollo Investment Fund VII for reasons other than to protect the Investment Partnership's interest in an existing portfolio company, it will be made at the co-investment percentage that has been set by the Board of Directors of the Managing General Partner of AP Alternative Assets for the relevant year (or, if lower, at the percentage necessary to ensure the Investment Partnership and Apollo Investment Fund VII continue to hold the relevant portfolio company in the same proportions as it is owned by each of them at that time). Under the agreement, the Investment Partnership committed to co-invest an amount equal to 0%, 0%, 0% and 5% of new investments committed to by Apollo Investment Fund VII during the 2011, 2010, 2009 and 2008 calendar years, respectively. As of December 31, 2010, the Investment Partnership had invested or committed to invest approximately \$0.1 billion alongside Apollo Investment Fund VII.

As of December 31, 2010, the Investment Partnership had co-investments in 16 companies and six debt investment vehicles.

FIGURE 3: PRIVATE EQUITY CO-INVESTMENTS WITH FAIR VALUE IN EXCESS OF 5% OF NET ASSET VALUE AT DECEMBER 31, 2010

<i>(in thousands)</i>	Cost	Fair Value
Debt Investment Vehicles ^{1, 2}	\$ 295,904	\$ 269,891
Caesars Entertainment Corp. ³	176,729	99,000
AP Charter Holdings L.P.	44,519	89,471
Rexnord Corporation	37,461	133,700
Momentive Performance Materials Holdings Inc. ⁴	76,007	137,992
All others	468,491	426,058
Total	\$ 1,099,111	\$ 1,156,112

¹ Includes investments in Apollo Fund VI BC, L.P., Apollo ALS Holdings, L.P., Autumnleaf, L.P., Lily, L.P., Leverage Source, L.P. and RCIV Holdings, L.P.

² The Investment Partnership owns equity, as a private equity co-investment, and debt, through its investments in Autumnleaf, L.P. and Apollo Fund VI BC, L.P. in CEVA Logistics. The Investment Partnership's combined share of these debt and equity investments is greater than 5% of the Investment Partnership's net asset value and is valued at \$124.6 million at December 31, 2010.

³ In addition to the Investment Partnership's private equity co-investment in Caesars Entertainment Inc. noted above, the Investment Partnership has an ownership interest in Leverage Source, L.P. which owns debt of Caesars Entertainment Inc. The Investment Partnership's combined share of these debt and equity investments is greater than 5% of the Investment Partnership's net asset value and is valued at \$102.8 million at December 31, 2010.

⁴ In addition to the Investment Partnership's private equity co-investment in Momentive Performance Materials Holdings Inc. ("Momentive") noted above, the Investment Partnership has an ownership interest in the debt of Momentive. The Investment Partnership's combined share of these debt and equity investments is greater than 5% of the Investment Partnership's net asset value and is valued at \$138.8 million at December 31, 2010.

ABOUT AP ALTERNATIVE ASSETS

The Investment Partnership records its investments in private equity co-investments at fair value. At December 31, 2010, the fair market value of our private equity co-investments was \$1,156.1 million, which reflects a change in net unrealized appreciation of \$164.3 million and \$264.8 million for the three months and year ended December 31, 2010. The change in net unrealized appreciation for the three months ended December 31, 2010 is attributable to an increase in the fair value of certain of our portfolio companies, particularly those in the manufacturing and industrial, packaging and materials and distribution and transportation sectors, as well as certain of our debt investment vehicles. The change in net unrealized appreciation for the year ended December 31, 2010 is attributable to an increase in the fair value of certain of our portfolio companies, particularly those in the chemicals, packaging and materials and manufacturing and industrial sectors, as well as certain of our debt investment vehicles. The net increase in fair value of our private equity co-investments is primarily the result of improvements in the global capital markets.

FIGURE 4: PRIVATE EQUITY CO-INVESTMENTS AND COMMITMENTS

INVESTMENTS AS OF DECEMBER 31, 2010		
Company	Industry	Description
	Packaging & materials	Berry is one of the world's leading manufacturer and marketers of plastic packaging products, plastic film products, specialty adhesives and coated products. Berry's portfolio of products include containers, drink cups, bottles, closures, trash bags, plastic sheeting and tapes, among others. Berry sells its products to over 13,000 customers in a variety of attractive and stable end markets. Berry operates 83 strategically located manufacturing facilities globally.
	Distribution & transportation	Formerly TNT Group's logistics division became the fourth largest global logistics service provider in the world, measured by revenues, following its acquisition of EGL, Inc., a leading global transportation, supply chain management and freight forwarding business. The company designs, implements, and operates complex supply chains for medium to large companies on a national, regional and global level.
	Media, cable & leisure	Charter Communications, Inc. is a Fortune 500 company and the fourth-largest cable operator in the United States. Charter provides advanced video, high-speed Internet, and telephone services to approximately 5.5 million customers in 27 states.
	Consumer & retail	Claire's Stores, Inc. is one of the world's leading specialty retailers of fashionable accessories and jewelry at affordable prices for young women, teens, tweens and girls through its two store concepts: Claire's and Icing. While the latter operates only in North America, Claire's operates worldwide. As of July 31, 2010, Claire's operated 2,954 stores in North America and Europe. Claire's also operates 408 stores in the Middle East, Turkey, Russia, South Africa, Poland, Greece, Malta, Guatemala and Japan through franchising and licensing arrangements.
	Financial & business services	The leading provider of residential real estate agency and property services in the United Kingdom, operating through five divisions: estate agency, lettings, financial services, surveying and valuation, and conveyancing. The company's network of around 900 branches in approximately 700 towns makes Countrywide the largest real estate agent in the UK, operating under a number of well-known local brands including Bairstow Eves and John D Wood & Co.

ABOUT AP ALTERNATIVE ASSETS

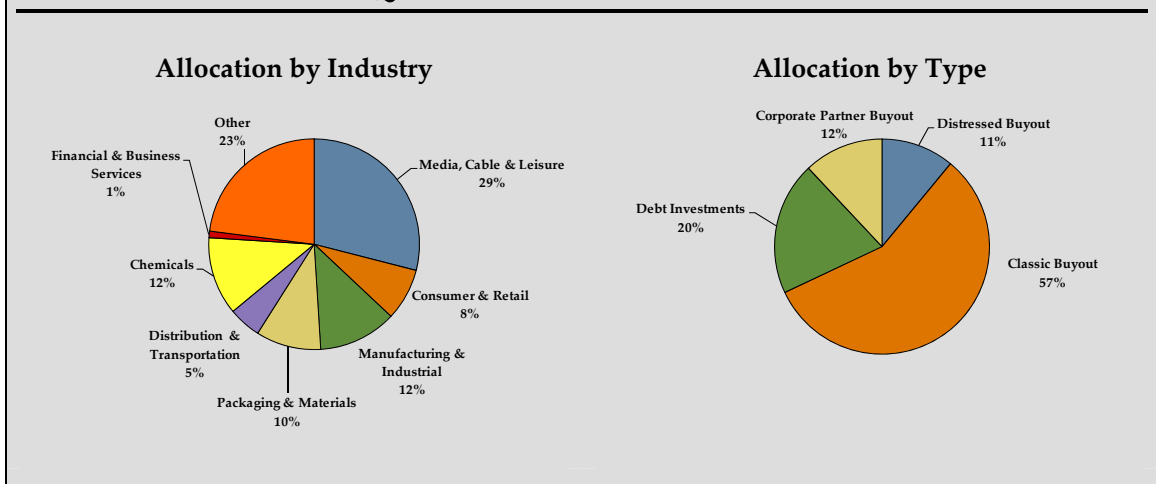
INVESTMENTS AS OF DECEMBER 31, 2010		
Company	Industry	Description
Debt Investment Vehicles	Other	Invests in debt and other securities, including equity securities obtained as a result of distressed for control opportunities, of a number of companies to take advantage of volatility in the credit markets. Included in Debt Investments Vehicles are investments in Apollo Fund VI BC, L.P., Apollo ALS Holdings, L.P., Autumnleaf, L.P., Leverage Source, L.P., Lily, L.P. and RCIV Holdings, L.P.
	Media, cable & leisure	Caesars Entertainment (previously Harrah's Entertainment Inc) is one of the premier gaming and lodging companies in the world. The company owns, operates or manages 52 casinos and one non-casino racetrack in 13 U.S. states and seven countries. Caesars operates the industry's largest and most widely recognized customer recognition and loyalty program, called Total Rewards®, which has approximately 40 million members worldwide. The company also owns and operates the World Series of Poker tournament and brand.
	Manufacturing & industrial	A leading global producer of premium branded home water comfort and therapy products. Jacuzzi's products include whirlpool baths, spas, luxury shower systems, stainless steel and composite sinks and other bathroom products that are primarily sold under the Jacuzzi, Sundance Spas and Astracast brands. The company has leading market positions in the United States, United Kingdom, continental Europe and South America.
	Chemicals	Momentive Performance Materials is one of the world's largest producers of silicones and silicone derivatives and a global leader in the development and manufacture of products derived from quartz and specialty ceramics. Silicones are a multi-functional family of materials used in thousands of products and serve as a critical ingredient in many construction, transportation, healthcare, personal care, electronic, consumer and agricultural uses. The Quartz division manufactures quartz, specialty ceramics and crystal products for use in a number of high-technology industries, which typically require products made to precise specifications. On October 1, 2010, the parent companies of Momentive Performance Materials Inc. and Hexion Specialty Chemicals Inc. completed a combination and became subsidiaries of a new holding company, Momentive Performance Materials Holdings LLC.
	Media, cable & leisure	A leading contemporary cruise line operating 11 ships on itineraries including the Caribbean, Alaska, Europe, Hawaii, South America, Bermuda and Mexico. NCL offers a unique Freestyle Cruising product, with a fleet of purpose-built ships that differentiates the company from its peers.
	Packaging & materials	A leading vertically integrated producer of value-added primary aluminum products as well as high quality rolled aluminum coils. Noranda is comprised of two businesses: upstream business, which accounts for approximately 15% of total U.S. primary aluminum production and rolling mills, which collectively make Noranda one of the largest aluminum foil producers in North America.
	Media, cable & leisure	A leading upscale cruise company operating through its two distinctive brands, Oceania Cruises and Regent Seven Seas Cruises. Oceania focuses on the destination-oriented, upper premium cruise market with its four mid-sized vessels offering itineraries in the Mediterranean, Far East, South America, Caribbean, Australia and New Zealand. Regent is a leading ultra-luxury cruise line with three ships totaling 1,890 berths. Regent has been rated the "World's Best Luxury Cruise Line" for five consecutive years by <i>Travel Weekly</i> and was named "Top Overall Mid-Size Cruise Line" by <i>Zagat</i> in 2009.
	Financial & business services	Leading provider of residential real estate and relocation services in the world. Through its portfolio of leading brands (Coldwell Banker, Century 21, Sotheby's, ERA, Corcoran, Better Homes & Gardens and Coldwell Banker Commercial), Realtylog has the number one market position, more than twice as large as its nearest competitor. Realtylog participates in approximately one in every four domestic home sales made through a broker.
	Manufacturing & industrial	A leading diversified, multi-platform industrial company primarily focused on the power transmission and water management sectors. With the acquisition of Jacuzzi's water management business ("Zurn") in February 2007, Rexnord became a leader in the multi-billion dollar non-residential construction and replacement market for plumbing fixtures and fittings.
	Consumer & retail	A leading operator of non-membership based warehouse stores and wholesale cash and carry stores offering household and business customers high-quality food products and related foodservice supplies, including professional quality culinary equipment. Smart & Final operates 277 stores in California and the Pacific Northwest including 182 stores operated under the "Smart & Final" banner, 52 cash and carry stores operated under the "Smart Foodservice Cash & Carry" banner and 43 stores operated under the "Henry's Farmers Market" banner. Henry's is a specialty food retailer focused on providing quality, value-oriented produce and natural living products to its customers.
	Other	SkyLink is a global leader in the rapid deployment of international humanitarian aid, including food, medicine and equipment, during major disasters and in difficult areas not typically serviced by traditional logistics providers. SkyLink specializes in project management, air charters, aviation support, aircraft maintenance, air courier, executive air charters as well as flight planning and clearance services. The Company has played a critical role in providing relief and services to people and areas in need including Africa, the Middle East, South America, Eastern Europe and the Caribbean.

ABOUT AP ALTERNATIVE ASSETS

INVESTMENTS AS OF DECEMBER 31, 2010

Company	Industry	Description
	Packaging & materials	A leading North American supplier of coated papers to catalog and magazine publishers. Coated paper is used primarily in media and marketing applications, including catalogs, magazines and commercial printing applications. Verso has a leading North American market share in coated groundwood paper, which is primarily used for catalogs and magazines and is a low cost producer of coated freesheet paper, which is used in commercial print applications.

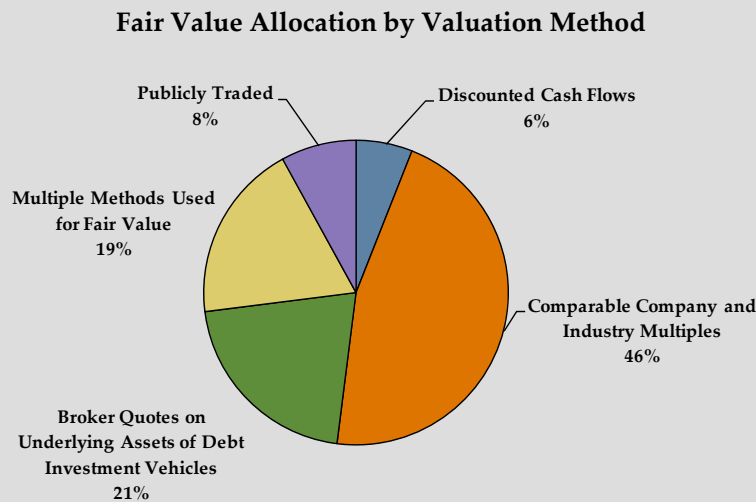
FIGURE 5: PRIVATE EQUITY CO-INVESTMENT PORTFOLIO



Note: Information is as of December 31, 2010.

ABOUT AP ALTERNATIVE ASSETS

FIGURE 6: PRIVATE EQUITY CO-INVESTMENT VALUATION METHOD



Note: Information is as of December 31, 2010.

At December 31, 2010, the Investment Partnership's investments in the Debt Investment Vehicles represented 23.3% of its total private equity co-investment portfolio. These investments include credits in Apollo Investment Fund VI portfolio companies, distressed credits, equity securities which were obtained as a result of distressed for control opportunities and other credit investments. Distressed credits reflect credits purchased through open market transactions with a view toward distressed for control opportunities. Other credit investments are primarily comprised of privately negotiated credit purchases.

INVESTMENT IN APOLLO CAPITAL MARKETS FUNDS

As of December 31, 2010, the Investment Partnership had investments in five of Apollo's capital markets funds: Apollo Strategic Value Fund, Apollo Asia Opportunity Fund, Apollo Investment Europe, Apollo European Principal Finance Fund and Apollo Credit Senior Loan Fund. The investments in Apollo Investment Europe, Apollo European Principal Finance Fund and Apollo Credit Senior Loan Fund are classified as Other Apollo Capital Markets Funds as they individually represent less than 5% of the net asset value of the Investment Partnership.

ABOUT AP ALTERNATIVE ASSETS

INVESTMENT IN APOLLO STRATEGIC VALUE FUND

The 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. This flexible investment strategy is intended to enable the Apollo Strategic Value Fund to capture investment opportunities as they arise across the capital structure of a company through the purchase or sale of senior secured bank debt, second lien debt, high yield debt, trade claims, credit derivatives, preferred stock and equity. The Apollo Strategic Value Fund primarily focuses on companies before, during and after a distressed cycle and other undervalued securities with near-term catalysts for value. Once an investment opportunity is identified, the investment team seeks to invest at a favorable point within the capital structure to optimize the fund's risk/return profile. As of December 31, 2010, our investment in the Apollo Strategic Value Fund had a fair value of \$160.3 million.

The remainder of the Investment Partnership's investment in the Apollo Strategic Value Fund is in liquidating shares issued by the Apollo Strategic Value Fund. The liquidating shares were initially allocated a pro rata portion of each 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.

As of December 31, 2010, the Apollo Strategic Value Fund had investments spread across a wide spectrum of industries, and the Investment Partnership's share of the largest investment of Apollo Strategic Value Fund was less than 5% of our net asset value. For the three months ended December 31, 2010, the liquidating shares of Apollo Strategic Value Fund generated a 6.9% gross return and a 5.3% net return. For the year ended December 31, 2010, the liquidating shares of Apollo Strategic Value Fund generated a 10.7% gross return and a 6.7% net return. Performance for the liquidating shares of the Apollo Strategic Value Fund was net positive during the fourth quarter of 2010 driven by holdings in the energy, transportation, and media and communication sectors. Performance for the liquidating shares of the Apollo Strategic Value Fund was net positive during the year ended December 31, 2010, which reflected improved company fundamentals and the realization of the fund's investment thesis in several holdings. On a sector level, the primary contributors to return were holdings in the auto, industrial and transportation sectors.

INVESTMENT IN APOLLO ASIA OPPORTUNITY FUND

Apollo Asia Opportunity Fund is an investment vehicle that seeks to generate attractive risk-adjusted returns across market cycles by capitalizing on investment opportunities created by the increasing demand for capital in the rapidly expanding Asian markets. The fund primarily invests 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

ABOUT AP ALTERNATIVE ASSETS

distressed financings. Apollo Asia Opportunity Fund focuses on two core strategies, event driven investments and strategic opportunity investments. The fund's flexible investment strategy as a provider of capital is intended to enable it to take advantage of opportunities in the Asian capital markets. We believe that the fund's investment team has the ability to source unique deal flow through their local relationships with entrepreneurs, management teams and regional financial institutions. We believe this local expertise is complemented by Apollo's global reach across its core industry verticals.

As of December 31, 2010, our total investment in Apollo Asia Opportunity Fund had a fair value of \$110.0 million. During 2009, the Investment Partnership requested redemptions of portions of its outstanding shares of the Apollo Asia Opportunity Fund with values of \$140.0 million, which were converted into liquidating shares issued by the Apollo Asia Opportunity Fund. The liquidating shares were initially allocated a pro rata portion of each of the Apollo Asia Opportunity 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 or reserves set by the Apollo Asia Opportunity Fund. During the three months and year ended December 31, 2010, the Investment Partnership received proceeds from redemptions of \$2.9 and \$61.8 million respectively from Apollo Asia Opportunity Fund. At December 31, 2010, the liquidating shares, which are included within the total investment of Apollo Asia Opportunity Fund, had a fair value of \$45.0 million.

As of December 31, 2010, the Investment Partnership's share of the largest investment in Apollo Asia Opportunity Fund was less than 5% of its net asset value. For the three months ended December 31, 2010, the Investment Partnership's investment in the Apollo Asia Opportunity Fund generated a 6.5% gross return and a 5.4% net return. For the year ended December 31, 2010, the Investment Partnership's investment in the Apollo Asia Opportunity Fund generated a 16.5% gross return and a 12.5% net return. During the quarter, the Apollo Asia Opportunity Fund's biggest performance contributors were holdings in the metals and mining, real estate and alternative energy sectors. Holdings in China, Indonesia, and India added the most value during the quarter. For the year to date ending December 31, 2010, the Apollo Asia Opportunity Fund's performance was driven by real estate, financials, metals and mining, and alternative energy investments. Positive performance during the year was partially offset by losses on certain hedges. On a country level, the primary contributors to returns were holdings in China, India, Malaysia and Singapore.

ABOUT AP ALTERNATIVE ASSETS

INVESTMENT IN OTHER APOLLO CAPITAL MARKETS FUNDS

Investments in Other Apollo Capital Markets Funds is comprised of investments in Apollo Investment Europe, Apollo European Principal Finance Fund and Apollo Credit Senior Loan Fund.

Apollo Investment Europe has investments in mezzanine, debt and equity investments of both public and private, companies primarily located in Europe. Apollo Investment Europe is a Euro denominated fund so the Investment Partnership is subject to foreign exchange risk on its investment. As of December 31, 2010, our investment in the equity of Apollo Investment Europe had a fair value of \$79.3 million. As of December 31, 2010, Apollo Investment Europe's investments were allocated across a spectrum of industries, and the Investment Partnership's share of the largest investment of Apollo Investment Europe was less than 5% of our net asset value. For the three months ended December 31, 2010, Apollo Investment Europe generated a 6.9% gross return and a 6.0% net return. For the year ended December 31, 2010, Apollo Investment Europe generated a 36.8% gross return and a 32.4% net return.

As a result of the severe global credit market dislocation which occurred during 2008 and early 2009, combined with Apollo Investment Europe's unhedged strategy and leverage employed by the fund, Apollo Investment Europe encountered significant liquidity issues which resulted in forced asset sales at depressed valuations. Consequently, Apollo Investment Europe's investment performance was adversely impacted, and on July 10, 2009, the company's shareholders approved a monetization plan, the primary objective of which is to maximize shareholder recovery value by (i) opportunistically selling Apollo Investment Europe's assets over a three-year period beginning in July 2009 to July 2012 (subject to a one-year extension with the consent of a majority of Apollo Investment Europe's shareholders) and (ii) reducing the overall costs of the fund. Subject to compliance with the applicable law and maintaining adequate liquidity, available cash received from the sale of assets will be returned to shareholders on a quarterly basis once all leverage in the fund is repaid. Substantially all of Apollo Investment Europe's leverage was repaid during 2009. The plan also included a waiver by the manager of Apollo Investment Europe of all accrued but unpaid management and incentive fees through June 30, 2009. During the three months and year ended December 31, 2010, Apollo Investment Europe distributed \$15.1 million and \$78.1 million, respectively, to the Investment Partnership.

The Apollo European Principal Finance Fund invests primarily in European non-performing loans, or NPLs. Apollo European Principal Finance Fund seeks to capitalize on the inefficiencies of financial institutions in managing and restructuring their non-performing loans in several European countries. Apollo European Principal Finance Fund is a Euro denominated fund, so the Investment Partnership is subject to foreign exchange risk on its investment.

In connection with liquidity management initiatives, during 2010, the Investment Partnership capitalized upon an opportunity to sell 65.8% of its long-term interest in Apollo European Principal Finance Fund to parties that are not affiliated with Apollo. These sales reduced the Investment Partnership's total commitment to €77.0 million, of which €30.8 million

ABOUT AP ALTERNATIVE ASSETS

(approximately \$41.2 million) was undrawn at December 31, 2010. The current interests in Apollo European Principal Finance Fund were sold at a 9% discount to the Euro denominated June 30, 2010 net asset value with a true up for cash flows that occurred subsequent to June 30, 2010. The Investment Partnership received proceeds of €75.4 million (approximately \$105.5 million), from the sales of its interest in Apollo European Principal Finance Fund and reflected a net loss from investments on the sale of approximately \$9.5 million, including the reversal of previously recognized unrealized appreciation of \$11.8 million offset in part by a realized gain of \$2.3 million related to the sale proceeds in excess of original cost. As of December 31, 2010, our investment in Apollo European Principal Finance Fund had a fair value of \$66.6 million.

The Apollo Credit Senior Loan Fund invests primarily in senior secured floating rate loans. The Investment Partnership committed \$25.0 million to the Apollo Credit Senior Loan Fund, of which \$16.7 million was invested through December 31, 2010. The remaining \$8.3 million commitment is expected to be called in the first quarter of 2011. As of December 31, 2010, our investment in Apollo Credit Senior Loan Fund had a fair value of \$17.1 million.

INVESTMENT IN OTHER OPPORTUNISTIC INVESTMENTS

As of December 31, 2010, other opportunistic investments are comprised of an investment in Apollo Life Re Ltd. Through December 31, 2010, the Investment Partnership made investments of \$201.1 million in Apollo Life Re Ltd., including transaction related costs and has commitments to fund an additional \$100.0 million in Apollo Life Re Ltd. In the fourth quarter of 2010, an additional institutional investor invested in Athene Holding Ltd. alongside the Investment Partnership's interest at the same original basis and terms as the Investment Partnership. As of December 31, 2010, our investment in the equity of Apollo Life Re Ltd. had a fair value of \$249.9 million. For the year ended December 31, 2010, the positive results were driven by Athene's continued growth in annuity policies and continued strong performance on investment yield in Athene's asset portfolio. As a reinsurance company, Athene's equity is naturally levered by the future policyholder obligations which allow Athene to purchase substantially more assets than its original equity base.

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, see our Prospectus. The following discussion should also be read in conjunction with our financial statements and related notes and the financial statements and related notes to the financial statements 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 Apollo Management VI, L.P. (manager to Apollo Investment Fund VI, L.P., together with its parallel investment vehicles, herein referred to as "Apollo Investment Fund VI"), Apollo Management VII, L.P. (manager to Apollo Investment Fund VII, L.P., together with its parallel investment vehicles, herein referred to as "Apollo Investment Fund VII"), Apollo Europe Management, L.P., Apollo SVF Management, L.P., Apollo Asia Management, L.P., Apollo EPF Management, L.P., Apollo Credit Management II, L.P. and Apollo Alternative Assets, L.P., each of which is a limited partnership formed to act as manager of a particular Apollo fund (and its co-investment entities), Athene Asset Management, LLC (asset manager formed to provide asset management services to Athene Life Re Ltd., and other third parties) and any other 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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. We also use the term “our investments” to refer to portfolio investments of the investment funds in which the Investment Partnership invests. While there may be other investors in those portfolio company investments, the Investment Partnership, and therefore the Partnership, is generally entitled to share ratably in the returns generated by such investments and suffer substantially all the risk of loss with respect to such investments.

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 introduced 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, 2010 and 2009.

Other than 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements. Forward-looking statements speak only as of the date of the document in which they are made and relate to expectations, beliefs, projections (including anticipated economic performance and financial condition), future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts and are subject to risks and uncertainties including, but not limited to, statements as to:

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

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

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, 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,

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

BUSINESS DESCRIPTION

AP Alternative Assets

The Partnership is a Guernsey limited partnership (managed by Apollo Alternative Assets) whose business consists of making investments in, and co-investments with, Apollo-sponsored private equity funds, capital markets-focused funds or opportunistic investments. The Partnership has one investment comprised of the limited partnership interests in AAA Investments, L.P.

Private equity investments consist mainly of (i) co-investments alongside Apollo's private equity funds, or (ii) purchases of secondary interests in such funds. The Investment Partnership currently has entered into co-investment agreements with Apollo Investment Fund VI and Apollo Investment Fund VII, which are private equity funds sponsored by Apollo. Apollo Investment Fund VI has \$10.1 billion of committed capital and Apollo Investment Fund VII has \$14.7 billion of committed capital. Due to the unprecedented market volatility and tightening of the credit markets, particularly during the fourth quarter of 2008 and the first quarter of 2009, the Investment Partnership took certain steps in an effort to ensure that it continues to maintain appropriate cash reserves should the markets deteriorate further. As part of this process, beginning in the fourth quarter of 2008 and continuing into the third quarter of 2009, the Investment Partnership exercised the right to opt out of new co-investments alongside Apollo Investment Fund VI and Apollo Investment Fund VII and their parallel investment vehicles, as permitted by its co-investment agreements. The Investment Partnership's opt-out decisions are each made on a case-by-case basis taking into consideration reserves and liquidity at the time of the potential co-investment transaction. Beginning in the third quarter of 2009, the Investment Partnership resumed making co-investments alongside the private equity funds, however, in the fourth quarter of 2009, the co-investment agreements with Apollo Investment Fund VI and Apollo Investment Fund VII were amended. The co-investment agreement with Fund VI was amended to provide that no new co-investments will be made (only follow-on investments which are expected to protect AAA Investments' interests in its existing portfolio companies will be made going forward). The co-investment agreement with Fund VII was amended to provide that where a follow-on investment is made with Fund VII for reasons other than to protect AAA Investments' interest in an existing portfolio company, it will be made at the co-investment percentage that has been set by the board of directors of AAA's Managing General Partner for the relevant year (or, if lower, at the percentage necessary to ensure that AAA Investments and Fund VII continue to hold the relevant portfolio company in the same proportions as it is owned by each of them at that time). The board of directors of AAA's Managing General Partner continues

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

to set the Fund VII co-investment percentage for new co-investment as the beginning of each calendar year.

In addition to our private equity investments, capital is deployed through investments in, or co-investment arrangements with, Apollo's capital markets-focused funds, including (i) Apollo Strategic Value Offshore Fund, Ltd. ("Apollo Strategic Value Fund"), an Apollo-sponsored fund that primarily invests in the securities of leveraged companies in North America and Europe through distressed investments, value-driven investments and special opportunities, (ii) Apollo Asia Opportunity Offshore Fund, Ltd. ("Apollo Asia Opportunity Fund"), the Apollo-sponsored vehicle focused on value-driven, mezzanine and special opportunity corporate investments in the Asia Pacific region (iii) AP Investment Europe Limited ("Apollo Investment Europe"), an Apollo-sponsored European mezzanine and leveraged debt investment vehicle, (iv) Apollo European Principal Finance Fund, L.P. ("Apollo European Principal Finance Fund"), an Apollo-sponsored vehicle focused on opportunities in the non-performing loans sector in Europe and (v) Apollo Credit Senior Loan Fund, L.P. ("Apollo Credit Senior Loan Fund"), an Apollo-sponsored vehicle that mainly invests in income generating fixed-income securities. The investments in Apollo Investment Europe, Apollo European Principal Finance Fund and Apollo Credit Senior Loan Fund are classified as Other Apollo Capital Markets Funds as they individually represent less than 5% of the net asset value of the Investment Partnership.

Capital is also deployed through other opportunistic investments, including an investment in Apollo Life Re Ltd., an Apollo sponsored vehicle that owns the majority of the equity of Athene Holding Ltd., the parent of Athene Life Re Ltd. ("Athene"), a Bermuda based reinsurance company focusing on the life reinsurance sector and Athene Life Insurance Company, a recently-organized Indiana-domiciled stock life insurance company focused on the institutional GIC-backed note and funding agreement markets. We may also invest in additional capital markets funds, private equity funds and opportunistic investments identified by Apollo Alternative Assets.

AAA Investments

The Investment Partnership is a Guernsey limited partnership. 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.

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 each of us with certain investment, financial advisory, operational and other services. Under the services agreement, Apollo Alternative Assets is also responsible for each of our day-to-day operations and is subject

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

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 and administrative costs.

In general, the purchases and sales made by the Partnership or 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.

OVERVIEW AND OUTLOOK

As of December 31, 2010 and 2009, the net asset value of AP Alternative Assets was \$1,636.7 million, or \$18.16 per common unit, and \$1,324.5 million, or \$13.65 per common unit, respectively. For the years ended December 31, 2010 and 2009, the net increase in net assets from operations of AP Alternative Assets was \$367.4 million, or \$3.90 per common unit, and \$469.6 million, or \$4.84 per common unit, respectively.

During 2010, AAA offered to purchase for cash up to 4,545,454 common units or restricted depository units, ("RDUs") for a maximum aggregate consideration of up to \$25 million. The units tendered exceeded \$25 million and the board of directors of the Managing General Partner resolved to increase the maximum amount purchased to a level where all units tendered would

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

be accepted. The maximum amount was therefore increased to \$47.4 million, \$47.9 million inclusive of expenses, and AAA bought 6,777,308 units at \$7.00 per unit. Also during the year ended December 31, 2010, AAA purchased 135,167 AAA units at an average price of \$6.25 per unit for total consideration of \$0.8 million pursuant to an on-market buyback program that was approved by the boards of directors of the Managing General Partner and the Managing Investment Partner.

During 2010, the increase in net asset value for AAA continued to be primarily driven by improvements in global capital markets. Through December 31, 2010, the Investment Partnership did not hedge its investments denominated in foreign currency, which resulted in unrealized losses from the foreign currency movements on such investments over the course of the year. Such foreign currency fluctuations are recorded as part of the net change in net unrealized depreciation on such investments in the Investment Partnership's statement of operations. Future changes in exchange rates, if such exposures continue to remain unhedged, may lead to significant fluctuations, both positive and negative, in the value of our foreign denominated investments.

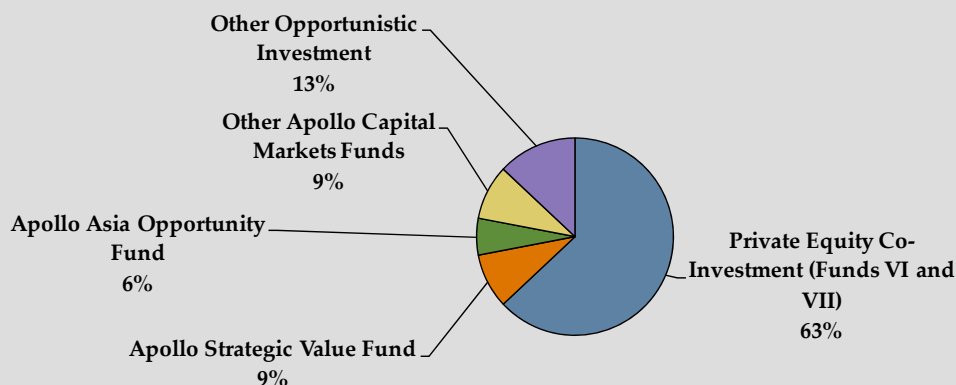
Beginning in July 2007, the financial markets encountered a series of adverse events starting with the sub-prime fall-out which led to a global liquidity and broader economic crisis which resulted in a negative impact on the Investment Partnership's investments. Although the global capital markets have experienced significant improvement from historically low levels, the current environment continues to be characterized by uncertainty and volatility as investors seek further indications regarding the sustainability of the recent market recovery. We do not currently know the full extent to which this ongoing economic uncertainty and volatility will affect us or the markets in which we operate. If the economic outlook worsens, we and the funds we invest in may experience further tightening of liquidity, and reduced earnings and cash flows. Such market conditions could also have an impact on our ability to liquidate positions in a timely and efficient manner and maintain adequate reserves required under our credit facility. As a result, despite recent improvements in the global capital markets, the sources of liquidity described herein under "Liquidity and Capital Resources" may not only be more difficult but also impossible to obtain in the current market environment.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

PORTFOLIO AND INVESTMENT ACTIVITY

Capital is currently deployed in investment opportunities that we believe meet or exceed our risk-reward standards. Consistent with the investment criteria outlined for the Partnership, as of December 31, 2010, the Investment Partnership has invested in the following categories of investments: (1) private equity co-investments alongside Apollo Investment Fund VI and Apollo Investment Fund VII; (2) investments in Apollo Strategic Value Fund; (3) investments in Apollo Asia Opportunity Fund; (4) investments in Other Apollo Capital Markets Funds and (5) Other Opportunistic investments.

**FIGURE 7: ALLOCATION OF THE INVESTMENTS PARTNERSHIP'S INVESTMENTS
AS OF DECEMBER 31, 2010**



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The accompanying schedule shows the Investment Partnership's investments representing more than 5% of its net asset value as of December 31, 2010 and 2009.

<i>(dollars in thousands)</i>	Cost	Fair Value	Fair Value as a Percentage of Net Assets
As of December 31, 2010:			
Co-investments in Apollo Investment Fund VI and Apollo Investment Fund VII portfolio companies:			
Caesars Entertainment Corp. ⁽²⁾	\$ 176,729	\$ 99,000	6.0%
AP Charter Holdings L.P.	44,519	89,471	5.4%
Rexnord Corporation	37,461	133,700	8.1%
Leverage Source, L.P.	140,743	115,677	7.0%
Momentive Performance Materials Holdings Inc ⁽³⁾	76,007	137,992	8.4%
All others ⁽¹⁾	623,652	580,272	35.1%
	<u>1,099,111</u>	<u>1,156,112</u>	<u>70.0%</u>
Apollo Strategic Value Offshore Fund, Ltd.	113,772	160,262	9.7%
Apollo Asia Opportunity Offshore Fund, Ltd.	102,530	110,029	6.7%
Other Apollo Capital Markets Funds	339,239	162,996	9.9%
Other Opportunistic Investments – Apollo Life Re Ltd.	201,098	249,900	15.1%
Total Investments	\$ 1,855,750	\$ 1,839,299	111.4%
As of December 31, 2009:			
Co-investments in Apollo Investment Fund VI and Apollo Investment Fund VII portfolio companies:			
Harrah's Entertainment Inc. ⁽²⁾	\$ 165,625	\$ 126,000	9.5%
AP Charter Holdings L.P.	45,107	82,955	6.3%
Rexnord Corporation	37,461	82,700	6.2%
All others ⁽¹⁾	867,438	616,158	46.4%
	<u>1,115,631</u>	<u>907,813</u>	<u>68.4%</u>
Apollo Strategic Value Offshore Fund, Ltd.	144,111	184,575	13.9%
Apollo Asia Opportunity Offshore Fund, Ltd.	164,813	158,597	12.0%
AP Investment Europe Limited	339,488	135,473	10.2%
Apollo European Principal Finance Fund, L.P.	103,081	111,152	8.4%
Other Opportunistic Investments – Apollo Life Re Ltd.	98,002	87,900	6.6%
Total Investments	\$ 1,965,126	\$ 1,585,510	119.5%

- (1) The Investment Partnership owns equity, as a private equity co-investment, and debt, through its investments in Autumnleaf, L.P. and Apollo Fund VI BC, L.P. in CEVA Logistics. The Investment Partnership's combined share of these debt and equity investments is greater than 5% of the Investment Partnership's net asset value and is valued at \$124.6 million and \$97.8 million at December 31, 2010 and 2009, respectively.
- (2) In addition to the Investment Partnership's private equity co-investment in Caesars Entertainment Corporation (formerly Harrah's Entertainment Inc.) noted above, the Investment Partnership has an ownership interest in Leverage Source, L.P. which owns debt of Caesars Entertainment Corporation. The Investment Partnership's combined share of these debt and equity investments is greater than 5% of the Investment Partnership's net asset value and is valued at \$102.8 million and \$129.4 million at December 31, 2010 and 2009, respectively.
- (3) In addition to the Investment Partnership's private equity co-investment in Momentive Performance Materials Holdings Inc. ("Momentive") noted above, the Investment Partnership has an ownership interest in the debt of Momentive. The Investment Partnership's combined share of these debt and equity investments is greater than 5% of the Investment Partnership's net asset value and is valued at \$138.8 million at December 31, 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(1) Private equity co-investments in Apollo Investment Fund VI and Apollo Investment Fund VII portfolio companies:

The Investment Partnership has entered into co-investment agreements which allow it to co-invest alongside Apollo Investment Fund VI and Apollo Investment Fund VII.

Due to the unprecedented market volatility and tightening of the credit markets, particularly during the fourth quarter of 2008 and the first quarter of 2009, the Investment Partnership took certain steps in an effort to ensure that it continues to maintain appropriate cash reserves should the markets deteriorate further. As part of this process, beginning in the fourth quarter of 2008 and continuing into the third quarter of 2009, the Investment Partnership exercised the right to opt out of new co-investments alongside Apollo Investment Fund VI and Apollo Investment Fund VII and their parallel investment vehicles, as permitted by its co-investment agreements. The Investment Partnership's opt-out decisions are each made on a case-by-case basis taking into consideration reserves and liquidity at the time of the potential co-investment transaction. Beginning in the third quarter of 2009, the Investment Partnership resumed making co-investments alongside the private equity funds, however, in the fourth quarter of 2009, the co-investment agreements with Apollo Investment Fund VI and Apollo Investment Fund VII were amended as described below.

Under the co-investment agreement with Apollo Investment Fund VI, the Investment Partnership initially agreed to co-invest with the fund in each of its investments in an amount equal to 12.5% of the total amount invested by Apollo Investment Fund VI, subject to certain exceptions pursuant to which the Investment Partnership may be excluded from, or may opt out of, an investment. On December 16, 2009, the co-investment agreement with Apollo Investment Fund VI was amended to provide that no new investments will be made by the Investment Partnership. In addition, the only follow-on investments that will be made are those which are expected to protect the Investment Partnership's interest in its existing portfolio companies, subject to certain exceptions pursuant to which the Investment Partnership may be excluded from, or may opt out of, an investment. Such investments will be made by the Investment Partnership and Apollo Investment Fund VI in the same proportions as the relevant portfolio company is owned by each of them at that time. These proportions reflect the fact that the Investment Partnership's original percentage holding may have been diluted due to its prior exercise of opt-out rights.

Under the co-investment agreement with Apollo Investment Fund VII, the Investment Partnership has a variable co-investment commitment ranging from 0% to 12.5% of investments committed to by Apollo Investment Fund VII during each calendar year, subject to certain exceptions pursuant to which the Investment Partnership may be excluded from, or may opt out of, an investment. The co-investment percentage is set at the beginning of each calendar year by the Board of Directors of the Managing General Partner. On December 16, 2009, the co-investment agreement with Apollo Investment Fund VII was amended such that any follow-on investments which are expected to protect the Investment Partnership's interest in an existing portfolio company are made by the Investment Partnership and Apollo Investment Fund VII in

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

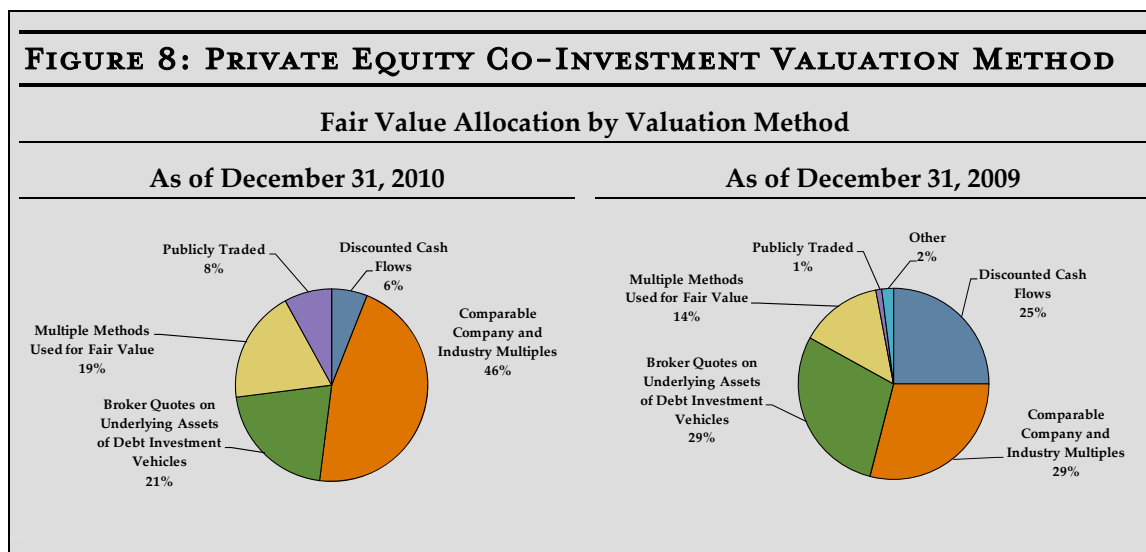
the same proportions as the relevant portfolio company is owned by each of them at that time. These proportions reflect the fact that the Investment Partnership's original percentage holding may have been diluted due to its prior exercise of opt-out rights and the annual variation in co-investment percentage. Where a follow-on investment is made with Apollo Investment Fund VII for reasons other than to protect the Investment Partnership's interest in an existing portfolio company, it will be made at the co-investment percentage that has been set by the Board of Directors of the Managing General Partner for the relevant year (or, if lower, at the percentage necessary to ensure the Investment Partnership and Apollo Investment Fund VII continue to hold the relevant portfolio company in the same proportions as it is owned by each of them at that time). Under the agreement, the Investment Partnership committed to co-invest an amount equal to 0%, 0%, 0% and 5% of new investments committed to by Apollo Investment Fund VII during the 2011, 2010, 2009 and 2008 calendar years, respectively.

At December 31, 2010, the fair value of this overall category of investments \$1,156.1 million, 70.0% of the net asset value of the Investment Partnership, which resulted in net life-to-date unrealized appreciation of \$57.0 million. For the year ended December 31, 2010, the net change in unrealized appreciation was \$264.8 million. The positive change in net unrealized appreciation for the year is attributable to an increase in the fair value of certain of our portfolio companies, particularly those in the chemicals, packaging and materials and manufacturing and industrial sectors, as well as certain of our debt investment vehicles. The net increase in fair value of our private equity co-investments is primarily the result of volatility in the global capital markets. This increase for the year ended December 31, 2010 was also negatively impacted by approximately \$3.9 million of net unrealized depreciation as a result of foreign currency movements on our foreign currency denominated co-investments.

For the year ended December 31, 2010, the Investment Partnership realized gains of \$10.0 million related to its private equity co-investments, primarily \$16.5 million from the sale of the Investment Partnership's interest in Huntsman Corporation notes and \$4.8 million from the sale of investments within the debt investment vehicles, partially offset by \$11.2 million loss from the permanent impairment of capital value of the private equity co-investment in Jacuzzi Brands.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following chart details the fair value methods used to value the private equity co-investment portfolios at December 31, 2010:



At December 31, 2009, the fair value of this overall category of investments approximated \$907.8 million, 68.4% of the net asset value of the Investment Partnership, which resulted in net life-to-date unrealized depreciation of \$(207.8) million. For the year ended December 31, 2009, the net change in unrealized depreciation was \$335.4 million. The positive change in unrealized depreciation during the year is attributable to a change in the fair value of a number of our portfolio companies, particularly those in the packaging and materials and media, cable and leisure sectors, as well as certain of our debt investment vehicles. During the year, the increase in fair value of our private equity co-investments, reflecting unrealized mark-to-market increases, is primarily the result of significant improvements recently in global capital markets and the impact of debt restructuring and cost saving initiatives at certain portfolio companies. This increase for the year ended December 31, 2009 also included approximately \$1.2 million of net unrealized appreciation as a result of foreign currency movements on our foreign currency denominated co-investments. For the year ended December 31, 2009, the Investment Partnership realized losses of \$48.6 million related to its private equity co-investments, primarily from the permanent impairment of \$39.8 million of capital value of the private equity co-investment in Countrywide PLC as determined by the Managing Investment Partner and \$8.8 million from the sale of investments within the debt investment vehicles.

(2) Investment in Apollo Strategic Value Fund:

The remainder of the Investment Partnership's investment in the Apollo Strategic Value Fund, is in liquidating shares issued by the Apollo Strategic Value Fund. The liquidating shares were initially allocated a pro rata portion of each 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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

incurred by the Apollo Strategic Value Fund. During the years ended December 31, 2010 and 2009, the Investment Partnership received proceeds from redemptions of \$35.3 million and \$163.4 million, respectively, from the Apollo Strategic Value Fund.

At December 31, 2010, the fair value of investments in Apollo Strategic Value Fund approximated \$160.3 million, 9.7% of the net asset value of the Investment Partnership, which resulted in a net life-to-date unrealized appreciation of \$46.5 million. For the year ended December 31, 2010, the change in net unrealized appreciation was \$6.0 million, including the impact of a realized gain on redemption of \$4.9 million. Performance for the liquidating shares of the Apollo Strategic Value Fund was net positive during the year ended December 31, 2010, which reflected improved company fundamentals and the realization of the fund's investment thesis in several holdings. On a sector level, the primary contributors to return were holdings in the auto, industrial and transportation sectors.

At December 31, 2009, the fair value of investments in this category approximated \$184.6 million, 13.9% of the net asset value of the Investment Partnership, which resulted in a net life-to-date unrealized appreciation of \$40.5 million. For the year ended December 31, 2009, the change in net unrealized appreciation was \$91.5 million, offset in part by a realized loss on redemption of \$13.8 million. For the year ending December 31, 2009, the Fund's performance was driven by its distressed investments. On a sector level, the primary contributors to returns were holdings in the industrials, media and communication, and building materials and housing sectors.

In addition, the aggregate year-on-year decrease in the change in net unrealized appreciation is driven by the reduction of the Investment Partnership's exposure to Apollo Strategic Value Fund in connection with its liquidity management initiatives.

(3) Investment in Apollo Asia Opportunity Fund:

During 2009, the Investment Partnership requested redemptions of portions of its outstanding shares of the Apollo Asia Opportunity Fund with values of \$140.0 million, which were converted into liquidating shares issued by the Apollo Asia Opportunity Fund. The liquidating shares were initially allocated a pro rata portion of each of the Apollo Asia Opportunity 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 or reserves set by the Apollo Asia Opportunity Fund. During the year ended December 31, 2010, the Investment Partnership received proceeds from redemptions of \$61.8 million from Apollo Asia Opportunity Fund. At December 31, 2010, the remainder of the liquidating shares of Apollo Asia Opportunity Fund had a fair value of \$45.0 million.

At December 31, 2010, the fair value of investments in equity of Apollo Asia Opportunity Fund approximated \$110.0 million, 6.7% of the net asset value of the Investment Partnership, which resulted in a net life-to-date unrealized appreciation of \$7.5 million. For the year ended December 31, 2010, the change in net unrealized appreciation was \$13.7 million, including the impact of realized losses on redemptions of \$0.4 million. For the year ended December 31, 2010, the Apollo

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Asia Opportunity Fund's performance was driven by real estate, financials, metals and mining, and alternative energy investments. Positive performance during the year was partially offset by losses on certain hedges. On a country level, the primary contributors to returns were holdings in China, India, Malaysia and Singapore.

At December 31, 2009, the fair value of investments in Apollo Asia Opportunity Fund approximated \$158.6 million, 12.0% of the net asset value of the Investment Partnership, which resulted in a net life-to-date and year to date unrealized depreciation of \$(6.2) million. For the year ended December 31, 2009, the change in net unrealized depreciation was \$29.7 million, offset in part by realized losses on redemptions of \$3.9 million. For the year ended December 31, 2009, the Apollo Asia Opportunity Fund's performance was driven by real estate, oil and gas and conglomerate investments. Positive performance during 2009 was partially offset by weakness in sovereign bonds and by holdings in the infrastructure and agriculture sectors. On a country level, the primary contributors to returns were holdings in India and China, while holdings in Australia detracted from value.

In addition, the aggregate year-on-year decrease in the change in net unrealized appreciation is driven by the reduction of the Investment Partnership's exposure to Apollo Asia Opportunity Fund in connection with its liquidity management initiatives.

(4) Investment in Other Apollo Capital Markets Funds:

Investments in Other Apollo Capital Markets Funds is comprised of investments in Apollo Investment Europe, Apollo European Principal Finance Fund and Apollo Credit Senior Loan Fund. At December 31, 2010, the fair value of the investments in Other Apollo Capital Markets Funds was \$163.0 million, 9.9% of the net asset value of the Investment Partnership, which resulted in a net life-to-date unrealized depreciation of \$(176.2) million. For the year ended December 31, 2010, the net change in unrealized depreciation of the investments in Other Apollo Capital Markets Funds was \$19.7 million.

As a result of the severe global credit market dislocation which occurred during 2008 and early 2009, combined with Apollo Investment Europe's unhedged strategy and leverage employed by the fund, Apollo Investment Europe encountered significant liquidity issues which resulted in forced asset sales at depressed valuations. Consequently, Apollo Investment Europe's investment performance was adversely impacted, and on July 10, 2009, the company's shareholders approved a monetization plan, the primary objective of which is to maximize shareholder recovery value by (i) opportunistically selling Apollo Investment Europe's assets over a three-year period beginning in July 2009 to July 2012 (subject to a one-year extension with the consent of a majority of Apollo Investment Europe's shareholders) and (ii) reducing the overall costs of the fund. Subject to compliance with the applicable law and maintaining adequate liquidity, available cash received from the sale of assets will be returned to shareholders on a quarterly basis once all leverage in the fund is repaid. Substantially all of Apollo Investment Europe's leverage was repaid during 2009. The plan also included a waiver by the manager of

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Apollo Investment Europe of all accrued but unpaid management and incentive fees through June 30, 2009.

For the year ended December 31, 2010, the net change in unrealized depreciation of the investment in Apollo Investment Europe was \$21.9 million. During the year ended December 31, 2010, the Investment Partnership received distributions of \$78.1 million from Apollo Investment Europe under its shareholder approved monetization plan. Apollo Investment Europe continued to perform well during 2010 due to strong demand for credit and further positive indications of global economic recovery. The performance of individual holdings was driven by both strong technical factors as well as positive fundamental earnings performance. The net change in unrealized depreciation for the year ended December 31, 2010 was also partially impacted by an unrealized loss of approximately \$5.6 million as a result of foreign currency movements on our investment.

At December 31, 2009, the fair value of investments in the equity of Apollo Investment Europe was \$135.5 million, 10.2% of the net asset value of the Investment Partnership, which resulted in a net life-to-date unrealized depreciation of \$(204.0) million. For the year ended December 31, 2009, the net change in unrealized depreciation was \$61.2 million. The fund's positive performance during 2009 reflected a rebound in the global credit markets and increased risk appetite of credit investors. The primary drivers of the positive performance were investments in the packaging and materials, media, cable and leisure and financial and business sectors. The Investment Partnership's share of waived fees is approximately \$14 million, which also increased the fair value of the investment in Apollo Investment Europe during the year ended December 31, 2009. The net change in unrealized depreciation for the year ended December 31, 2009 was also impacted by an unrealized gain of approximately \$3.3 million as a result of foreign currency movements on our investment.

In addition, the aggregate year-on-year decrease in the change in net unrealized depreciation is driven by the reduction of the Investment Partnership's exposure to Apollo Investment Europe as a result of distributions under the monetization plan.

In connection with liquidity management initiatives, during 2010, the Investment Partnership capitalized upon an opportunity to sell 65.8% of its long-term interest in Apollo European Principal Finance Fund to parties that are not affiliated with Apollo. These sales reduced the Investment Partnership's total commitment to €77.0 million, of which €30.8 million (approximately \$41.2 million) was undrawn at December 31, 2010. The current interests in Apollo European Principal Finance Fund were sold at a 9% discount to the Euro denominated June 30, 2010 net asset value with a true up for cash flows that occurred subsequent to June 30, 2010. The Investment Partnership received proceeds of €75.4 million (approximately \$105.5 million), from the sales of its interest in Apollo European Principal Finance Fund and reflected a net loss from investments on the sale of approximately \$9.5 million, including the reversal of previously recognized unrealized appreciation of \$11.8 million offset in part by a realized gain of \$2.3 million related to the sale proceeds in excess of original cost.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the year ended December 31, 2010, the investment in Apollo European Principal Finance Fund had a net change in net unrealized appreciation of \$(2.6) million. The net change in unrealized appreciation for the year ended December 31, 2010 was primarily driven by the reversal of unrealized gains on the sale of a portion of the Investment Partnership's investment in Apollo European Principal Finance Fund and foreign currency movements on the Investment Partnership's euro-denominated investment, offset in part by better than expected loan resolutions primarily in non-performing loan portfolios. For the year ended December 31, 2010, our investment was negatively impacted by approximately \$4.7 million as a result of foreign currency movements.

At December 31, 2009, the fair value of investments in this category approximated \$111.2 million, 8.4% of the net asset value of the Investment Partnership, which resulted in a net life-to-date unrealized appreciation of \$8.1 million. For the year ended December 31, 2009, the investment had a net change in net unrealized appreciation of \$18.1 million. The net change in unrealized appreciation for the year ended December 31, 2009 was primarily driven by unrealized appreciation on a portfolio acquisition from a distressed seller and cash collections on investments. For the year ended December 31, 2009, our investment was positively impacted by approximately \$2.7 million as a result of foreign currency movements.

For the year ended December 31, 2010, the investment in Apollo Credit Senior Loan Fund had a net change in net unrealized appreciation of \$0.4 million.

(6) Other Opportunistic Investments

As of December 31, 2010, other opportunistic investments are comprised of an investment in Apollo Life Re Ltd. Through December 31, 2010, the Investment Partnership made investments of \$201.1 million in Apollo Life Re Ltd., including transaction related costs and has commitments to fund an additional \$100.0 million in Apollo Life Re Ltd. In the fourth quarter of 2010, an additional institutional investor invested in Athene Holding Ltd. alongside the Investment Partnership's interest at the same original basis and terms as the Investment Partnership.

At December 31, 2010, the fair value of Apollo Life Re Ltd. approximated \$249.9 million, 15.1% of the net asset value of the Investment Partnership, which resulted in a net life-to-date unrealized appreciation of \$48.8 million. For the year ended December 31, 2010, the investment had a net change in unrealized appreciation of \$58.9 million. For the year ended December 31, 2010, the positive results were driven by Athene's continued growth in annuity policies and continued strong performance on investment yield in Athene's asset portfolio. As a reinsurance company, Athene's equity is naturally levered by the future policyholder obligations which allow Athene to purchase substantially more assets than its original equity base.

At December 31, 2009, the fair value of Apollo Life Re Ltd. approximated \$87.9 million, 6.6% of the net asset value of the Investment Partnership, which resulted in a net life-to-date unrealized depreciation of \$(10.1) million.

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, 2010 and 2009 (in thousands):

(in thousands)	For the Year ended December 31, 2010	For the Year ended December 31, 2009
Short-term investment, interest and dividend income	\$ 18,722	\$ 40,357
Investment expense	(33,836)	(33,260)
General and administrative expenses, and interest income	(2,788)	(2,298)
Net investment (loss) / income	(17,902)	4,799
Net realized gain (losses) from sales/dispositions on investments	33,690	(62,118)
Net change in unrealized depreciation/appreciation on investments	351,569	526,894
Net gain from investments	385,259	464,776
Net increase in net assets resulting from operations	<u>\$ 367,357</u>	<u>\$ 469,575</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 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.

Investment Income—For the year ended December 31, 2010, investment income allocated from the Investment Partnership was \$18.7 million which primarily represented distributions of interest income from the debt investment vehicles and accrued interest income from interest bearing securities of portfolio companies. For the year ended December 31, 2009, investment income allocated from the Investment Partnership was \$40.4 million which primarily represented distributions of interest income from the debt investment vehicles, accrued interest income from interest bearing securities of portfolio companies, interest from equalization payments from new investors in the Apollo European Principal Finance Fund, interest income from the loan to Apollo Investment Europe and cash management activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investment Expense and General and Administrative Expenses—For the years ended December 31, 2010 and 2009, investment expense and general and administrative expenses were \$36.6 million (including interest expense on the credit facility of approximately \$9.5 million) and \$35.6 million (including interest expense on the credit facility of approximately \$19.5 million), respectively, which primarily included direct expenses and allocated expenses from the Investment Partnership for professional services, management fees, borrowing costs, certain deal costs, including broken deals, and other general expenses, as well as expenses of our Managing General Partner's board of directors and other administrative costs. The increase in investment expense and general and administrative expenses is primarily due to increased management fees of \$5.1 million as a result of an increase in investment values and increased deal-related expenses, including broken deals, offset in part by reduced interest expense as a result of reduced outstanding borrowings and lower average interest rates on the credit facility.

Net Realized Gains (Losses) From Sales/Dispositions on Investments—For the years ended December 31, 2010 and 2009, net realized gains (losses) from sales/dispositions were \$33.7 million and \$(62.1) million, respectively, which primarily represent net realized gains (losses) from the Investment Partnership's investment and financing activities. For the year ended December 31, 2010, net realized gains from sales primarily relate to the realized gains of \$16.5 million from the sale of the Investment Partnership's interest in Huntsman Corporation notes, \$16.9 million from the early extinguishment of a portion of the Investment Partnership's debt, \$4.9 million from the redemption of Apollo Strategic Value Fund, \$4.8 million from the sale of assets from the debt investment vehicles and \$2.3 million from the sale of Apollo European Principal Finance Fund, partially offset by \$11.2 million loss from the permanent impairment of capital value of the private equity co-investment in Jacuzzi Brands. For the year ended December 31, 2009, net realized losses from sales primarily relate to the realized loss of \$13.8 million from the redemption of Apollo Strategic Value Fund, \$3.9 million from the redemption of Apollo Asia Opportunity Fund, \$8.8 million from the sale of securities within debt investment vehicles and \$39.8 million from permanent impairment of capital value of the private equity co-investment in Countrywide PLC as determined by the Managing Investment Partner, which were partially offset by a realized gain of \$3.8 million on the early extinguishment of a portion of the Investment Partnership's debt.

Net Change in Unrealized Depreciation on Investments in AAA Investments, L.P.—For the years ended December 31, 2010 and 2009, the net change in unrealized depreciation of our limited partner interests in the Investment Partnership was approximately \$351.6 million and \$526.9 million, respectively. The period over period change in unrealized depreciation on investments in AAA Investments, L.P. is due to changes in valuations of the underlying co-investments in private equity portfolio companies and capital markets investments.

Net Increase in Net Assets Resulting From Operations—The net increase in net assets resulting from operations was approximately \$367.4 million, or \$3.90 per common unit, for the year ended December 31, 2010, compared to a net increase of \$469.6 million, or \$4.84 per common unit, for the year ended December 31, 2009.

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, 2010, and 2009 (in thousands):

(in thousands)	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009
Investment income – interest, dividends and gains on short-term investments	\$ 18,732	\$ 40,379
Expenses	(33,846)	(33,273)
Net investment (loss)/income	(15,114)	7,106
Net realized gains (losses) from sales/distributions on investments	33,708	(62,151)
Net change in unrealized depreciation/appreciation on investments	363,163	527,432
Net gain from investments	396,871	465,281
Net increase in net assets resulting from operations	\$ 381,757	\$ 472,387

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 in respect of 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, direct expenses, such as professional fees and administrative expenses, and allocated expenses under the services agreement with Apollo Alternative Assets, L.P.

Investment Income—For the year ended December 31, 2010, investment income was \$18.7 million which primarily represented distributions of interest income from the debt investment vehicles and accrued interest income from interest bearing securities of portfolio companies. For the year ended December 31, 2009, investment income was \$40.4 million which primarily represented distributions of interest income from the debt investment vehicles, accrued interest income from interest bearing securities of portfolio companies, interest from equalization payments from new investors in the Apollo European Principal Finance Fund, interest income from the loan to Apollo Investment Europe and cash management activities.

Expenses—For the years ended December 31, 2010 and 2009, expenses approximated \$33.8 million and \$33.3 million, respectively. These expenses primarily relate to management fees, professional fees, costs associated with the credit facility, certain deal costs, including broken deals, and other administrative costs, including interest expense on the credit facility of \$9.5 million and \$19.5 million for the years ended December 31, 2010 and 2009, respectively. The

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

increase in investment expense and general and administrative expenses is primarily due to increased management fees of \$5.1 million as a result of an increase in investment values and increased deal-related expenses, including broken deals, offset in part by reduced interest expense as a result of reduced outstanding borrowings and lower average interest rates on the credit facility.

Net Realized Gains (Losses) From Sales/Dispositions on Investments—For the years ended December 31, 2010 and 2009, net realized gains (losses) from sales/dispositions were \$33.7 million and \$(62.2) million, respectively. For the year ended December 31, 2010, net realized gains from sales primarily relate to the realized gains of \$16.5 million from the sale of the Investment Partnership's interest in Huntsman Corporation notes, \$16.9 million from the early extinguishment of a portion of the Investment Partnership's debt, \$4.9 million from the redemption of Apollo Strategic Value Fund, \$4.8 million from the sale of assets from the debt investment vehicles and \$2.3 million from the sale of Apollo European Principal Finance Fund, partially offset by \$11.2 million from the permanent impairment of capital value of the private equity co-investment in Jacuzzi Brands. For the year ended December 31, 2009, the losses primarily represent net realized losses of \$13.8 million from the redemption of Apollo Strategic Value Fund, \$3.9 million from the redemption of Apollo Asia Opportunity Fund, \$8.8 million from the sale of securities within debt investment vehicles and \$39.8 million from permanent impairment of capital value of the private equity co-investment in Countrywide PLC as determined by the Managing Investment Partner, partially offset by a realized gain of \$3.8 million on the early extinguishment of a portion of the Investment Partnership's debt.

Net Change in Unrealized Depreciation/Appreciation on Investments—Our investments are valued as described below under "Critical Accounting Policies — Valuation of Limited Partner Interests and Investments," which resulted in a net change in unrealized depreciation for the years ended December 31, 2010 and 2009 of \$363.2 million and \$527.4 million, respectively. See "Portfolio and Investment Activity" above for additional discussion of the change in unrealized depreciation/appreciation on our investments.

Net Increase in Net Assets Resulting From Operations—The net increase in net assets resulting from operations was approximately \$381.8 million and \$472.4 million for the years ended December 31, 2010 and 2009, 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 its 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. Our distribution policy provides that we

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

intend to make cash distributions (which will be payable to all unitholders) in an amount in U.S. dollars that is generally expected to be sufficient to permit our U.S. unitholders to fund their estimated U.S. tax obligation (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. Distributions to the unitholders will be made only as determined by the Managing General Partner in its sole discretion, and distributions may in fact not be paid. Although market conditions may currently preclude some or all of these sources of liquidity, we believe that the sources of liquidity described below will be sufficient to fund our working capital requirements within a one year time frame.

Our initial source of liquidity consisted of the capital contributions that we received in connection with the initial offering of common units and related transactions. We contributed all of these net proceeds to the Investment Partnership for use in connection with our investments. As a result, our future liquidity depends primarily on cash distributions made to us by the Investment Partnership, capital contributions that we receive in connection with the issuance of additional equity and the issuance of indebtedness.

We expect to receive cash distributions from the Investment Partnership from time to time to allow us to pay our operating expenses as they become due, buyback our units under the unit purchase programs and to assist us in making cash distributions to our unitholders in accordance with our distribution policy. 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 terms of the senior secured revolving credit facility, 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 year ended December 31, 2010, the Partnership received distributions of \$58.4 million from the Investment Partnership primarily to pay for the Tender Offer, unit purchase programs, cash distributions to unitholders, and to pay operating expenses. On June 22, 2010, a distribution of \$6.8 million, or \$0.07 per unit, was made to unitholders of record after the close of business on June 10, 2010. During the year ended December 31, 2010, \$48.8 million was used to fund the Tender Offer and unit purchase programs. The remainder of the distribution was used to pay for operating expenses.

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 its 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 fulfillment of Apollo's obligation to reinvest a portion of the carried interests received by it in respect of investments made by the Investment Partnership as set forth in its prospectus, in August 2010, April 2010 and January 2010, AAA issued 5,004, 41,628 and 7,590 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 \$6.35, \$6.87 and \$7.52, respectively.

In July 2010, the Board of Directors of the Managing General Partner approved the commencement of an offer to purchase for cash up to 4,545,454 common units or RDUs ("Units") for a maximum aggregate consideration of up to \$25 million (the "Tender Offer"). As a result of the Tender Offer, 6,777,308 Units were tendered by the unitholders and RDU holders. Under the terms of the Tender Offer, the price payable per Unit was determined to be \$7.00. Due to the fact that the Units tendered exceeded the \$25 million maximum amount payable by AAA pursuant to the Tender Offer (the "Maximum Amount"), the Board of Directors of the Managing General Partner on August 12, 2010 resolved, in accordance with the provisions of the Tender Offer, to increase the Maximum Amount to a level where all Units tendered in the Tender Offer would be accepted. The Maximum Amount was therefore increased to \$47.4 million, \$47.9 million inclusive of expenses, and AAA bought 6,777,308 Units pursuant to the Tender Offer. The Units acquired in the Tender Offer were cancelled.

The boards of directors of the Managing General Partner and the Managing Investment Partner approved a unit purchase program for AAA to purchase through June 30, 2011, either directly or through one or more of its affiliates, AAA units for up to a maximum aggregate consideration of \$25.0 million ("On-Market Buyback Program"), which represents 2.8 million units based on the closing price at December 31, 2010. In light of these approvals, AAA 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 market conditions permit. During the year ended December 31, 2010, under a prior board of directors authorization, AAA purchased 135,167 units at an average price of \$6.25 per unit for total consideration of \$0.8 million pursuant to the On-Market Buyback Program.

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 we have 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, 2010, cash decreased \$39.8 million. Cash provided by operating activities of the Investment Partnership was \$113.9 million due primarily to \$44.1 million in net proceeds related to the sale of Apollo European Principal Finance Fund offset by

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

contributions made throughout the year, \$78.2 million provided by distributions from Apollo Investment Europe including the impact of foreign currency exchange, \$61.8 million provided by the redemption of a portion of the Investment Partnership's interest in Apollo Asia Opportunity Fund, and \$35.3 million provided by the redemption of a portion of the Investment Partnership's interest in the Apollo Strategic Value Fund offset in part by \$103.1 million for investment in the opportunistic investment Apollo Life Re Ltd. Cash used in financing activities was \$153.7 million, primarily related to the partial repayment of the Investment Partnership's credit facility of \$95.6 million and \$58.4 million in partner's capital distributions to fund AAA's Tender Offer, AAA's distribution to unitholders, the unit buyback program and for operating expenses.

During the year ended December 31, 2009, cash decreased \$64.3 million. Cash provided by operating activities of the Investment Partnership was \$183.7 million due primarily to \$163.4 million provided by the redemption of a portion of the Investment Partnership's interest in the Apollo Strategic Value Fund, \$49.3 million from the redemption of a portion of the Investment Partnership's interest in Apollo Asia Opportunity Fund, \$20.8 million in proceeds from the loan to Apollo Investment Europe and \$47.6 million of net proceeds from private equity co-investments, primarily related to the debt investment vehicles, offset in part by \$99.6 million for opportunistic investments primarily related to Apollo Life Re Ltd. Cash used in financing activities was \$248.0 million, primarily related to the partial repayment of the Investment Partnership's credit facility of \$246.3 million.

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. Due to the unprecedented market volatility and tightening of the credit markets, particularly during the fourth quarter of 2008 and the first quarter of 2009, the Investment Partnership took certain steps in an effort to ensure that it continues to maintain appropriate cash reserves should the markets deteriorate further. As part of this process, beginning in the fourth quarter of 2008 and continuing into the third quarter of 2009, the Investment Partnership exercised the right to opt out of new co-investments alongside Apollo Investment Fund VI and Apollo Investment Fund VII and their parallel investment vehicles, as permitted by its co-investment agreements. The Investment Partnership's opt-out decisions are each made on a case-by-case basis taking into consideration reserves and liquidity at the time of the potential co-investment transaction. Beginning in the third quarter of 2009, the Investment Partnership resumed making co-investments alongside the private equity funds, however, in the fourth quarter of 2009, the co-investment agreements with Apollo Investment Fund VI and Apollo Investment Fund VII were amended. See "Portfolio and Investment Activity - Private equity co-investments in Apollo Investment Fund VI and Apollo Investment Fund VII portfolio companies" for additional information regarding the amendments. Under the co-investment agreement with Apollo Investment Fund VII, the Investment Partnership committed to co-invest an amount equal to 0%, 0%, 0% and 5% of new investments committed to by Apollo Investment Fund VII during the 2011, 2010, 2009 and 2008 calendar years, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The remainder of the Investment Partnership's investment in the Apollo Strategic Value Fund, is in liquidating shares issued by the Apollo Strategic Value Fund. The liquidating shares were initially allocated a pro rata portion of each 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, 2010, the Investment Partnership received proceeds from redemptions of \$35.3 million from the Apollo Strategic Value Fund.

During 2009, the Investment Partnership requested redemptions of portions of its outstanding shares of the Apollo Asia Opportunity Fund with values of \$140.0 million, which were converted into liquidating shares issued by the Apollo Asia Opportunity Fund. The liquidating shares were initially allocated a pro rata portion of each of the Apollo Asia Opportunity 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 or reserves set by the Apollo Asia Opportunity Fund. During the year ended December 31, 2010, the Investment Partnership received proceeds from redemptions of \$61.8 million from Apollo Asia Opportunity Fund. At December 31, 2010, the remainder of the liquidating shares of Apollo Asia Opportunity Fund had a fair value of \$45.0 million.

In 2009, Apollo Investment Europe's shareholders approved a monetization plan, the primary objective of which is to maximize shareholder recovery value by (i) opportunistically selling Apollo Investment Europe's assets over a three-year period beginning in July 2009 to July 2012 (subject to a one-year extension with the consent of a majority of Apollo Investment Europe's shareholders) and (ii) reducing the overall costs of the fund. Subject to compliance with the applicable law and maintaining adequate liquidity, available cash received from the sale of assets will be returned to shareholders on a quarterly basis once all leverage in the fund is repaid. Substantially all of Apollo Investment Europe's leverage was repaid during 2009. During the year ended December 31, 2010, the Investment Partnership received distributions of \$78.1 million.

In connection with liquidity management initiatives, the Investment Partnership capitalized upon an opportunity to sell 65.8% of its long-term interest in Apollo European Principal Finance Fund to parties that are not affiliated with Apollo. These sales reduced the Investment Partnership's total commitment to €77.0 million, of which €30.8 million (approximately \$41.2 million) was undrawn at December 31, 2010.

The Investment Partnership committed \$25.0 million to the Apollo Credit Senior Loan Fund, of which \$16.7 million was invested through December 31, 2010. The remaining \$8.3 million commitment is expected to be called in the first quarter of 2011.

Through December 31, 2010, the Investment Partnership made investments of \$201.1 million in Apollo Life Re Ltd., including transaction related costs, and has commitments to fund an additional \$100.0 million in Apollo Life Re Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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. Because the Investment Partnership is expected to follow an over-commitment approach described below under "Commitments and Contingencies" when making investments in private equity funds, the amount of capital committed by the Investment Partnership for future private equity investments may ultimately exceed its available cash at a given time. Any available cash that is held by the Investment Partnership is temporarily invested in accordance with our cash management policy, which provides liquidity for funding capital calls that may be made by the private equity funds and capital markets funds in which the Investment Partnership has made commitments.

The Investment Partnership receives cash from time to time from the investments that it makes. The source of cash is in the form of capital gains 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 made in connection with our cash management activities provide a more regular source of cash than less liquid private equity, capital markets and opportunistic investments, but generate returns that are generally lower than returns generated by private equity, capital markets and opportunistic 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 historic and predicted timing of capital calls for the Investment Partnership's unfunded commitments, its expected operating expenses, present sources of liquidity and the ability to raise cash through sales of investments and other activities.

While it may not be accomplished under current market conditions, 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 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,

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

To increase financial flexibility, the Investment Partnership obtained from certain U.S. financial institutions a \$900 million senior secured revolving credit facility with the objective of funding our liquidity needs, increasing the amount of cash that it has available for working capital or for making additional investments or temporary investments. In accordance with an amendment to the credit facility, in connection with the Investment Partnership's deleveraging strategy, in October 2009, the revolving credit facility was permanently reduced to \$675.0 million. The Investment Partnership repaid \$225.0 million to the lenders in return for the right of the Investment Partnership or one of its affiliates to purchase its debt in the future at a discount to par value, subject to certain conditions. In June 2010, February 2010 and December 2009, the Investment Partnership purchased \$75.0 million, \$37.5 million and \$25.0 million, respectively, of its own debt for a purchase price of 85% of par value, or \$63.8 million, \$31.9 million and \$21.3 million, respectively. As a result of these purchases, the revolving credit facility was permanently reduced to \$537.5 million.

Interest on borrowings is based on LIBOR plus 1.25%, and there is a commitment fee of 0.20% on any undrawn commitment. The revolving credit facility matures on June 1, 2012. The amount that may be borrowed under the revolving credit facility cannot exceed the borrowing base. The borrowing base is determined based on the value of the investments held by the Investment Partnership, including temporary investments, multiplied, in each case, by a specified advance rate (which depends on the type of investment generally ranging from 100% for cash and cash equivalents to 35% for unquoted private equity co-investments). As of December 31, 2010, the Investment Partnership's borrowing base is in excess of the borrowings outstanding. The Managing Investments Partner continues to monitor and stress test the borrowing base. The Managing Investment Partner recognizes that further declines in the value of the investments held by the Investment Partnership could result in a borrowing base deficiency. In light of a deficiency in the borrowing base, the Investment Partnership can cure the deficiency within five days by repaying the loans until the deficiency is cured or notify the lenders within five days that it intends to deliver a good faith plan within 60 days to address a cure of the borrowing base deficiency. Once the plan is delivered, the Investment Partnership has 270 days from the date of the initial notification of the borrowing base deficiency to cure the deficiency unless the ratio of secured debt to total assets exceed 0.6x, in which case the deficiency must be cured within 30 days. At December 31, 2010 and December 31, 2009, borrowings of \$537.5 million and \$650.0 million, respectively, were outstanding on the credit facility.

Due to the bankruptcy of Lehman Commercial Paper Inc. ("Lehman"), an original lender under the credit facility with a current aggregate commitment of \$37.5 million to the revolving credit facility, we do not believe Lehman will fund any additional borrowing requests to the extent we payback the credit facility and seek future drawdown.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Commitments and Contingencies

The Investment Partnership has entered into co-investment agreements which allow it to co-invest alongside Apollo Investment Fund VI and Apollo Investment Fund VII.

Due to the unprecedented market volatility and tightening of the credit markets, particularly during the fourth quarter of 2008 and the first quarter of 2009, the Investment Partnership took certain steps in an effort to ensure that it continues to maintain appropriate cash reserves should the markets deteriorate further. As part of this process, beginning in the fourth quarter of 2008 and continuing into the third quarter of 2009, the Investment Partnership exercised the right to opt out of new co-investments alongside Apollo Investment Fund VI and Apollo Investment Fund VII and their parallel investment vehicles, as permitted by its co-investment agreements. The Investment Partnership's opt-out decisions are each made on a case-by-case basis taking into consideration reserves and liquidity at the time of the potential co-investment transaction. Beginning in the third quarter of 2009, the Investment Partnership resumed making co-investments alongside the private equity funds, however, in the fourth quarter of 2009, the co-investment agreements with Apollo Investment Fund VI and Apollo Investment Fund VII were amended as described below.

Under the co-investment agreement with Apollo Investment Fund VI, the Investment Partnership agreed through to co-invest with the fund in each of its investments initially in an amount equal to 12.5% of the total amount invested by Apollo Investment Fund VI, subject to certain exceptions pursuant to which the Investment Partnership may be excluded from, or may opt out of, an investment. On December 16, 2009, the co-investment agreement with Apollo Investment Fund VI was amended to provide that no new investments will be made by the Investment Partnership. In addition, the only follow-on investments that will be made are those which are expected to protect the Investment Partnership's interest in its existing portfolio companies, subject to certain exceptions pursuant to which the Investment Partnership may be excluded from, or may opt out of, an investment. Such investments will be made by the Investment Partnership and Apollo Investment Fund VI in the same proportions as the relevant portfolio company is owned by each of them at that time. These proportions reflect the fact that the Investment Partnership's original percentage holding may have been diluted due to its prior exercise of opt-out rights.

Under the co-investment agreement with Apollo Investment Fund VII, the Investment Partnership has a variable co-investment commitment ranging from 0% to 12.5% of investments committed to by Apollo Investment Fund VII during each calendar year, subject to certain exceptions pursuant to which the Investment Partnership may be excluded from, or may opt out of, an investment. The co-investment percentage is set at the beginning of each calendar year by the Board of Directors of the Managing General Partner. On December 16, 2009, the co-investment agreement with Apollo Investment Fund VII was amended to provide that any follow-on investments which are expected to protect the Investment Partnership's interest in an existing portfolio company are made by the Investment Partnership and Apollo Investment Fund VII in the same proportions as the relevant portfolio company is owned by each of them at that

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

time. These proportions reflect the fact that the Investment Partnership's original percentage holding may have been diluted due to its prior exercise of opt-out rights and the annual variation in co-investment percentage. Where a follow-on investment is made with Apollo Investment Fund VII for reasons other than to protect the Investment Partnership's interest in an existing portfolio company, it will be made at the co-investment percentage that has been set by the Board of Directors of the Managing General Partner for the relevant year (or, if lower, at the percentage necessary to ensure the Investment Partnership and Apollo Investment Fund VII continue to hold the relevant portfolio company in the same proportions as it is owned by each of them at that time). Under the agreement, the Investment Partnership committed to co-invest an amount equal to 0%, 0%, 0% and 5% of new investments committed to by Apollo Investment Fund VII during the 2011, 2010, 2009 and 2008 calendar years, respectively.

As of December 31, 2010, the Investment Partnership had the following outstanding commitments for future funding, with amounts in thousands:

<i>(in thousands)</i>	Outstanding Capital Commitments
Apollo Life Re Ltd.	\$ 100,000
Apollo Credit Senior Loan Fund	8,300
Apollo European Principal Finance Fund	\$ 41,200
	<u>\$ 149,500</u>

Whether these commitments will be consummated depends on the satisfaction of a number of conditions, some or all of which may not be in our control. No assurances can be made as to whether or when these commitments will be consummated, if at all.

In connection with liquidity management initiatives, the Investment Partnership capitalized upon an opportunity to sell 65.8% of its long-term interest in Apollo European Principal Finance Fund to parties that are not affiliated with Apollo. These sales reduced the Investment Partnership's total commitment to €77.0 million, of which €30.8 million (approximately \$41.2 million) was undrawn at December 31, 2010.

As is common with investments in private equity funds, the Investment Partnership may follow an over-commitment approach when making investments in order to maximize the amount of our capital that is invested at any given time. When an over-commitment approach is followed, the aggregate amount of capital committed by the Investment Partnership to, or to co-investment programs with, private equity funds and capital markets funds at a given time may exceed the aggregate amount of cash and available credit lines that the Investment Partnership has available for immediate investment. Because the general partners of Apollo-sponsored private equity funds and capital markets funds are permitted to make calls for capital contributions and because we may be obliged to make payments on completion of co-investments following the expiration of a relatively short notice period when an over-commitment approach is used, the Investment

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Partnership is required to time investments and manage available cash in a manner that allows it to fund capital commitments when capital calls are made. As the service provider under the services agreement, Apollo is responsible for carrying out these activities for the Investment Partnership.

Apollo takes into account estimated cash flows to and from investments when planning investment and cash management activities with the objective of seeking to ensure that the Investment Partnership is able to honor the Investment Partnership's commitments as and when they become due. Apollo also takes into account the credit facility established by the Investment Partnership. The sources of liquidity described above are believed to be sufficient to honor the Investment Partnership's commitments as and when they become due.

In the normal course of business, the Investment Partnership may be required to make representations about the business and financial affairs of a portfolio company or other investment, generally in connection with the sale of assets. The Investment Partnership may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. The Investment Partnership does not believe such indemnities have a material impact on the financial statements.

Legal Proceedings

AAA and the Investment Partnership are, from time to time, 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 its business.

On or about March 21, 2009, an entity known as LLDVF, L.P., which alleges that it is an investor in certain notes with a face amount of \$43,500,000 issued by Linens 'n Things, Inc. ("Linens"), commenced an action in the United States District Court for the District of New Jersey against, inter alia, certain affiliates of AAA's investment manager, two Apollo partners, certain Apollo investment entities relating to the Linens transaction, certain current and former officers and directors of Linens, and certain other investors in Linens, alleging violations of the Federal Securities Laws and the making of negligent misrepresentations respecting the financial condition and future prospects of Linens from at least March 27, 2007 until May 2, 2008, the date on which Linens filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. On July 10, 2009, the plaintiff effectuated service of the summons and complaint on the defendants. As stipulated by the parties and ordered by the court, on September 23, 2009, the plaintiff filed an amended complaint, which brings the same causes of action as alleged in the original complaint. On November 23, 2009, the defendants filed motions to dismiss the amended complaint. On August 12, 2010, the court granted the defendants' motions to dismiss without prejudice and subsequently agreed to allow plaintiff until September 30, 2010 to file a second amended complaint in order to cure any deficiencies identified in the court's ruling. Plaintiff filed its second amended complaint on September 30, 2010, and this most recently amended complaint asserts the same causes of action set forth in its first amended complaint, but no longer names the two other Linens investors as defendants. On November 30,

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

2010, the court granted the plaintiff's and the defendants' joint request for a stay of the litigation pending an out-of-court mediation. The court further ordered the parties to submit a joint stipulation setting forth a proposed schedule for the defendants' response to plaintiff's second amended complaint if the parties' out-of-court mediation fails to resolve the litigation by February 15, 2011. On February 14, 2011, the parties jointly reported to the court that meaningful settlement discussions are continuing, and requested the court to extend the stay of proceedings from February 15, 2011 to March 15, 2011.

On July 16, 2008, an affiliate of the AAA's investment manager was joined as a defendant in a pre-existing purported class action pending in Massachusetts federal court against, among other defendants, numerous private equity firms. The suit alleges that beginning in mid-2003, certain affiliates of AAA's investment manager and the other private equity firm defendants violated the U.S. antitrust laws by forming "bidding clubs" or "consortia" that, among other things, rigged the bidding for control of various public corporations, restricted the supply of private equity financing, fixed the prices for target companies at artificially low levels and allocated amongst themselves an alleged market for private equity services in leveraged buyouts. The suit seeks class action certification, declaratory and injunctive relief, unspecified damages and attorneys' fees. On August 27, 2008, the affiliate of AAA's investment manager and its co-defendants moved to dismiss plaintiffs' complaint and on November 20, 2008, the court granted the motion. The court also dismissed two other defendants, Permira and Merrill Lynch. In an order dated August 18, 2010, the court granted in part and denied in part plaintiffs' motion to expand the complaint and to obtain additional discovery. The court ruled that plaintiffs could amend the complaint and obtain discovery in a second discovery phase limited to eight additional transactions. The court gave the plaintiffs until September 17, 2010 to amend the complaint to include the additional eight transactions. On September 17, 2010, the plaintiffs filed a motion to amend the complaint by adding the additional eight transactions and adding the affiliate of AAA's investment manager as a defendant. On October 6, 2010, the court granted plaintiffs' motion to file the fourth amended complaint. Plaintiffs' fourth amended complaint, filed on October 7, 2010, adds the affiliate of AAA's investment manager as a defendant. On November 4, 2010, the affiliate of AAA's investment manager moved to dismiss, arguing that the claims against it are time-barred and that the allegations against it are insufficient to state an antitrust conspiracy claim. The motion to dismiss has been fully briefed and the parties are awaiting the court's decision.

Various state attorneys general and federal and state agencies have initiated industry-wide investigations into the use of placement agents in connection with the solicitation of investments, particularly with respect to investments by public pension funds. Certain affiliates of Apollo have received subpoenas and other requests for information from various government regulatory agencies and investors in Apollo's funds, seeking information regarding the use of placement agents. CalPERS, one of Apollo's Strategic Investors, announced on October 14, 2009, that it had initiated a special review of placement agents and related issues. Apollo is cooperating with all such investigations and other reviews. In addition, on May 6, 2010, the California Attorney General filed a civil complaint against Alfred Villalobos and his company, Arvco Capital Research, LLC (a placement agent that Apollo has used) and Federico Buenrostro Jr., the former CEO of CalPERS, alleging conduct in violation of certain California laws in connection with

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CalPERS's purchase of securities in various funds, including AAA and certain other funds managed by Apollo and another asset manager. Apollo is not a party to the civil lawsuit and the lawsuit does not allege any misconduct on the part of Apollo. Apollo believes that it has handled its use of placement agents in an appropriate manner.

Although the ultimate outcome of the foregoing matters cannot be ascertained at this time, it is the opinion of the Managing General Partner and Managing Investment Partner, after consultation with counsel, that the resolution of such matters will not have a material adverse effect on the financial condition of the Partnership; such resolution may, however, have a material effect on the operating results in any future period, depending on the level of income for such period.

RISK FACTORS

Market Risks

We are exposed to a number of market risks due to the types of investments that we make and the manner in which we and the Investment Partnership raise capital. Our exposure to market risks relate primarily to 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 commodity prices. 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 various risks within each portfolio company in which we invest including market and other risks related to their business activities, including leverage and asset mix. 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.

Beginning in July 2007, the financial markets encountered a series of adverse events starting with the sub-prime fall-out which led to a global liquidity and broader economic crisis which resulted in a negative impact on the Investment Partnership's investments. Although the global capital markets have experienced significant improvement from historically low levels, the current environment continues to be characterized by uncertainty and volatility as investors seek further indications regarding the sustainability of the market recovery. We do not currently know the full extent to which this ongoing economic uncertainty and volatility will affect us or the markets in which we operate. If the economic outlook worsens, we and the funds we invest in may experience further tightening of liquidity, and reduced earnings and cash flows. Such market

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

conditions could also have an impact on our ability to liquidate positions in a timely and efficient manner and maintain adequate reserves required under our credit facility. As a result, despite improvements in the global capital markets, the sources of liquidity described herein under "Liquidity and Capital Resources" may not only be more difficult but also impossible to obtain in the current market environment. Our profitability may also be adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs within a time frame sufficient to match any decreases in net income relating to changes in market and economic conditions. If volatility worsens, there can be no assurance that we will not experience a material adverse effect on our business, assets and liabilities and results of operations.

Global Financial Crisis

Events during 2008 and 2009 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 events of 2008 and the concomitant 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. As a result of the recent global financial crisis, 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, companies 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. These companies may also have difficulty in expanding their businesses and operations or be unable to meet their debt service obligations or other expenses as they become due, including expenses payable to us. 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 recent 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 recent 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Securities Market Risks

Our investments may include investments in publicly traded securities. The Investment Partnership and the private equity funds and capital markets funds with which it invests may also make investments in publicly traded securities, derivatives and securities linked to public securities or in portfolio companies whose securities are publicly traded or offered to the public in connection with the process of exiting an investment. The market prices and values of publicly traded securities may be volatile and are likely to fluctuate due to a number of factors beyond our control. These factors include actual or anticipated fluctuations in the quarterly and annual results of such companies or of other companies in the industries in which they operate, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, industry conditions, changes in government regulation, shortfalls in operating results from levels forecast by securities analysts, the general state of the securities markets and other material events, such as significant management changes, refinancings, acquisitions and dispositions. The Investment Partnership is required to value investments based on current market prices at the end of each accounting period, which may lead to significant changes in the net asset values and operating results that it reports from quarter to quarter.

Our 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, 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, inasmuch as the ability to realize value from an investment may depend upon the ability to complete an initial public offering of the portfolio company in which such investment is held. 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 such as the current one, it may be difficult to sell privately held or illiquid investments even at their current valuation. This is especially true given the significant constriction in the credit markets, making it difficult for potential buyers to obtain the funds necessary to purchase such securities.

Prime Brokers

The Investment Partnership's assets, and the assets of the private equity portfolio companies and capital markets funds in which we invest, 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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

Credit Risks

At December 31, 2010, the Investment Partnership's \$537.5 million senior credit facility was fully drawn. We may incur additional indebtedness to fund our liquidity needs, and the Investment Partnership incurs indebtedness to fund its liquidity needs, to leverage investments and potentially to leverage certain of our temporary investments. The Investment Partnership also makes fixed income investments that are sensitive to changes in interest rates. As a result, we are exposed to risks associated with movements in prevailing interest rates. An increase in interest rates may make it more difficult or expensive for us or for the Investment Partnership to obtain financing, may negatively impact the values of fixed income investments and may decrease the returns that our investments generate.

Our ability to achieve attractive rates of return on investments is impacted by our continued ability to access sufficient sources of indebtedness at attractive rates. An increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness would make it more expensive to finance those investments. Increases in interest rates could also make it more difficult to locate and consummate private equity investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital. In addition, a portion of the indebtedness used to finance private equity investments often includes high-yield debt securities issued in the capital markets. Availability of capital from the high-yield debt markets is subject to significant volatility. There may be times when we might not be able to access those markets at attractive rates, or at all.

We are also subject to additional risks associated with changes in prevailing interest rates due to the fact that a portion of our capital is invested in portfolio companies whose capital structures have a significant degree of indebtedness. Investments in highly leveraged companies are inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. A leveraged company's income and net assets also tend to increase or decrease at a greater rate than would be the case if money had not been borrowed. As a result, the risk of loss associated with an investment in a leveraged company is generally greater than for companies with comparatively less debt.

The Apollo funds in which we invest may also choose to use leverage as part of their respective investment programs. The use of leverage poses additional risk and enhances the possibility of a significant loss in the value of the investment portfolio. The fund may borrow money from time

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

to time to purchase or carry securities. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried, and will be lost—and the timing and magnitude of such losses may be accelerated or exacerbated—in the event of a decline in the market value of such securities. Gains realized with borrowed funds may cause the fund's net asset value to increase at a faster rate than would be the case without borrowings. However, if investment results fail to cover the cost of borrowings, the fund's net asset value could also decrease faster than if there had been no borrowings.

Increases in interest rates could also decrease the value of fixed-rate debt investments that our funds make.

In addition, current market conditions have substantially reduced the availability of credit, which may have a material adverse effect on our ability to achieve our investment objective with respect to any particular investment and/or the Investment Partnership's entire portfolio. Large commercial and investment banks, which have traditionally provided such financing, have demanded higher rates, higher equity requirements as part of private equity investment, more restrictive covenants and generally more onerous terms in order to provide such financing, and in some cases are refusing to provide financing for acquisitions that would have been readily financed during the past several years. In the event that we are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavorable terms, we may have difficulty completing otherwise profitable investments or may generate profits that are lower than would otherwise be the case, either of which could lead to a decrease in the investment income earned by us. Similarly, the portfolio companies in which we have investments regularly access the corporate debt markets in order to obtain financing for their operations. To the extent that the current credit markets have rendered such financing difficult or impossible to obtain or more expensive, this may negatively impact the operating performance on those portfolio companies and, therefore, our investment returns.

Any of the foregoing circumstances could have a material adverse effect on our net assets, results of operations and cash flow.

Foreign Currency Risks

Our functional currency and the functional currency of the Investment Partnership is the U.S. dollar, and as a result, the investments that are carried as assets in our financial statements and the investments that are carried as assets in the Investment Partnership's financial statements are stated in U.S. dollars. When valuing investments that are denominated in currencies other than the U.S. dollar, we and the Investment Partnership are required to convert the values of such investments into U.S. dollars based on prevailing exchange rates as of the end of the applicable accounting period. As a result, changes in exchange rates between the U.S. dollar and other currencies could lead to significant changes in the net asset values that we and the Investment Partnership report from quarter to quarter. Among the factors that may affect currency values are trade balances, levels of short-term interest rates, differences in relative values of similar assets in

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

different currencies, long-term opportunities for investment and capital appreciation and political developments. Through December 31, 2010, the Investment Partnership did not hedge its investments denominated in foreign currency.

Hedging Arrangements

When managing our exposure to market risk, Apollo Alternative Assets may enter into transactions in a variety of cash and derivative financial instruments to limit our exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates and currency exchange rates. Such derivative contracts may include forward contracts, options, swaps, caps, collars and floors. The scope of risk management activities undertaken by Apollo Alternative Assets will vary based on the level and volatility of interest rates, prevailing foreign currency exchange rates, the type of investments that are made and other changing market conditions. The use of hedging transactions and other derivative instruments to reduce the effects of a decline in the value of a position does not eliminate the possibility of fluctuations in the value of the position or prevent losses if the value of the position declines. However, such activities can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of the position. Such transactions may also limit the opportunity for gain if the value of a position increases. Moreover, it may not be possible to limit the exposure to a market development that is so generally anticipated that a hedging or other derivative transaction cannot be entered into at an acceptable price.

The success of any hedging or other derivative transactions that Apollo Alternative Assets enters into generally depends on its ability to correctly predict market changes. As a result, while Apollo Alternative Assets may enter into such transactions in order to reduce our exposure to market risks, unanticipated market changes may result in poorer overall investment performance than if the transaction had not been executed. In addition, the degree of correlation between price movements of the instruments used in connection with hedging activities and price movements in a position being hedged may vary. Moreover, for a variety of reasons, Apollo Alternative Assets may not seek to or be successful in establishing a perfect correlation between the instruments used in hedging or other derivative transactions and the position being hedged. An imperfect correlation could prevent Apollo Alternative Assets from achieving the intended result and create new risks of loss. In addition, it may not be possible to fully or perfectly limit our exposure against all changes in the values of our investments, because the values of our investments are likely to fluctuate as a result of a number of factors, some of which will be beyond our control.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with U.S. GAAP requires the making of certain estimates and assumptions that could materially affect the amounts reported in the

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

financial statements and related notes. For a description of our significant accounting policies, see 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 carried 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 carried 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 for the investment as of the end of the applicable accounting period, and 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 standard for determining fair value in good faith, the methodologies described below are generally followed when the fair value of an individual investment is determined.

Value of Limited Partner Interest in the Investment Partnership

Our limited partner interest in the Investment Partnership does not have a readily available market value and is valued using fair value pricing. 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 and depreciation of the investments that it carries as assets in its financial statements. Such investments 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Value of Interests in Apollo-Sponsored Private Equity and Capital Market Funds

Our interests in Apollo-sponsored private equity funds and capital markets funds do not have a readily available market and are generally valued using the following methodology. 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 a 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 if other factors lead the Managing Investment Partner to conclude that the net asset values do not represent fair value. Each fund's net asset value will 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 and depreciation of the investments that it carries as assets in its financial statements. Each fund's assets are expected to consist of investments in portfolio companies, which are expected to be individually valued using the valuation methodologies for co-investments in portfolio companies and other equity investments that are described below.

Values of Co-Investments in Portfolio Companies and Other Opportunistic Investments

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 a 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 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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(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. At December 31, 2010 and 2009, 93.5% and 98.8%, respectively, of our co-investments in Apollo Investment Fund VI and Apollo Investment Fund VII portfolio companies and other opportunistic investments are non-publicly traded.

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

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

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

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

RECENT ACCOUNTING AND REPORTING DEVELOPMENTS

In January 2010, the FASB issued guidance on improving disclosures about fair value measurements. The guidance requires additional disclosure on transfers in and out of Levels I and II fair value measurements in the fair value hierarchy and the reasons for such transfers. In addition, for fair value measurements using significant unobservable inputs (Level III), the reconciliation of beginning and ending balances shall be presented on a gross basis, with separate disclosure of gross purchases, sales, issuances and settlements and transfers in and transfers out of Level III. The new guidance also requires enhanced disclosures on the fair value hierarchy to

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

disaggregate disclosures by each class of assets and liabilities. In addition, an entity is required to provide further disclosures on valuation techniques and inputs used to measure fair value for fair value measurements that fall in either Level II or Level III. Except for the Level III reconciliation disclosures, this guidance became effective for the Partnership and Investment Partnership beginning January 1, 2010. The adoption of this guidance did not have a material impact on the financial statements of the Partnership and Investment Partnership. The Level III reconciliation disclosures are effective for fiscal years beginning after December 15, 2010. The adoption of this guidance is not expected to have a material impact on the Partnership and Investment Partnership's financial statements.

(This page intentionally left blank.)

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

INDEX TO FINANCIAL STATEMENTS

	PAGE
Independent Auditors' Report	F-2
Statement of Assets and Liabilities as of December 31, 2010 and 2009	F-4
Statement of Operations for the years ended December 31, 2010 and 2009	F-5
Statement of Changes in Net Assets for the years ended December 31, 2010 and 2009 ...	F-6
Statement of Cash Flows for the years ended December 31, 2010 and 2009	F-7
Notes to Financial Statements	F-8

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

INDEPENDENT AUDITORS' REPORT TO THE MANAGING GENERAL PARTNER OF AP ALTERNATIVE ASSETS, L.P.

We have audited the financial statements of AP Alternative Assets, L.P. for the year ended December 31, 2010 which comprise the Statement of Assets and Liabilities, the Statement of Operations, the Statement of Changes in Net Assets, the Statements of Cash Flows and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and accounting principles generally accepted in the United States of America.

This report is made solely to the Partnership's partners, as a body, in accordance with section 18 of The Limited Partnerships (Guernsey) Law, 1995. Our audit work has been undertaken so that we might state to the partners those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the Partnership's partners as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Managing General Partner and Auditor

As described in the Statements of Responsibility, the Managing General Partner is responsible for preparing the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with relevant Guernsey legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the Partnership's affairs as at December 31, 2010 and of its return for the year then ended;
- have been prepared in accordance with accounting principles generally accepted in the United States of America;
- have been properly prepared in accordance with The Limited Partnerships (Guernsey) Law, 1995 and the Limited Partnership Agreement; and
- the financial statements have been properly prepared in accordance with the Netherlands Financial Supervision Act (Wet op het Financieel Toericht) insofar applicable.

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

Emphasis of matter – Fair Value of Investments in AAA Investments LP

In forming our opinion on the financial statements, which is not qualified we have considered the disclosure in Notes 2 and 3 to AP Alternative Assets, L.P.'s financial statements concerning the fair value of investments. The financial statements include an investment valued at \$1,637.1 million (100.0% of total assets) as of December 31, 2010, and \$1,324.9 million (100.0% of total assets) as of December 31, 2009, whose fair value has been estimated by the General Partner in the absence of readily determinable fair values. Due to the inherent uncertainty of the valuation, the estimated value may differ materially from the value that would have been realised had a disposal of the investment been made between a willing buyer and seller.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where our letter of engagement requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP

Chartered Accountants

Guernsey

15 February 2011

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

AP ALTERNATIVE ASSETS, L.P. STATEMENT OF ASSETS AND LIABILITIES (in thousands, except per unit amounts)		
	As of December 31, 2010	As of December 31, 2009
ASSETS		
Investment in AAA Investments, L.P. (cost of \$1,695,992 and \$1,753,985 at December 31, 2010 and 2009, respectively)	\$ 1,637,091	\$ 1,324,939
Other assets	381	431
TOTAL ASSETS	1,637,472	1,325,370
LIABILITIES		
Accounts payable and accrued liabilities	581	783
Due to affiliates	175	47
NET ASSETS	\$ 1,636,716	\$ 1,324,540
NET ASSETS CONSIST OF:		
Partners' capital contribution, net (90,148,642 and 97,006,895 net common units outstanding at December 31, 2010 and 2009, respectively)	\$ 1,783,378	\$ 1,831,771
Partners' capital distributions	(79,009)	(72,221)
Accumulated decrease in assets resulting from operations	(67,653)	(435,010)
	\$ 1,636,716	\$ 1,324,540
Net asset value per common unit	\$ 18.16	\$ 13.65
Market price per common unit	\$ 8.83	\$ 6.70
See 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, 2010	For the Year Ended December 31, 2009
INVESTMENT (LOSS) INCOME (ALLOCATED FROM AAA INVESTMENTS, L.P.)		
Interest, dividends and gains from short-term investments	\$ 18,722	\$ 40,357
Expenses	(33,836)	(33,260)
	(15,114)	7,097
Interest Income	2	—
EXPENSES		
General and administrative expenses	(2,790)	(2,298)
NET INVESTMENT (LOSS) INCOME	(17,902)	4,799
REALIZED AND UNREALIZED GAINS (LOSSES) FROM INVESTMENTS (ALLOCATED FROM AAA INVESTMENTS, L.P.)		
Net realized gains (losses) from sales/dispositions on investments	33,690	(62,118)
Net change in unrealized depreciation/appreciation of investments	351,569	526,894
NET GAIN FROM INVESTMENTS	385,259	464,776
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 367,357	\$ 469,575
See accompanying notes to financial statements.		

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

AP ALTERNATIVE ASSETS, L.P. STATEMENT OF CHANGES IN NET ASSETS (in thousands)		
	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009
INCREASE IN NET ASSETS FROM OPERATIONS		
Net investment (loss) income	\$ (17,902)	\$ 4,799
Net gain from investments (allocated from AAA Investments, L.P.)	385,259	464,776
Net increase in net assets resulting from operations	367,357	469,575
NET CHANGE FROM CAPITAL TRANSACTIONS		
Partners' capital distributions	(6,788)	-
Partners' capital contributions	375	4,121
Purchase of common units	(48,768)	-
Net (decrease) increase in net assets resulting from capital transactions	(55,181)	4,121
TOTAL INCREASE IN NET ASSETS	312,176	473,696
NET ASSETS — Beginning of period	1,324,540	850,844
NET ASSETS — End of period	<u>\$ 1,636,716</u>	<u>\$ 1,324,540</u>
See accompanying notes to financial statements.		

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

AP ALTERNATIVE ASSETS, L.P. STATEMENT OF CASH FLOWS (in thousands)		
	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	\$ 367,357	\$ 469,575
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net investment loss (income) (allocated from AAA Investments, L.P.)	15,114	(7,097)
Net gain from investments (allocated from AAA Investments, L.P.)	(385,259)	(464,776)
Changes in operating assets and liabilities:		
Purchase of limited partner interests in AAA Investments, L.P.	(375)	—
Distribution from AAA Investments, L.P.	58,368	5,497
Decrease/(Increase) in other assets	50	(175)
Decrease in accounts payable, accrued liabilities and due to affiliates	(74)	(3,024)
Net cash flows provided by operating activities	55,181	—
CASH FLOWS FROM FINANCING ACTIVITIES		
Partners' capital contributions	375	—
Partners' capital distributions	(6,788)	—
Purchase of common units	(48,768)	—
Net cash flows used in financing activities	(55,181)	—
NET CHANGE IN CASH AND CASH EQUIVALENTS	—	—
CASH AND CASH EQUIVALENTS — Beginning of period	\$ —	\$ —
CASH AND CASH EQUIVALENTS — End of period	\$ —	\$ —
Supplemental Schedule of Non-Cash Financing Activities — Partners' capital contributions reinvested (received by Investment Partnership)	\$ —	\$ 4,121
See accompanying notes to financial statements.		

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

NOTES TO FINANCIAL STATEMENTS

1. BUSINESS

AP Alternative Assets, L.P. (“AAA” or the “Partnership”) is a Guernsey limited partnership whose partners are comprised of (i) AAA Guernsey Limited (the “Managing General Partner”), which holds 100% of the general partner interests in AAA, and (ii) the holders of common units representing limited partner interests in AAA. The common units are non-voting and are listed on Euronext Amsterdam N.V.’s Euronext Amsterdam by NYSE Euronext (“Euronext Amsterdam”) 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. Prior to October 1, 2009, 55% of the ownership interests of the Managing General Partner were owned by an individual affiliated with Apollo. The Managing General Partner is responsible for managing the business and affairs of AAA. The Partnership’s business consists of making investments in, and co-investments with, Apollo-sponsored private equity funds and capital markets funds. AAA generally makes all of these investments through AAA Investments, L.P. (the “Investment Partnership”), of which AAA is the sole limited partner. The Investment Partnership has co-investment agreements with 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”). In addition to investments in private equity, capital is deployed through investments in, or co-investment arrangements with, Apollo’s capital markets-focused funds, including the Apollo Strategic Value Offshore Fund, Ltd. (“Apollo Strategic Value Fund”) (one of Apollo’s debt and equity investment funds focused on value-oriented and distressed securities), AP Investment Europe Limited (“Apollo Investment Europe”) (the Apollo-sponsored European mezzanine and leveraged debt investment vehicle), Apollo Asia Opportunity Offshore Fund, Ltd., (“Apollo Asia Opportunity Fund”) (the Apollo-sponsored vehicle focused on value driven, mezzanine and special opportunity corporate investments in the Asia Pacific region) and Apollo European Principal Finance Fund, L.P. (“EPF”) (the Apollo-sponsored vehicle focused on opportunities in the non-performing loans (“NPLs”) sector in Europe). Capital is also deployed through other opportunistic investments, including an investment in Apollo Life Re Ltd., an Apollo sponsored vehicle that owns the majority of the equity of Athene Holding Ltd., the parent of Athene Life Re Ltd., a Bermuda based reinsurance company focusing on the life reinsurance sector and Athene Life Insurance Company, a recently-organized Indiana-domiciled stock life insurance company focused on the institutional GIC-backed note and funding agreement markets. The Partnership may also invest in additional capital markets funds, private equity funds and other opportunistic investments identified by Apollo Alternative Assets, L.P. (“Apollo Alternative Assets”, the investment manager to both AAA and the Investment Partnership – see Note 6, “Relationship with Apollo and Related Party Transactions”), and in temporary investments that are made in connection with cash management activities.

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

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.

The Investment Partnership is a Guernsey limited partnership whose partners are comprised of (i) AAA Associates, L.P. (the “General Partner”), which holds 100% of the general partner interests in the Investment Partnership and is responsible for managing its business and affairs, and (ii) AAA, 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. At December 31, 2010 and December 31, 2009, the General Partner’s interest in the Investment Partnership was 0.819% and 0.146%, respectively, and the limited partner’s interest in the Investment Partnership was 99.181% and 99.854%, respectively. The change in the partners’ respective interests from December 31, 2009 to December 31, 2010 is primarily due to an increase in the general partner’s accrued carried interest. The carried interest entitles the General Partner to receive a portion of the profits generated by the investments. 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 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. Prior to October 1, 2009, 55% of the ownership interests of the Managing Investment Partner were owned by an individual affiliated with Apollo.

In connection with the Investment Partnership’s credit facility, substantially all of the net assets of the Investment Manager are held through a series of wholly owned Guernsey limited partnerships, AAA Guarantor – SVF, L.P., AAA Guarantor – AIE, L.P., AAA Guarantor – Athene, L.P., AAA Guarantor – Co-Invest VI, L.P., AAA Guarantor – Co-Invest VII, L.P., AAA Guarantor – Apollo Credit Senior Loan Fund, L.P., AAA Guarantor – Temp, L.P., AAA Guarantor – EPF, L.P., AAA Guarantor – Asia, L.P., AAA Guarantor – Commodities Partners, L.P., AAA Guarantor – India, L.P. and AAA Guarantor – Distressed Debt, L.P. (collectively “AAA Guarantors”), that guarantee the credit facility. The AAA Guarantors make and hold all direct and indirect investments on behalf of the Investment Partnership. The financial statements of the Investment Partnership include the accounts of the wholly owned and consolidated AAA Guarantors.

The Partnership’s investment policies and procedures, which were developed by Apollo Alternative Assets, currently provide that, among other things, over time the Investment Partnership will invest approximately 90% of its capital in Apollo-sponsored funds and private equity transactions and, subject to market conditions, target approximately 50% or more in private equity type investments. In addition, the investment policies and procedures provide that the Investment Partnership cannot make any investment or commit to make any investment that would result in AAA or the Investment Partnership being deemed to have been formed for the purpose of making such investment for the purposes of the U.S. Investment Company Act of 1940, as amended and related rules. Depending on the facts and circumstances, this restriction

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

may limit the amount of capital that we may invest, or commit to invest, in a single investment fund or other entity. We are required to limit the amount which we are permitted to invest in any single investment fund to 40% of our gross assets, although this limit will not apply to the aggregate amount we are able to commit to any co-investment program alongside any Apollo private equity fund. The Investment Partnership's limited partnership agreement provides that the investments it makes must comply with the investment policies and procedures that are established from time to time by the Managing General Partner's board of directors on behalf of AAA.

AAA's investment policies and procedures provide that we may make investments in common equity securities, preferred securities, limited partner interests, general partner interests, derivative instruments, debt securities and loans (including residential mortgage loans, residential mortgage-backed securities, commercial mortgages, commercial mortgage-backed securities, other asset-backed securities and bridge loans), money market securities, cash, cash equivalents, money market instruments, government securities and any other type of security, loan or financial instrument, provided that the investments otherwise comply with AAA's investment policies and procedures. Because AAA's investment policies and procedures require that its investments be made in a manner that permits it and the Investment Partnership to continue to be treated as partnerships for U.S. federal income tax purposes, neither AAA nor the Investment Partnership will be permitted to engage in lending activities that would result in AAA or the Investment Partnership being treated as engaged in a financial business.

AAA's and the Investment Partnership's investment policies and procedures anticipate that they may use leverage. As their service provider, Apollo Alternative Assets generally has broad discretion to determine the extent to which investments use leverage and is not required to obtain specific approval from the Managing General Partner's board of directors for the use of leverage.

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 "Codification") 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 with this report and should be read in conjunction with the Partnership's financial statements. Management has evaluated all subsequent events or transactions for potential recognition or disclosure through February 15, 2011, the 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, 2010 and 2009 and its financial position at December 31, 2010 and December 31, 2009.

The preparation of financial statements in conformity with U.S. GAAP requires the making of 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 current cash balance and its future obligations and expects the Partnership to continue as a going concern for at least the next year. As also detailed under "Management's Overview – 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, the Investment Partnership's historic and predicted timing of capital calls for its unfunded commitments, present sources of liquidity, borrowing facilities and the ability to raise cash through sales of investments and other activities. For further understanding of management's consideration of the credit facility's impact on going concern, see Note 5 - Credit Facility.

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 our Managing General Partner and the board of directors of the 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 \$1,637.1 million (100.0% of net assets) and \$1,324.9 million (100.0% of net assets) as of December 31, 2010 and December 31, 2009, respectively. Such investment's fair value has been estimated by the Managing General Partner's board of directors in the absence of readily determinable 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, indeterminate credit markets, volatile equity returns and the entry of powerful new entities such as sovereign wealth funds into the global investment landscape could have effects on the fair value of such investments in future periods.

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

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 are 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 and 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. See the valuation policy for limited partner interests above.

Cash and Cash Equivalents—Cash and cash equivalents consist of cash held in the bank and liquid investments with maturities, at the date of acquisitions, 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, 2010, cash and cash equivalents were primarily comprised of cash deposited with a U.S. financial institution, which are considered to be Level I in the fair value hierarchy. As of December 31, 2010 and 2009, there were no cash and cash equivalents held by AAA.

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.

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

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 under the services agreement with Apollo Alternative Assets. None of these individuals, including the Managing General Partner's chief financial officer, are required to be dedicated full-time to the business of the Partnership.

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 2009, 2008 and 2007 tax years, which 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 intends to make cash distributions (which will be payable to all unitholders) in an amount in U.S. dollars that is generally 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 may not be sufficient to pay the unitholder's actual U.S. or non-U.S. tax liability. Under AAA's limited partnership agreement, distributions to the unitholders will be made only as determined by the Managing General Partner in its sole discretion. There is no assurance that distributions will be made.

Recent Accounting Pronouncements— In January 2010, the FASB issued guidance on improving disclosures about fair value measurements. The guidance requires additional disclosure on transfers in and out of Levels I and II fair value measurements in the fair value hierarchy and the reasons for such transfers. In addition, for fair value measurements using significant unobservable inputs (Level III), the reconciliation of beginning and ending balances shall be presented on a gross basis, with separate disclosure of gross purchases, sales, issuances and settlements and transfers in and transfers out of Level III. The new guidance also requires enhanced disclosures on the fair value hierarchy to disaggregate disclosures by each class of assets and liabilities. In addition, an entity is required to provide further disclosures on valuation techniques and inputs used to measure fair value for fair value measurements that fall in either Level II or Level III. Except for the Level III reconciliation disclosures, this guidance became effective for the Partnership beginning January 1, 2010. The adoption of this guidance did not

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

have a material impact on the financial statements of the Partnership. The Level III reconciliation disclosures are effective for fiscal years beginning after December 15, 2010. The adoption of this guidance is not expected to have a material impact on the Partnership's financial statements.

3. INVESTMENTS IN LIMITED PARTNER INTERESTS OF THE INVESTMENT PARTNERSHIP

At December 31, 2010 and 2009, AAA's only investment consisted of limited partner interests in the Investment Partnership. AAA makes all of its investments through the Investment Partnership, and it is expected that AAA's only substantial assets will be limited partner interests in the Investment Partnership. Although investments made with AAA's capital by the Investment Partnership do not appear as investments in AAA's financial statements, AAA is the primary beneficiary of such investments and bears substantially all of the risk of loss.

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

Fair Value Measurements

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

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

Level I—Quoted prices are available in active markets for identical investments as of the reporting date. The type 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

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, mezzanine funds, funds of hedge funds, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations.

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 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.

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

<i>(in thousands)</i>				
As of December 31, 2010	Total	Level I	Level II	Level III
Investment in AAA Investments, L.P.	\$ 1,637,091	\$ —	\$ —	\$ 1,637,091
As of December 31, 2009				
Investment in AAA Investments, L.P.	\$ 1,324,939	\$ —	\$ —	\$ 1,324,939

As of December 31, 2010, the Partnership's Level III investments are valued based on the Net Asset Value of the Investment Partnership (which in turn is based on the Investment Partnership's underlying investments which are valued based on broker quotes and the enterprise values 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, a discounted cash flow approach, an option valuation methodology or a liquidation analysis is generally used).

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

<i>(in thousands)</i>		
	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009
Beginning Balance	\$ 1,324,939	\$ 854,442
Purchases	375	4,121
Distributions	(58,368)	(5,497)
Unrealized gains	370,145	471,873
Ending Balance	\$ 1,637,091	\$ 1,324,939

As of December 31, 2010 and December 31, 2009, AAA had unrealized losses on Level III investments of \$58.9 million and \$429.0 million, respectively.

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

Information Regarding Certain Investments held by the Investment Partnership

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 remainder of 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 each 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.

Apollo Asia Opportunity Fund is an investment vehicle that seeks to generate attractive risk-adjusted returns across market cycles by capitalizing on investment opportunities created by the increasing demand for capital in the rapidly expanding Asian markets. In connection with a redemption requested by the Investment Partnership of its investment in Apollo Asia Opportunity Fund, a portion of the Investment Partnership's investment was converted into liquidating shares issued by the Apollo Asia Opportunity Fund. The liquidating shares were initially allocated a pro rata portion of each of the Apollo Asia Opportunity 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 or reserves set by the Apollo Asia Opportunity Fund. At December 31, 2010, the liquidating shares had a fair value of \$45.0 million.

Other Apollo Capital Markets Funds is comprised of Apollo Investment Europe, Apollo European Principal Finance Fund and Apollo Credit Senior Loan Fund. Apollo Investment Europe invests in mezzanine, debt and equity investments of both public and private, companies primarily located in Europe. Due to market conditions in 2008 and early 2009, Apollo Investment Europe's investment performance was adversely impacted, and on July 10, 2009, the company's shareholders approved a monetization plan, the primary objective of which is to maximize shareholder recovery value by (i) opportunistically selling Apollo Investment Europe's assets over a three-year period beginning in July 2009 to July 2012 (subject to a one-year extension with the consent of a majority of Apollo Investment Europe's shareholders) and (ii) reducing the overall costs of the fund. Subject to compliance with the applicable law and maintaining adequate liquidity, available cash received from the sale of assets is returned to shareholders on a quarterly basis. Apollo European Principal Finance Fund invests primarily in European non-performing loans, or NPLs. Apollo European Principal Finance Fund seeks to capitalize on the inefficiencies of financial institutions in managing and restructuring their non-performing loans. The investment in the Apollo European Principal Finance Fund has a life of five years plus two one-year extensions from December 22, 2009, the final closing of the fund. Distributed capital can be recalled for an 18-month recycle period. Apollo Credit Senior Loan Fund invests primarily in senior secured floating rate loans, subject to a one-year lockup. If the Investment Partnership withdraws all or any portion of its capital account before the one-year anniversary of any capital

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

drawdown, a management fee will be charged as if such amounts were retained in the Apollo Credit Senior Loan Fund for one year.

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

In the initial offering of the common units effective August 8, 2006, AAA issued and sold (i) 90,000,000 common units to investors in a global offering and (ii) 3,700,000 common units to an affiliate of Apollo. The issue price for the common units was \$20 per common unit. In connection with the formation of AAA and the initial offering of its common units, certain of Apollo's investment professionals and senior advisors contributed \$75 million in cash to AAA and the Investment Partnership, of which \$74 million was contributed to AAA in exchange for common units and \$1 million was contributed to the Investment Partnership in respect of general partner interests. In addition, under an investment agreement that the Partnership entered into with Apollo in connection with the initial offering, Apollo has agreed to cause its affiliates to acquire additional common units from 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. Common units issued to AAA's affiliates in connection with the initial offering or pursuant to the investment agreement are subject to a general prohibition on transfer for a period of three years from the date of issuance.

In July 2010, the Board of Directors of the Managing General Partner approved the commencement of an offer to purchase for cash up to 4,545,454 common units or RDUs ("Units") for a maximum aggregate consideration of up to \$25 million (the "Tender Offer"). As a result of the tender offer, 6,777,308 Units were tendered by the unitholders and RDU holders. Under the terms of the Tender Offer, the price payable per Unit was determined to be \$7.00. Due to the fact that the Units tendered exceeded the \$25 million maximum amount payable by AAA pursuant to the Tender Offer (the "Maximum Amount"), the Board of Directors of the Managing General Partner on August 12, 2010 resolved, in accordance with the provisions of the Tender Offer, to increase the Maximum Amount to a level where all Units tendered in the Tender Offer would be accepted. The Maximum Amount was therefore increased to \$47.4 million, \$47.9 million inclusive of expenses, and AAA bought 6,777,308 Units pursuant to the Tender Offer. The Units acquired in the Tender Offer were cancelled.

The boards of directors of the Managing General Partner and the Managing Investment Partner approved a unit purchase program for AAA to purchase through June 30, 2011, either directly or through one or more of its affiliates, AAA units for up to a maximum aggregate consideration of \$25.0 million ("On-Market Buyback Program"). During the year ended December 31, 2010, under

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

a prior board of directors authorization, AAA purchased 135,167 units at an average price of \$6.25 per unit for total consideration of \$0.8 million pursuant to the On-Market Buyback Program. As of December 31, 2010, the remaining approved maximum aggregate consideration of \$25.0 million for the On-Market Buyback Program represents 2.8 million units based on the closing price at December 31, 2010. In light of these approvals, AAA 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 market conditions permit.

In August 2010, April 2010 and January 2010, AAA issued 5,004 common units, 41,628 common units and 7,590 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 \$6.35, \$6.87 and \$7.52, 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 in respect of investments made by the Investment Partnership as set forth in its prospectus.

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, 2010, the Investment Partnership made partners' capital distributions of \$58.4 million to AAA primarily related to the Tender Offer, unit buyback programs, AAA's cash distributions to unitholders and expense reimbursements. On June 22, 2010, a distribution of \$6.8 million, or \$0.07 per unit, was made to unitholders of record after the close of business on June 10, 2010. During 2009, the Investment Partnership received a tax withholding refund of \$4.1 million representing previously withheld taxes on dividends received. The taxes were withheld on behalf of unitholders and deemed to be a distribution at that time. The refund was received by the Investment Partnership during the year ended December 31, 2009.

At December 31, 2010 and December 31, 2009, AAA had 90,148,642 and 97,006,895 net common units outstanding, inclusive of 135,167 and 0, respectively, of common units held in treasury.

5. CREDIT FACILITY

On June 1, 2007, the Investment Partnership obtained a \$900 million senior secured revolving credit facility from certain U.S. financial institutions with the objective of funding its liquidity needs, increasing the amount of cash that is available for working capital and for making additional investments or temporary investments. On October 13, 2009, in connection with the Investment Partnership's deleveraging strategy, the revolving credit facility was permanently reduced to \$675.0 million. The Investment Partnership repaid \$225.0 million to the lenders in return for the right of the Investment Partnership or one of its affiliates to purchase its debt in the future at a discount to par value, subject to certain conditions. In June 2010, February 2010 and

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

December 2009, the Investment Partnership purchased \$75.0 million, \$37.5 million and \$25.0 million, respectively, of its own debt for a purchase price of 85% of par value, or \$63.8 million, \$31.9 million and \$21.3 million, respectively, with a realized gain on extinguishment of \$11.3 million, \$5.6 million and \$3.8 million, respectively, which is included in “Net realized losses from sales/dispositions on investments” in its Statement of Operations. As a result of these purchases, the revolving credit facility was permanently reduced to \$537.5 million.

The financial institutions have a security interest in the equity of AAA Guarantors. Interest on borrowings is based on LIBOR plus 1.25%, and there is a commitment fee of 0.20% payable on undrawn commitments. The credit facility matures on June 1, 2012. The amount of loans that may be borrowed under the revolving credit facility cannot exceed the borrowing base. The borrowing base is based on the value of the investments held by the Investment Partnership, including temporary investments, multiplied, in each case, by a specified advance rate (which depends on the type of investment generally ranging from 100% for cash and cash equivalents to 35% for unquoted private equity co-investments).

As of December 31, 2010, the Investment Partnership’s borrowing base is in excess of the borrowings outstanding. The Managing Investment Partner continues to monitor and stress test the borrowing base. The Managing Investment Partner recognizes that further declines in the value of the investments held by the Investment Partnership could result in a borrowing base deficiency. In light of a deficiency in the borrowing base, the Investment Partnership can cure the deficiency within five days by repaying the loans until the deficiency is cured or notify the lenders within five days that it intends to deliver a good faith plan within 60 days to address a cure of the borrowing base deficiency. Once the plan is delivered, the Investment Partnership has 270 days from the date of the initial notification of the borrowing base deficiency to cure the deficiency unless the ratio of secured debt to total assets exceeds 0.6x, in which case the deficiency must be cured within 30 days. The Investment Partnership is in compliance with its loan covenants as of December 31, 2010, and the ratio of the borrowing base to covered debt was 2.0 to 1.0. The Managing Investment Partner continues to realize assets where deemed appropriate in order to strengthen its borrowing base and the Investment Partnership has opted out of any further investment commitments.

As of December 31, 2010 and 2009, the Investment Partnership’s borrowings outstanding under the loan facility amounted to \$537.5 million and \$650.0 million, respectively.

Due to the bankruptcy of Lehman Commercial Paper Inc. (“Lehman”), an original lender under the credit facility with a current aggregate commitment of \$37.5 million to the revolving credit facility, we do not believe Lehman will fund any additional borrowing requests to the extent we payback the credit facility and seek future drawdown.

6. 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

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

with Apollo Alternative Assets, is responsible for selecting, evaluating, structuring, performing due diligence, negotiating, executing, monitoring and exiting the investments of AAA, as well as investments of the Investment Partnership and for managing the uninvested cash of the Investment Partnership. These investment activities are carried out by Apollo's investment professionals and Apollo's investment committee pursuant to the services agreement or under the investment management agreements between Apollo and its private equity funds. As the service provider, Apollo Alternative Assets' involvement in the investments of the Investment Partnership relate primarily to investments in Apollo-sponsored capital markets funds, direct co-investments in portfolio companies of Apollo-sponsored private equity funds, other investments including an opportunistic investment in an entity formed by Apollo, and cash management activities. Apollo, and/or its affiliates, also receive directly from portfolio companies in which the Investment Partnership has 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.

Commitment— The Investment Partnership has entered into co-investment agreements which allow it to co-invest alongside Apollo Investment Fund VI and Apollo Investment Fund VII.

Due to the unprecedented market volatility and tightening of the credit markets, particularly during the fourth quarter of 2008 and the first quarter of 2009, the Investment Partnership took certain steps in an effort to ensure that it continues to maintain appropriate cash reserves should the markets deteriorate further. As part of this process, beginning in the fourth quarter of 2008 and continuing into the third quarter of 2009, the Investment Partnership exercised the right to opt out of new co-investments alongside Apollo Investment Fund VI and Apollo Investment Fund VII and their parallel investment vehicles, as permitted by its co-investment agreements. The Investment Partnership's opt-out decisions are each made on a case-by-case basis taking into consideration reserves and liquidity at the time of the potential co-investment transaction. Beginning in the third quarter of 2009, the Investment Partnership resumed making co-investments alongside the private equity funds, however, in the fourth quarter of 2009, the co-investment agreements with Apollo Investment Fund VI and Apollo Investment Fund VII were amended as described below.

Under the co-investment agreement with Apollo Investment Fund VI, the Investment Partnership agreed to co-invest with the fund in each of its investments initially in an amount equal to 12.5% of the total amount invested by Apollo Investment Fund VI, subject to certain exceptions pursuant to which the Investment Partnership may be excluded from, or may opt out of, an investment. On December 16, 2009, the co-investment agreement with Apollo Investment Fund VI was amended to provide that no new investments will be made by the Investment Partnership. In addition, the only follow-on investments that will be made are those which are expected to protect the Investment Partnership's interest in its existing portfolio companies, subject to certain exceptions pursuant to which the Investment Partnership may be excluded from, or may opt out of, an investment. Such investments will be made by the Investment Partnership and Apollo Investment Fund VI in the same proportions as the relevant portfolio company is owned by each of them at that time. These proportions reflect the fact that the

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

Investment Partnership's original percentage holding may have been diluted due to its prior exercise of opt-out rights.

Under the co-investment agreement with Apollo Investment Fund VII, the Investment Partnership has a variable co-investment commitment ranging from 0% to 12.5% of investments committed to by Apollo Investment Fund VII during each calendar year, subject to certain exceptions pursuant to which the Investment Partnership may be excluded from, or may opt out of, an investment. The co-investment percentage is set at the beginning of each calendar year by the Board of Directors of the Managing General Partner. On December 16, 2009, the co-investment agreement with Apollo Investment Fund VII was amended to provide that any follow-on investments which are expected to protect the Investment Partnership's interest in an existing portfolio company are made by the Investment Partnership and Apollo Investment fund VII in the same proportions as the relevant portfolio company is owned by each of them at that time. These proportions reflect the fact that the Investment Partnership's original percentage holding may have been diluted due to its prior exercise of opt-out rights and the annual variation in co-investment percentage. Where a follow-on investment is made with Apollo Investment Fund VII for reasons other than to protect the Investment Partnership's interest in an existing portfolio company, it will be made at the co-investment percentage that has been set by the Board of Directors of the Managing General Partner for the relevant year (or, if lower, at the percentage necessary to ensure the Investment Partnership and Apollo Investment Fund VII continue to hold the relevant portfolio company in the same proportions as it is owned by each of them at that time). Under the agreement, the Investment Partnership committed to co-invest an amount equal to 0%, 0%, 0% and 5% of new investments committed to by Apollo Investment Fund VII during the 2011, 2010, 2009 and 2008 calendar years, respectively.

The co-investment agreements are subject to certain exceptions pursuant to which the Investment Partnership may be excluded from, or may opt out of, an investment where, despite having used reasonable best efforts to ensure that it has sufficient cash at hand, the Investment Partnership does not have sufficient cash, or where there is a reasonable likelihood that its participation in the relevant investment would result in a violation of the provisions of any applicable statute, rule, regulation, order or policy or (in the case of the co-investment agreement with Apollo Investment Fund VII) when disclosure of the Investment Partnership's participation in a particular investment would be required and when that disclosure would (as reasonably determined by the general partner of Apollo Investment Fund VII) prejudice Apollo Investment Fund VII's ability to implement the investment plan for the relevant investment.

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

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

governing bodies, including the board of directors of the Managing General Partner and the board of directors of the Managing Investment Partner.

Under the services agreement, AAA and the other service recipients have 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 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 our Partnership, 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 our Partnership or the Investment Partnership outstanding at the end of such period, and (iii) the cumulative distributable earnings of our Partnership 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 our Partnership for the repurchase of limited partner interests in our Partnership during such period, (y) an amount equal to our capital invested in Apollo-sponsored funds, and (z) the average of the daily values of our temporary investments held during such three month period, plus any of our 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 our 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.

The foregoing calculation of "adjusted assets" will be adjusted to exclude (i) one-time events pursuant to changes in U.S. GAAP as well as (ii) any non-cash items jointly agreed to by the Managing General Partner (with the approval of a majority of its independent directors) and Apollo. Generally, it is anticipated that adjusted assets for the purpose of the management fee will be approximately equal to our asset value, which includes the value of assets acquired with the proceeds of borrowings incurred by us, if any, less (i) the value of our capital investments in the Apollo-sponsored funds and (ii) the value of our temporary investments. The management fee under the services agreement therefore reflects the value of unrealized investments, other than in respect of capital invested in Apollo-sponsored funds. In respect of capital invested in Apollo-sponsored funds, Apollo will receive management fees directly from the relevant funds.

Prior to the second quarter of 2007, the period that the profits on the investments of the Investment Partnership that were subject to a carried interest equaled the managers' commissions and placement fees and the other fees and expenses that AAA incurred in connection with AAA's initial offering and related transactions, the management fee that was payable under our services agreement in respect of the quarterly period was subject to reduction by the lower of (i) the aggregate amount of "allocable fund distributions" to Apollo and its affiliates during such period and (ii) (x) 5% of the gross income (other than income that qualifies as capital gain) earned by or allocated to AAA for U.S. federal income tax purposes during such period minus (y) any gross

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

income earned by or allocated to our partnership for U.S. federal income tax purposes during such period that is not “qualifying income” as defined in Section 7704(d) of the U.S. Internal Revenue Code. To the extent that the amount of reductions to the management fee in a particular quarterly period exceeded the amount of the management fee payable in respect of that period, Apollo Alternative Assets was required to credit the difference against any future management fees that became payable under our services agreement. For the years ended December 31, 2010 and 2009, the Investment Partnership’s management fees were \$14.5 million and \$9.4 million, respectively. Management fees payable of \$4.5 million and \$2.3 million are included in Due to Affiliates in the Investment Partnership’s Statement of Assets and Liabilities at December 31, 2010 and 2009, respectively.

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.

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:

- ***Co-Investment Facilities***—The General Partner is generally entitled to a carried interest that will 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) after capital contributions in respect of realized investments made pursuant to that co-investment facility have been recovered. The General Partner’s carried interest in respect of each investment made pursuant to the co-investment agreement with Apollo Investment Fund VI is subject to the Investment Partnership first achieving a preferred return of 8% per annum on the capital invested pursuant to the agreement. There is no preferred return requirement in determining carried interest relating to co-investments alongside Fund VII. Once such preferred return has been achieved, the General Partner will be entitled to the next 2% (25% of 8%) of net realized gains and, thereafter, such gains will 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 will not be netted against other co-investment facilities in future Apollo private equity funds.
- ***Apollo Strategic Value Fund***—An affiliate of Apollo will be 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

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

Investment Partnership withdraws from Apollo Strategic Value Fund after losses were incurred.

- ***Apollo Asia Opportunity Fund***—An affiliate of Apollo will be entitled to a carried interest for each year on 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 withdraws from Apollo Asia Opportunity Fund after losses were incurred. Effective March 31, 2009, the Apollo Asia Opportunity Fund reduced the management fees and carried interest on all existing capital, excluding capital converted into liquidating shares. The management fee was reduced from an annual rate of 2.0% to 1.5% and the annual carried interest was reduced from 20% to 15% of the net profits for all shares outstanding as of January 2, 2009. The liquidating shares are subject to the standard rates of 2% annually for management fees and 20% annually for carried interest.

As part of the reorganization of the Apollo Asia Opportunity Fund, \$5.0 million of the Investment Partnership's investment in Apollo Asia Opportunity Fund was subject to an additional one year lock-up that expired March 31, 2010. This capital that was subject to the additional one year lock-up is subject to fees of 1% annually for management fees and 10% annually for carried interest. These rates will remain effective until one year after the first month-end date when the high water mark with respect to such investments has been recovered at which point the fees will revert to 1.5% annually for management fees and 15% annually for carried interest. As of December 31, 2010, the high-water mark had not been recovered.

- ***Other Apollo Capital Markets Funds***— As part of the monetization plan for Apollo Investment Europe effective July 10, 2009, there are no future incentive fees in respect of Apollo Investment Europe, and the management fee was reduced from 2% of gross assets to 1.5% of net assets. The manager of Apollo Investment Europe waived all accrued but unpaid incentive and management fees through June 30, 2009. For the Apollo European Principal Finance Fund, an affiliate of Apollo is entitled to a carried interest that will allocate to it 20% of the realized returns generated by the fund after capital contributions in respect of realized investments and expenses have been returned to the limited partners, and subject to achieving an 8% preferred return (with a full catch-up) on such capital contributions. Apollo Credit Senior Loan Fund does not charge carried interest.
- ***Other Opportunistic Investments***—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 each of the other opportunistic investments made by the Investment Partnership. Realized gains and losses on an other opportunistic investment will not be netted against any other opportunistic investments. At December 31, 2010 and 2009, other opportunistic investments include the investment in Apollo Life Re Ltd.
- ***Temporary Investments***—The General Partner is not entitled to a carried interest with respect to temporary investments.

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

For the years ended December 31, 2010 and 2009, the General Partner was allocated \$1.8 million and (\$0.1) million, respectively, related to changes in carried interest on private equity co-investments. For the years ended December 31, 2010 and 2009, \$9.6 million and \$0.4, respectively, was allocated to the General Partner by the Investment Partnership for carried interest on other opportunistic investments. For the years ended December 31, 2010 and 2009, affiliates of Apollo received \$2.2 million and \$0.0, respectively, related to carried interest for appreciation in net asset values in certain capital markets funds.

Apollo enters into transaction and monitoring agreements with the portfolio companies of its private equity funds as well as opportunistic investments in which it receives periodic fees for assisting the portfolio companies and opportunistic investments on an ongoing basis with respect to management, operational and other matters Apollo may also receive transaction and closing fees in connection with portfolio company investments, which may be capitalized as cost of investments by AAA. In the case of unconsummated investments Apollo may recognize potential break-up fees. For the years ended December 31, 2010 and 2009, Apollo received monitoring, transaction, closing and break-up fees of \$13.3 million and \$9.6 million, respectively, related to the Investment Partnership's portion of direct investments in private equity co-investments and opportunistic investments.

From time to time, the Investment Partnership may participate in transactions with affiliates of its 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.

Investment in Apollo Strategic Value Fund—The remainder of the Investment Partnership's investment in the Apollo Strategic Value Fund is in liquidating shares issued by the Apollo Strategic Value Fund. The liquidating shares were initially allocated a pro rata portion of each 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 years ended December 31, 2010 and 2009, the Investment Partnership received proceeds from redemptions of \$35.3 and \$163.4 million, respectively, from the Apollo Strategic Value Fund. As a result of the redemptions during the years ended December 31, 2010 and 2009, the Investment Partnership realized gains/(losses) on redemptions of \$4.9 and (\$13.8) million, respectively.

Investment in Apollo Asia Opportunity Fund—During 2009, the Investment Partnership requested redemptions of portions of its outstanding shares of the Apollo Asia Opportunity Fund with values of \$140.0 million, which were converted into liquidating shares. The liquidating shares were initially allocated a pro rata portion of each of the Apollo Asia Opportunity 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

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

expenses incurred or reserves set by the Apollo Asia Opportunity Fund. At December 31, 2010, the remainder of the liquidating shares of Apollo Asia Opportunity Fund had a fair value of \$45.0 million. During the years ended December 31, 2010 and 2009, the Investment Partnership received proceeds from redemptions of \$61.8 million and \$49.3 million, respectively, from Apollo Asia Opportunity Fund and realized losses of \$0.4 million and \$3.9 million, respectively, on these redemptions.

Debt Investment Vehicles—At December 31, 2010 and 2009, included in the Investment Partnership’s co-investments in portfolio companies are investments in certain debt investment vehicles and direct investments in the debt of certain private equity co-investment portfolio companies. These vehicles were formed by affiliates of Apollo to invest, either directly or indirectly, in the debt securities of a number of companies, including the debt securities of certain of Apollo’s portfolio companies, to capitalize on the volatility in the credit markets. These vehicles’ portfolios of debt securities include exposure to the debt of a number of Apollo Investment Fund VI portfolio companies, including, but not limited to, CEVA Logistics, Claire’s Stores Inc., Caesars Entertainment Corp., Realogy Corp and Momentive Performance Materials.

Asset Management—During 2009, Apollo formed Athene Asset Management LLC (“Athene Asset Management”), an asset manager that provides asset management services to Athene Life Re Ltd. and its affiliates (“Athene Life Re”), and other third parties. In addition, certain Apollo affiliates manage assets for Athene Asset Management and earn sub-advisory fees for these services. For the years ended December 31, 2010 and 2009, Athene Asset Management and other Apollo Affiliates earned asset allocation fees and subadvisory fees, net of subadvisory fees paid to parties not affiliated with Apollo, of \$7.4 million and \$0.5 million, respectively, from Athene Life Re based upon the assets under management.

Due to Affiliates—Included in due to affiliates at December 31, 2010 and 2009 is \$0.2 million and \$0.0 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, the manager of the Investment Partnership, participate in certain of the investments in which the Investment Partnership invests.

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

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, 2010	As of December 31, 2009
Apollo Strategic Value Fund	\$ 18,077	\$ 15,426
Apollo Investment Europe	6,254	9,284
Apollo Asia Opportunity Fund	5,477	4,876
Apollo European Principal Finance Fund	4,328	2,049
Apollo Investment Fund VI	84,161	50,980
Apollo Investment Fund VII	53,805	26,730

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, 2010 and 2009 the directors owned 2,255,984 units of AAA, respectively. This excludes 2.5 million and 3.0 million units owned by an affiliate of Apollo, which certain directors are deemed to beneficially own at December 31, 2010 and 2009, respectively.

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

7. FINANCIAL HIGHLIGHTS

Financial highlights for AAA were as follows (in thousands, except per unit amounts):

	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
Per unit operating performance:			
Net asset value at the beginning of the period	\$ 13.65	\$ 8.77	\$ 22.06
Income (loss) from investment operations:			
Net investment (loss) / income	(0.19)	0.05	(0.03)
Net gain/(loss) from investments	4.09	4.79	(12.73)
Total from investment operations	3.90	4.84	(12.76)
Capital distributions	(0.07)	—	(0.50)
Capital contributions	—	0.04	0.03
Share repurchases	(0.51)	—	—
Accretion from share repurchases/effect of dilution	1.19	—	(0.06)
Net asset value at end of the period	\$ 18.16	\$ 13.65	\$ 8.77
Total return	28.43%	54.97%	(59.22)%
Percentage and supplemental data:			
Net assets at the end of the period	\$ 1,636,716	\$ 1,324,540	\$ 850,444
Ratio to average net assets:			
Expenses	2.56%	3.58%	2.70%
Investment income	(1.25)%	0.48%	0.19%

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.

AAA's turnover ratio for the years ended December 31, 2010, 2009 and 2008 were 19%, 51%, and 0% , respectively.

8. COMMITMENTS AND CONTINGENCIES

AAA and the Investment Partnership are, from time to time, 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 its business.

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

On or about March 21, 2009, an entity known as LLDVF, L.P., which alleges that it is an investor in certain notes with a face amount of \$43,500,000 issued by Linens 'n Things, Inc. ("Linens"), commenced an action in the United States District Court for the District of New Jersey against, inter alia, certain affiliates of AAA's investment manager, two Apollo partners, certain Apollo investment entities relating to the Linens transaction, certain current and former officers and directors of Linens, and certain other investors in Linens, alleging violations of the Federal Securities Laws and the making of negligent misrepresentations respecting the financial condition and future prospects of Linens from at least March 27, 2007 until May 2, 2008, the date on which Linens filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. On July 10, 2009, the plaintiff effectuated service of the summons and complaint on the defendants. As stipulated by the parties and ordered by the court, on September 23, 2009, the plaintiff filed an amended complaint, which brings the same causes of action as alleged in the original complaint. On November 23, 2009, the defendants filed motions to dismiss the amended complaint. On August 12, 2010, the court granted the defendants' motions to dismiss without prejudice and subsequently agreed to allow plaintiff until September 30, 2010 to file a second amended complaint in order to cure any deficiencies identified in the court's ruling. Plaintiff filed its second amended complaint on September 30, 2010, and this most recently amended complaint asserts the same causes of action set forth in its first amended complaint, but no longer names the two other Linens investors as defendants. On November 30, 2010, the court granted the plaintiff's and the defendants' joint request for a stay of the litigation pending an out-of-court mediation. The court further ordered the parties to submit a joint stipulation setting forth a proposed schedule for the defendants' response to plaintiff's second amended complaint if the parties' out-of-court mediation fails to resolve the litigation by February 15, 2011. On February 14, 2011, the parties jointly reported to the court that meaningful settlement discussions are continuing, and requested the court to extend the stay of proceedings from February 15, 2011 to March 15, 2011.

On July 16, 2008, an affiliate of the AAA's investment manager was joined as a defendant in a pre-existing purported class action pending in Massachusetts federal court against, among other defendants, numerous private equity firms. The suit alleges that beginning in mid-2003, certain affiliates of AAA's investment manager and the other private equity firm defendants violated the U.S. antitrust laws by forming "bidding clubs" or "consortia" that, among other things, rigged the bidding for control of various public corporations, restricted the supply of private equity financing, fixed the prices for target companies at artificially low levels and allocated amongst themselves an alleged market for private equity services in leveraged buyouts. The suit seeks class action certification, declaratory and injunctive relief, unspecified damages and attorneys' fees. On August 27, 2008, the affiliate of AAA's investment manager and its co-defendants moved to dismiss plaintiffs' complaint and on November 20, 2008, the court granted the motion. The court also dismissed two other defendants, Permira and Merrill Lynch. In an order dated August 18, 2010, the court granted in part and denied in part plaintiffs' motion to expand the complaint and to obtain additional discovery. The court ruled that plaintiffs could amend the complaint and obtain discovery in a second discovery phase limited to eight additional transactions. The court gave the plaintiffs until September 17, 2010 to amend the complaint to include the additional eight transactions. On September 17, 2010, the plaintiffs filed a motion to amend the complaint by

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

adding the additional eight transactions and adding the affiliate of AAA's investment manager as a defendant. On October 6, 2010, the court granted plaintiffs' motion to file the fourth amended complaint. Plaintiffs' fourth amended complaint, filed on October 7, 2010, adds the affiliate of AAA's investment manager as a defendant. On November 4, 2010, the affiliate of AAA's investment manager moved to dismiss, arguing that the claims against it are time-barred and that the allegations against it are insufficient to state an antitrust conspiracy claim. The motion to dismiss has been fully briefed and the parties are awaiting the court's decision.

Various state attorneys general and federal and state agencies have initiated industry-wide investigations into the use of placement agents in connection with the solicitation of investments, particularly with respect to investments by public pension funds. Certain affiliates of Apollo have received subpoenas and other requests for information from various government regulatory agencies and investors in Apollo's funds, seeking information regarding the use of placement agents. CalPERS, one of Apollo's Strategic Investors, announced on October 14, 2009, that it had initiated a special review of placement agents and related issues. Apollo is cooperating with all such investigations and other reviews. In addition, on May 6, 2010, the California Attorney General filed a civil complaint against Alfred Villalobos and his company, Arvco Capital Research, LLC (a placement agent that Apollo has used) and Federico Buenrostro Jr., the former CEO of CalPERS, alleging conduct in violation of certain California laws in connection with CalPERS's purchase of securities in various funds, including AAA and certain other funds managed by Apollo and another asset manager. Apollo is not a party to the civil lawsuit and the lawsuit does not allege any misconduct on the part of Apollo. Apollo believes that it has handled its use of placement agents in an appropriate manner.

Although the ultimate outcome of the foregoing matters cannot be ascertained at this time, it is the opinion of the Managing General Partner and Managing Investment Partner, after consultation with counsel, that the resolution of such matters will not have a material adverse effect on the financial condition of the Partnership; such resolution may, however, have a material effect on the operating results in any future period, depending on the level of income for such period.

During the normal course of business, through its co-investments in portfolio companies of Apollo Investment Fund VI, Apollo Investment Fund VII, and investments in Apollo sponsored funds, the Investment Partnership makes commitments to fund such investments in the future.

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

As of December 31, 2010, AAA had no outstanding commitments for future funding. As of December 31, 2010, the Investment Partnership had the following outstanding commitments for future funding, with amounts in thousands:

<i>(in thousands)</i>	Outstanding Capital Commitments
Apollo Life Re Ltd	\$ 100,000
Apollo Credit Senior Loan Fund	8,300
Apollo European Principal Finance Fund	41,200
	\$ 149,500

During 2010, the Investment Partnership sold 65.8% of its interest in Apollo European Principal Finance Fund to parties that are not affiliated with Apollo. These sales reduced the Investment Partnership's total commitment to €77.0 million, of which €30.8 million (approximately \$41.2 million) was undrawn at December 31, 2010. The interests in Apollo European Principal Finance Fund were sold at a 9% discount to the Euro denominated June 30, 2010 net asset value with a true up for cash flows that occurred subsequent to June 30, 2010. The Investment Partnership received proceeds of €75.4 million (approximately \$105.5 million), from the sales of its interest in Apollo European Principal Finance Fund and reflected a net loss from investments on the sale of approximately \$9.5 million, including the reversal of previously recognized unrealized appreciation of \$11.8 million offset in part by a realized gain of \$2.3 million related to the sale proceeds in excess of original cost.

The commitment to the Apollo European Principal Finance Fund has a life of five years plus two one-year extensions from December 22, 2009, the final closing of the fund. Distributed capital can be recalled for an 18-month recycle period.

Whether these commitments will be consummated depends on the satisfaction of a number of conditions, some or all of which may not be in our control. No assurances can be made as to whether or when these commitments will be consummated, if at all.

The Investment Partnership may follow an over-commitment approach when making investments in order to maximize the amount of its capital that is invested at any given time. When an over-commitment approach is followed, the aggregate amount of capital committed by the Investment Partnership to, or to co-investment programs with, private equity funds and capital markets funds at a given time may exceed the aggregate amount of cash and available credit lines that the Investment Partnership has available for immediate investment. The general partners of Apollo-sponsored private equity funds and capital markets funds are permitted to make calls for capital contributions and therefore the Investment Partnership may be obliged to make payments on completion of co-investments following the expiration of a relatively short

FINANCIAL STATEMENTS OF AP ALTERNATIVE ASSETS, L.P.

notice. As the service provider under the services agreement, Apollo is responsible for carrying out these activities for the Investment Partnership.

Apollo takes into account estimated cash flows to and from investments when planning investment and cash management activities with the objective of seeking to ensure that the Investment Partnership is able to honor the Investment Partnership's commitments as and when they become due.

In connection with the Investments Partnership's commitment to co-invest alongside Apollo Investment Fund VI and Apollo Investment Fund VII, the Investment Partnership has the right to opt-out of future investments if the Investments Partnership does not have sufficient cash on hand to fund the investments. Due to the unprecedented market volatility and tightening of the credit markets, particularly during the fourth quarter of 2008 and the first quarter of 2009, the Investment Partnership took certain steps in an effort to ensure that it continues to maintain appropriate cash reserves should the markets deteriorate further. As part of this process, beginning in the fourth quarter of 2008 and continuing into the third quarter of 2009, the Investment Partnership exercised the right to opt out of new co-investments alongside Apollo Investment Fund VI and Apollo Investment Fund VII and their parallel investment vehicles, as permitted by its co-investment agreements. The Investment Partnership's opt-out decisions are each made on a case-by-case basis taking into consideration reserves and liquidity at the time of the potential co-investment transaction. Beginning in the third quarter of 2009, the Investment Partnership resumed making co-investments alongside the private equity funds, however, in the fourth quarter of 2009, the co-investment agreements with Apollo Investment Fund VI and Apollo Investment Fund VII were amended. See Note 6, "Relationship with Apollo and Related Party Transactions". Under the co-investment agreement with Apollo Investment Fund VII, the Investment Partnership committed to co-invest an amount equal to 0%, 0%, 0% and 5% of new investments committed to by Apollo Investment Fund VII during the 2011, 2010, 2009 and 2008 calendar years, respectively.

In the normal course of business, the Investment Partnership may be required to make representations about the business and financial affairs of a portfolio company or other investment, generally in connection with the sale of assets. The Investment Partnership may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. The Investment Partnership does not believe such indemnities have a material impact on 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 year ended December 31, 2010 and 2009. These quarterly results were prepared in accordance with U.S. generally accepted accounting principles and reflect all adjustments that are, in the opinion of the Managing General Partner, necessary for a fair statement of the results:

	For the Three Months Ended March 31, 2010	For the Three Months Ended June 30, 2010	For the Three Months Ended September 30, 2010	For the Three Months Ended December 31, 2010
Investment income	\$ 3,868	\$ 2,698	\$ 4,620	\$ 7,536
Investment expense	(6,754)	(6,698)	(10,496)	(9,888)
General and administrative expenses	(759)	(828)	(561)	(640)
Net investment loss	(3,645)	(4,828)	(6,437)	(2,992)
Net realized gains from sales	8,921	13,213	3,801	7,755
Net change in unrealized depreciation on investments	106,916	(19,172)	103,285	160,540
Net (decrease) increase in net assets resulting from operations	<u>\$ 112,192</u>	<u>\$ (10,787)</u>	<u>\$ 100,649</u>	<u>\$ 165,303</u>

	For the Three Months Ended March 31, 2009	For the Three Months Ended June 30, 2009	For the Three Months Ended September 30, 2009	For the Three Months Ended December 31, 2009
Investment income	\$ 10,231	\$ 4,776	\$ 7,999	\$ 17,351
Investment expense	(9,783)	(8,430)	(8,585)	(6,462)
General and administrative expenses	(648)	(672)	(600)	(378)
Net investment (loss) income	(200)	(4,326)	(1,186)	10,511
Net realized (losses) gains from sales	(61,400)	(6,226)	3,734	1,774
Net change in unrealized depreciation on investments	(84,371)	276,888	284,558	49,819
Net (decrease) increase in net assets resulting from operations	<u>\$ (145,971)</u>	<u>\$ 266,336</u>	<u>\$ 287,106</u>	<u>\$ 62,104</u>

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

INDEX TO FINANCIAL STATEMENTS

	PAGE
Independent Auditor's Report.	F-35
Statement of Assets and Liabilities as of December 31, 2010 and 2009	F-37
Schedule of Investments as of December 31, 2010 and 2009	F-38
Statement of Operations for the years ended December 31, 2010 and 2009	F-40
Statement of Changes in Net Assets for the years ended December 31, 2010 and 2009	F-41
Statement of Cash Flows for the years ended December 31, 2010 and 2009	F-42
Notes to Financial Statements	F-43

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

INDEPENDENT AUDITOR'S REPORT TO THE MANAGING GENERAL PARTNER OF AAA INVESTMENTS, L.P.

We have audited the financial statements of AAA Investments, L.P. for the year ended December 31, 2010 which comprise the Statement of Assets and Liabilities, the Statement of Operations, the Statement of Changes in Net Assets, the Statements of Cash Flows and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and accounting principles generally accepted in the United States of America.

This report is made solely to the Investment Partnership's partners, as a body, in accordance with section 18 of The Limited Partnerships (Guernsey) Law, 1995. Our audit work has been undertaken so that we might state to the partners those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Investment Partnership and the Investment Partnership's partners as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Managing Investment Partner and Auditor

As described in the Statements of Responsibility, the Managing Investment Partner is responsible for preparing the financial statements and for being satisfied that they give a true and fair view.. Our responsibility is to audit the financial statements in accordance with relevant Guernsey legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the Partnership's affairs as at December 31, 2010 and of its return for the year then ended;
- have been prepared accordance with The Limited Partnerships (Guernsey) Law, 1995 and the Limited Partnership Agreement; and
- the financial statements have been properly prepared in accordance with the Netherlands Financial Supervision Act (Wet op het Financieel Toericht) insofar applicable.

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

Emphasis of matter – Fair Value of Investments

In forming our opinion on the financial statements, which is not qualified we have considered the disclosure in notes 2 and 3 AAA Investments, L.P.'s financial statements concerning the valuation of investments. The Directors of the General Partner have estimated the fair value of the investments that are not publicly traded at \$1,747.3 million (79.6% of total assets). This value has been estimated by the Directors of the General Partner in the absence of readily ascertainable market value. However, because of the inherent uncertainty of the valuation, the estimated value may differ materially from the value that would have been realised had a disposal of the investments been made between a willing buyer and seller.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where our letter of engagement requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP

Chartered Accountants

Guernsey

15 February 2011

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

AAA INVESTMENTS, L.P. STATEMENT OF ASSETS AND LIABILITIES (in thousands)		
	As of December 31, 2010	As of December 31, 2009
ASSETS		
Investments:		
Co-investments – Apollo Investment Fund VI and Apollo Investment Fund VII at fair value (cost of \$1,099,111 in 2010 and \$1,115,631 in 2009)	\$ 1,156,112	\$ 907,813
Investment in Apollo Strategic Value Offshore Fund, Ltd. at fair value (cost of \$113,772 in 2010 and \$144,111 in 2009)	160,262	184,575
Investment in Apollo Asia Opportunity Offshore Fund, Ltd. at fair value (cost of \$102,530 in 2010 and \$164,813 in 2009)	110,029	158,597
Investment in Other Apollo Capital Markets Funds at fair value (cost of \$339,239 in 2010 and \$442,569 in 2009)	162,996	246,625
Investment in Opportunistic Investments at fair value (cost of \$201,098 in 2010 and \$98,002 in 2009)	249,900	87,900
Total Investments	1,839,299	1,585,510
Cash and cash equivalents	349,599	389,371
Other assets	6,338	10,008
Due from affiliates	175	47
TOTAL ASSETS	2,195,411	1,984,936
LIABILITIES		
Borrowings under credit facility	537,500	650,000
Accounts payable and accrued liabilities	1,734	1,994
Due to affiliates	5,570	6,067
NET ASSETS	\$ 1,650,607	\$ 1,326,875
NET ASSETS CONSIST OF		
Partners' capital	\$ 1,684,805	\$ 1,742,830
Accumulated decrease in net assets resulting from operations	(34,198)	(415,955)
	\$ 1,650,607	\$ 1,326,875
See accompanying notes to financial statements.		

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

AAA INVESTMENTS, L.P. SCHEDULE OF INVESTMENTS (in thousands)			
	Cost	Fair Value	Fair Value as a Percentage of Net Assets
As of December 31, 2010:			
Co-investments in Apollo Investment Fund VI and Apollo Investment Fund VII portfolio companies:			
Caesars Entertainment Corp. ⁽²⁾	\$ 176,729	\$ 99,000	6.0 %
AP Charter Holdings L.P.	44,519	89,471	5.4 %
Rexnord Corporation	37,461	133,700	8.1 %
Leverage Source, L.P.	140,743	115,677	7.0 %
Momentive Performance Materials Holdings Inc. ⁽³⁾	76,007	137,992	8.4 %
All others ⁽¹⁾	623,652	580,272	35.1 %
	<u>1,099,111</u>	<u>1,156,112</u>	<u>70.0 %</u>
 Apollo Strategic Value Offshore Fund, Ltd.	 113,772	 160,262	 9.7 %
Apollo Asia Opportunity Offshore Fund, Ltd.	102,530	110,029	6.7 %
Other Apollo Capital Market Funds	339,239	162,996	9.9 %
Other Opportunistic Investments - Apollo Life Re Ltd.	201,098	249,900	15.1 %
	<u>\$ 1,855,750</u>	<u>\$ 1,839,299</u>	<u>111.4 %</u>
As of December 31, 2009:			
Co-investments in Apollo Investment Fund VI and Apollo Investment Fund VII portfolio companies:			
Harrah's Entertainment Inc. ⁽²⁾	\$ 165,625	\$ 126,000	9.5 %
AP Charter Holdings L.P.	45,107	82,955	6.3 %
Rexnord Corporation	37,461	82,700	6.2 %
All others ⁽¹⁾	867,438	616,158	46.4 %
	<u>1,115,631</u>	<u>907,813</u>	<u>68.4 %</u>
 Apollo Strategic Value Offshore Fund, Ltd.	 144,111	 184,575	 13.9 %
Apollo Asia Opportunity Offshore Fund, Ltd.	164,813	158,597	12.0 %
AP Investment Europe Limited	339,488	135,473	10.2 %
Apollo European Principal Finance Fund, L.P.	103,081	111,152	8.4 %
Other Opportunistic Investments- Apollo Life Re Ltd	98,002	87,900	6.6 %
	<u>\$ 1,965,126</u>	<u>\$ 1,585,510</u>	<u>119.5 %</u>

- (1) The Investment Partnership owns equity, as a private equity co-investment, and debt, through its investment in Autumnleaf, L.P. and Apollo Fund VI BC, L.P. in CEVA Logistics. The Investment Partnership's combined share of these debt and equity investments is greater than 5% of the Investment Partnership's net asset value and is valued at \$124.6 million and \$97.8 million at December 31, 2010 and 2009, respectively.
- (2) In addition to the Investment Partnership's private equity co-investment in Caesars Entertainment Corporation. (formerly Harrah's Entertainment Inc.) noted above, the Investment Partnership has an ownership interest in Leverage Source, L.P. which owns debt of Caesars Entertainment Corporation. The Investment Partnership's combined share of these debt and equity investments is greater than 5% of the Investment Partnership's net asset value and is valued at \$102.8 million and \$129.4 million at December 31, 2010 and 2009, respectively.
- (3) In addition to the Investment Partnership's private equity co-investment in Momentive Performance Materials Holdings Inc. ("Momentive") noted above, the Investment Partnership has an ownership interest in the debt of Momentive. The Investment Partnership's combined share of these debt and equity investments is greater than 5% of the Investment Partnership's net asset value and is valued at \$138.8 million at December 31, 2010.

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

AAA INVESTMENTS, L.P. SCHEDULE OF INVESTMENTS (continued) (in thousands)			
	Cost	Fair Value	Fair Value as a Percentage of Net Assets
As of December 31, 2010:			
Investments by Geography:			
North America	\$ 1,413,096	\$ 1,526,498	92.4%
Asia Pacific	102,530	110,029	6.7%
Europe	340,124	202,772	12.3%
	<u>\$ 1,855,750</u>	<u>\$ 1,839,299</u>	<u>111.4%</u>
Investments by Industry:			
Affiliated Fund	\$ 555,541	\$ 433,286	26.2%
Media, Cable & Leisure	420,173	331,171	20.1%
Consumer & Retail	95,022	89,200	5.4%
Manufacturing & Industrial	39,599	135,838	8.2%
Packaging & Materials	21,799	121,976	7.4%
Distribution & Transportation	19,107	55,635	3.4%
Chemicals	76,007	137,992	8.4%
Financial & Business Services	332,599	264,309	16.0%
Other	295,903	269,892	16.3%
	<u>\$ 1,855,750</u>	<u>\$ 1,839,299</u>	<u>111.4%</u>
As of December 31, 2009:			
Investments by Geography:			
North America	\$ 1,340,158	\$ 1,129,622	85.1%
Asia Pacific	164,813	158,597	12.0%
Europe	460,155	297,291	22.4%
	<u>\$ 1,965,126</u>	<u>\$ 1,585,510</u>	<u>119.5%</u>
Investments by Industry:			
Affiliated Fund	\$ 751,493	\$ 589,797	44.5%
Media, Cable & Leisure	409,657	312,056	23.5%
Consumer & Retail	95,022	87,400	6.6%
Manufacturing & Industrial	50,830	85,000	6.4%
Packaging & Materials	78,411	105,322	7.9%
Distribution & Transportation	19,056	48,631	3.7%
Chemicals	19,395	19,000	1.4%
Financial & Business Services	229,502	102,435	7.7%
Other	311,760	235,869	17.8%
	<u>\$ 1,965,126</u>	<u>\$ 1,585,510</u>	<u>119.5%</u>
See accompanying notes to financial statements.			

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

AAA INVESTMENTS, L.P. STATEMENT OF OPERATIONS (In thousands)		
	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009
INVESTMENT INCOME:		
Interest, dividends and gains from short-term investments	\$ 18,732	\$ 40,379
EXPENSES:		
Management fees	(14,502)	(9,416)
General and administrative expenses	(19,344)	(23,857)
NET INVESTMENT (LOSS) INCOME	(15,114)	7,106
REALIZED AND UNREALIZED GAINS (LOSSES) FROM INVESTMENTS		
Net realized gains (losses) from sales/dispositions on investments	33,708	(62,151)
Net change in unrealized depreciation/appreciation on investments	363,163	527,432
NET GAIN FROM INVESTMENTS	396,871	465,281
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 381,757	\$ 472,387
See accompanying notes to financial statements.		

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

AAA INVESTMENTS, L.P. STATEMENT OF CHANGES IN NET ASSETS (in thousands)			
	General Partner	Limited Partner	Total
For the Year Ended December 31, 2009:			
NET ASSETS — December 31, 2008	\$ 1,816	\$ 854,442	\$ 856,258
INCREASE IN NET ASSETS FROM OPERATIONS			
Net investment income	9	7,097	7,106
Net gain from investments	505	464,776	465,281
Net increase in net assets resulting from operations:	514	471,873	472,387
NET DECREASE FROM CAPITAL TRANSACTIONS			
Partners' capital contributions	2	4,121	4,123
Partners' capital distributions	(396)	(5,497)	(5,893)
Net change from capital transactions	(394)	(1,376)	(1,770)
TOTAL INCREASE IN NET ASSETS	120	470,497	470,617
NET ASSETS — December 31, 2009	\$ 1,936	\$ 1,324,939	\$ 1,326,875
For the Year Ended December 31, 2010:			
NET INCREASE IN NET ASSETS FROM OPERATIONS			
Net investment loss	—	(15,114)	(15,114)
Net gain from investments	11,612	385,259	396,871
Net increase in net assets resulting from operations:	11,612	370,145	381,757
NET DECREASE FROM CAPITAL TRANSACTIONS:			
Partners' capital contributions	—	375	375
Partners' capital distributions	(32)	(58,368)	(58,400)
Net change from capital transactions	(32)	(57,993)	(58,025)
TOTAL INCREASE IN NET ASSETS	11,580	312,152	323,732
NET ASSETS — December 31, 2010	\$ 13,516	\$ 1,637,091	\$ 1,650,607
See accompanying notes to financial statements.			

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

AAA INVESTMENTS, L.P. STATEMENT OF CASH FLOWS (in thousands)		
	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	\$ 381,757	\$ 472,387
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	(363,163)	(527,432)
Net realized (gains) losses from sales/dispositions on investments	(33,708)	62,151
Changes in operating assets and liabilities:		
Investment in Other Apollo Capital Markets Funds	(83,079)	(66,913)
Distribution/Proceeds from Other Apollo Capital Markets Funds	188,678	69,235
Distribution from Strategic Value Offshore Fund, Ltd.	35,287	163,350
Distribution from Asia Opportunity Offshore Fund, Ltd.	61,848	49,278
Investments in portfolio companies	(42,559)	(82,282)
Proceeds from portfolio companies	69,128	129,832
Investment in opportunistic investment	(103,096)	(99,647)
Proceeds from opportunistic investment	—	20,785
Decrease (increase) in other assets and due from affiliates	3,542	(2,400)
Decrease in accounts payable, accrued liabilities and due to affiliates	(757)	(4,637)
Net cash flows provided by operating activities	<u>113,878</u>	<u>183,707</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of credit facility	(95,625)	(246,250)
Partners' capital distributions	(58,400)	(5,893)
Partners' capital contributions	375	4,123
Net cash flows used in financing activities	<u>(153,650)</u>	<u>(248,020)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(39,772)	(64,313)
CASH AND CASH EQUIVALENTS — Beginning of period	389,371	453,684
CASH AND CASH EQUIVALENTS — End of period	<u>\$ 349,599</u>	<u>\$ 389,371</u>
Supplemental Disclosure of Cash Flow Information — Interest Paid	<u>\$ 9,786</u>	<u>\$ 22,571</u>
See 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. Prior to October 1, 2009, 55% of the ownership interests of the Managing Investment Partner were owned by an individual affiliated with Apollo.

The Investment Partnership is the partnership through which AAA and the General Partner make investments. These investments include investments in Apollo-sponsored private equity funds and capital markets funds. The investments in private equity consist primarily of (i) co-investments alongside private equity funds sponsored by Apollo, and (ii) purchases of secondary interests in such funds. AAA currently has co-investment agreements with 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”). In addition to investments in private equity, capital will be deployed through investments in, or co-investment arrangements with, Apollo’s capital markets-focused funds, including the Apollo Strategic Value Offshore Fund, Ltd. (“Apollo Strategic Value Fund”) (an Apollo-sponsored debt and equity investment fund focused on value-oriented and distressed securities), AP Investment Europe Limited (“Apollo Investment Europe”) (the Apollo-sponsored European mezzanine and leveraged debt investment vehicle), Apollo Asia Opportunity Offshore Fund, Ltd. (“Apollo Asia Opportunity Fund”) (the Apollo-sponsored vehicle focused on value driven, mezzanine and special opportunity corporate investments in the Asia Pacific region), Apollo European Principal Finance Fund, L.P. (“EPF”) (the Apollo-sponsored vehicle focused on opportunities in the non-performing loans (“NPLs”) sector in Europe and Apollo Credit Senior Loan Fund, L.P. (“Apollo Credit Senior Loan Fund”) (the Apollo-sponsored vehicle focused on senior secured floating rate loans). Capital is also deployed through other opportunistic investments, including an investment in Apollo Life Re Ltd., an Apollo sponsored vehicle that owns the majority of the equity of Athene Holding Ltd., the parent of Athene Life Re Ltd., a Bermuda based reinsurance company focusing on the life reinsurance sector and Athene Life Insurance Company, a recently-organized Indiana-domiciled stock life insurance company focused on the institutional GIC-backed note and funding agreement markets. AAA may also invest in additional capital markets funds, private equity funds and investments identified by

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

Apollo Alternative Assets, L.P. (“Apollo Alternative Assets,” the investment manager to both the Investment Partnership and the Partnership – see Note 6, “Relationship with Apollo and Related Party Transactions”), other opportunistic investments and in temporary investments that are made in connection with cash management activities. 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”).

In connection with the Investment Partnership’s credit facility, substantially all of the net assets of the Investment Manager are held through a series of wholly owned Guernsey limited partnerships, AAA Guarantor – SVF, L.P., AAA Guarantor – AIE, L.P., AAA Guarantor – Athene, L.P., AAA Guarantor – Co-Invest VI, L.P., AAA Guarantor – Co-Invest VII, L.P., AAA Guarantor – Apollo Credit Senior Loan Fund, L.P., AAA Guarantor – Temp, L.P., AAA Guarantor – EPF, L.P., AAA Guarantor – Asia, L.P., AAA Guarantor – Commodities Partners, L.P., AAA Guarantor – India, L.P. and AAA Guarantor – Distressed Debt, L.P. (collectively “AAA Guarantors”), that guarantee the credit facility. The AAA Guarantors make and hold all direct and indirect investments on behalf of the Investment Partnership. The financial statements of the Investment Partnership include the accounts of the wholly owned and consolidated AAA Guarantors.

The Investment Partnership’s limited partnership agreement provides that the investments it makes must comply with the investment policies and procedures that are established from time to time by the Managing General Partner’s board of directors on behalf AAA. The Partnership’s investment policies and procedures, which were developed by Apollo Alternative Assets, currently provide that, among other things, over time the Investment Partnership will invest approximately 90% of its capital in Apollo-sponsored funds and private equity transactions and, subject to market conditions, target approximately 50% or more in private equity type investments. In addition, the investment policies and procedures provide that the Investment Partnership cannot make any investment or commit to make any investment that would result in AAA or the Investment Partnership being deemed to have been formed for the purpose of making such investment under the provisions of the U.S. Investment Company Act of 1940 and related rules. Depending on the facts and circumstances, this restriction may limit the amount of capital that the Investment Partnership may invest, or commit to invest, in a single investment fund or other entity. The Investment Partnership is required to limit the amount which it is permitted to invest in any single investment fund to 40% of our gross assets, although this limit will not apply to the aggregate amount it is able to commit to any co-investment program alongside any Apollo private equity fund.

AAA’s and the Investment Partnership’s investment policies and procedures anticipate that they may use leverage. As their service provider, Apollo Alternative Assets generally has broad discretion to determine the extent to which investments use leverage and is not required to obtain specific approval from the Managing General Partner’s board of directors for the use of leverage.

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and are presented in U.S. dollars. The Partnership and the Investment Partnership follow the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (the “Codification”) as the source of authoritative accounting principles in the preparation of financial statements in conformity with U.S. GAAP. Certain investments on the balance sheet have been reclassified in the 2009 financial statement to conform to the current year’s presentation.

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 15, 2011, the 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 the Investment Partnership’s activity for the years ended December 31, 2010 and 2009 and its financial position as of December 31, 2010 and 2009.

The preparation of financial statements in conformity with U.S. GAAP requires the making of 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 Overview – Liquidity and Capital Resources” included elsewhere within this report, this assessment is based on historic and predicted timing of capital calls for the Investment Partnership’s unfunded commitments, its expected operating expenses, present sources of liquidity, its borrowing facilities and the ability to raise cash through sales of investments and other activities. For further understanding of management’s consideration of the credit facility’s impact on going concern, see Note 5 – Credit Facility.

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 our Managing General Partner and the board of directors of the Managing Investment Partner.

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

Valuation of Investments—The investments carried 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 carried 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 will make calculations as to investment value, and the services of an independent valuation firm, who performs certain agreed upon procedures with respect to valuations that are prepared by Apollo Alternative Assets to confirm that such valuations are not unreasonable at each reporting date. An investment for which a market quotation is readily available is valued using a market price for the investment as of the end of the applicable accounting period, and 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 standard for determining fair value in good faith, the methodologies described below are generally followed when the fair value of individual investments is determined.

The Investment Partnership’s financial statements include investments valued at \$1,839.3 million (111.4% of net assets) and \$1,585.5 million (119.5% of net assets) as of December 31, 2010 and 2009, respectively. At December 31, 2010 and 2009, investments included \$92.0 million and \$10.5 million, respectively, of investments valued based upon quoted market prices. The remainder of the investments’ fair values have been estimated by the Managing General Partner’s board of directors in the absence of readily determinable 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 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 the entry of powerful new entities such as sovereign wealth funds into the global investment landscape could have effects on the fair values of such investments in the 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. During the years ended December 31, 2010 and 2009, the Investment Partnership recognized \$11.2 million and \$39.8 million, respectively, of permanent impairments.

Values of Interests in Apollo-Sponsored Private Equity and Capital Markets Funds—The Investment Partnership’s interests in Apollo-sponsored private equity funds or its capital markets funds do not have a readily available market value and generally will be valued using fair value pricing. 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 a 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

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

conclude that net asset value does not 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 and 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 Other 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 case 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 would actually be able to be realized in the future, such as the possible illiquidity associated with a larger ownership position, 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 are 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. Initially, these temporary investments will result primarily from cash proceeds received from the issuance of common units prior to those proceeds being fully invested in investments over time. 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

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

fixed income investments and cash consideration received in connection with the disposal of investments. Temporary investments will be valued using readily available market prices.

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. Except for the debt obligation related to the credit facility, the Investment Partnership's financial instruments are recorded at fair value or at amounts whose carrying value approximates fair value. See the valuation policy for Investments above and Note 5 – Credit Facility.

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 (losses) from sales/dispositions and net change in unrealized depreciation/appreciation on investments in the statement of operations. At December 31, 2010 the foreign denominated investments on the books of the Investment Partnership are CEVA Logistics, Countrywide Plc, Apollo Investment Europe and Apollo European Principal Finance Fund. For the years ended December 31, 2010, and 2009, included in net change in unrealized depreciation/appreciation on investments is \$(14.1) million and \$7.2 million, respectively, related to exchange rate fluctuations on foreign denominated investments.

Cash and Cash Equivalents—Cash and cash equivalents consist of cash held in bank and liquid investments with maturities, at the date of acquisitions, 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, 2010 and 2009, cash and cash equivalents were primarily comprised of investments in money market funds sponsored by a U.S. financial institution, which are considered to be Level I in the fair value hierarchy.

Other Assets—At December 31, 2010 and 2009, other assets were primarily comprised of interest receivable, debt financing costs and prepaid insurance. Prepaid insurance is amortized on a straight-line basis over the related policy periods. Debt financing costs are amortized over the life of the credit facility.

Income Recognition—The assets of the Investment Partnership generate investment income in the form of dividends and interest. Income is recognized when earned. The Investment Partnership also records income in the form of unrealized appreciation or depreciation of its investments, as well as from realized gains and losses on the sale of investments. Any new unrealized appreciation or depreciation in the value on investments is recorded as an increase or decrease in the unrealized appreciation or depreciation of investments. This occurs at the end of each month-end accounting period when investments are valued. See "Valuation of

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

Investments,” above. 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 on the identified costs 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, See Note 6, “Relationship with Apollo and Related Party Transactions.”

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 2009, 2008 and 2007 tax years, which 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 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 and to assist AAA in making cash distributions to its unitholders in accordance with AAA’s distribution policy.

Recent Accounting Pronouncements— In January 2010, the FASB issued guidance on improving disclosures about fair value measurements. The guidance requires additional disclosure on transfers in and out of Levels I and II fair value measurements in the fair value hierarchy and the reasons for such transfers. In addition, for fair value measurements using significant unobservable inputs (Level III), the reconciliation of beginning and ending balances shall be presented on a gross basis, with separate disclosure of gross purchases, sales, issuances and settlements and transfers in and transfers out of Level III. The new guidance also requires enhanced disclosures on the fair value hierarchy to disaggregate disclosures by each class of assets and liabilities. In addition, an entity is required to provide further disclosures on valuation techniques and inputs used to measure fair value for fair value measurements that fall in either Level II or Level III. Except for the Level III reconciliation disclosures, this guidance became effective for the Investment Partnership beginning January 1, 2010. The adoption of this guidance did not have a material impact on the financial statements of the Investment Partnership. The Level III reconciliation disclosures are effective for fiscal years beginning after December 15, 2010.

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

The adoption of this guidance is not expected to have a material impact on the Investment Partnership's financial statements.

3. INVESTMENTS

Investments are valued as described above in Note 2, "Summary of Significant Accounting Policies – Valuation of Investments." At December 31, 2010 and 2009, the Investment Partnership's investments had net unrealized depreciation in its overall investments in Apollo Funds. At December 31, 2010 the Investment Partnership had net unrealized gains on its overall co-investment in portfolio companies of Apollo Investment Fund VI and Apollo Investment Fund VII and on its other opportunistic investments. At December 31, 2009, the Investment Partnership had net unrealized losses on its overall co-investment in portfolio companies of Apollo Investment Fund VI and Apollo Investment Fund VII and on its other opportunistic investments.

Fair Value Measurements

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

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

Level I—Quoted prices are available in active markets for identical investments as of the reporting date. The type 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 general and limited partnership interests in corporate private equity and real estate funds, mezzanine funds,

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

funds of hedge funds, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations.

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

The following table summarizes the valuation of the Investment Partnership's investments in fair value hierarchy levels as of December 31, 2010 and 2009:

<i>(in thousands)</i>				
As of December 31, 2010	Total	Level I	Level II	Level III
Co-investment in certain portfolio companies	\$ 91,976	\$ 91,976	\$ —	\$ —
Cash and cash equivalents	349,599	349,599	—	—
All other investments	1,747,323	—	—	1,747,323
Total	\$ 2,188,898	\$ 441,575	\$ —	\$ 1,747,323
As of December 31, 2009				
Co-investment in certain portfolio companies	\$ 10,522	\$ 10,522	\$ —	\$ —
Cash and cash equivalents	389,371	389,371	—	—
All other investments	1,574,988	—	—	1,574,988
Total	\$ 1,974,881	\$ 399,893	\$ —	\$ 1,574,988

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

<i>(in thousands)</i>		
	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009
Beginning Balance	\$ 1,574,988	\$ 1,295,885
Sales, realized losses and return of invested capital, net of purchases	(109,375)	(249,539)
Transfers into / out of Level III	(42,800)	7,579
Unrealized gains, net ⁽¹⁾	324,510	521,063
Ending Balance ⁽²⁾	\$ 1,747,323	\$ 1,574,988

(1) Unrealized gains, net, of Level I investments were \$38.7 million and \$6.4 million, respectively, for the years ended December 31, 2010 and 2009, respectively.

(2) As of December 31, 2010 and 2009, the cost basis of the Level III investments was \$1,843.9 million and \$1,957.5 million, respectively.

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

Information Regarding Certain Investments held by the Investment Partnership

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 remainder of 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 each 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.

Apollo Asia Opportunity Fund is an investment vehicle that seeks to generate attractive risk-adjusted returns across market cycles by capitalizing on investment opportunities created by the increasing demand for capital in the rapidly expanding Asian markets. In connection with a redemption requested by the Investment Partnership of its investment in Apollo Asia Opportunity Fund, a portion of the Investment Partnership's investment was converted into liquidating shares issued by the Apollo Asia Opportunity Fund. The liquidating shares were initially allocated a pro rata portion of each of the Apollo Asia Opportunity 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 or reserves set by the Apollo Asia Opportunity Fund. At December 31, 2010, the liquidating shares of Apollo Asia Opportunity Fund had a fair value of \$45.0 million.

Other Apollo Capital Markets Funds is comprised of Apollo Investment Europe, Apollo European Principal Finance Fund and Apollo Credit Senior Loan Fund. Apollo Investment Europe invests in mezzanine, debt and equity investments of both public and private, companies primarily located in Europe. Due to market conditions in 2008 and early 2009, Apollo Investment Europe's investment performance was adversely impacted, and on July 10, 2009, the company's shareholders approved a monetization plan, the primary objective of which is to maximize shareholder recovery value by (i) opportunistically selling Apollo Investment Europe's assets over a three-year period beginning in July 2009 to July 2012 (subject to a one-year extension with the consent of a majority of Apollo Investment Europe's shareholders) and (ii) reducing the overall costs of the fund. Subject to compliance with the applicable law and maintaining adequate liquidity, available cash received from the sale of assets is returned to shareholders on a quarterly basis. Apollo European Principal Finance Fund invests primarily in European non-performing loans, or NPLs. Apollo European Principal Finance Fund seeks to capitalize on the inefficiencies of financial institutions in managing and restructuring their non-performing loans. The investment in the Apollo European Principal Finance Fund has a life of five years plus two one-year extensions from December 22, 2009, the final closing of the fund. Distributed capital can be recalled for an 18-month recycle period. Apollo Credit Senior Loan Fund invests primarily in senior secured floating rate loans, subject to a one-year lockup. If the Investment Partnership withdraws all or any portion of its capital account before the one-year anniversary of any capital

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

drawdown, a management fee will be charged as if such amounts were retained in the Apollo Credit Senior Loan Fund for one year.

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

In connection with the formation of the Investment Partnership, the General Partner made a \$1.0 million cash contribution in respect of its general partner interest. To provide the Investment Partnership with additional capital for making investments, AAA contributed approximately \$1.8 billion, which represented substantially all of the cash contributions that AAA received in connection with its initial offering and related transactions to the Investment Partnership. In exchange, AAA received 100% of the limited partner interests in the Investment Partnership. Distributable earnings (losses) are allocated in accordance with the limited partnership agreement. At December 31, 2010 and 2009, the General Partner's interest in the Investment Partnership was 0.819% and 0.146%, respectively, and the limited partner's interest in the Investment Partnership was 99.181% and 99.854%, respectively. The change in the partners' respective interests from December 31, 2009 to December 31, 2010 is primarily due to an increase in the general partner's accrued carried interest. The carried interest entitles the General Partner to receive a portion of the profits generated by the investments.

In July 2010, the Board of Directors of the Managing General Partner approved the commencement of an offer to purchase for cash up to 4,545,454 common units or RDUs ("Units") for a maximum aggregate consideration of up to \$25 million (the "Tender Offer"). As a result of the Tender Offer, 6,777,308 Units were tendered by the unitholders and RDU holders. Under the terms of the Tender Offer, the price payable per Unit was determined to be \$7.00. Due to the fact that the Units tendered exceeded the \$25 million maximum amount payable by AAA pursuant to the Tender Offer (the "Maximum Amount"), the Board of Directors of the Managing General Partner on August 12, 2010 resolved, in accordance with the provisions of the Tender Offer, to increase the Maximum Amount to a level where all Units tendered in the Tender Offer would be accepted. The Maximum Amount was therefore increased to \$47.4 million, \$47.9 million inclusive of expenses, and AAA bought 6,777,308 Units pursuant to the Tender Offer. The Units acquired in the Tender Offer were cancelled.

In the year ended December 31, 2010, the Investment Partnership made partners' capital distributions of \$58.4 million to AAA primarily related to the Tender Offer, unit buyback programs, AAA's cash distributions to unitholders and expense reimbursements. During 2009, the Investment Partnership received a refund of \$4.1 million related to the prior year representing previously withheld taxes on dividends received. Since the taxes were originally withheld on behalf of AAA's unitholders, this refund is recorded as a partners' capital contribution.

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

In August 2010, April 2010 and January 2010, AAA issued 5,004 common units, 41,628 common units and 7,590 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 \$6.35, \$6.87 and \$7.52, 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 in respect of investments made by the Investment Partnership as set forth in its prospectus.

The boards of directors of the Managing General Partner and the Managing Investment Partner approved a unit purchase program for AAA to purchase through June 30, 2011, either directly or through one or more of its affiliates, AAA units for up to a maximum aggregate consideration of \$25.0 million (“On-Market Buyback Program”). During the year ended December 31, 2010, under a prior board of directors authorization, AAA purchased 135,167 units at an average price of \$6.25 per unit for total consideration of \$0.8 million pursuant to the On-Market Buyback Program. As of December 31, 2010, the remaining approved maximum aggregate consideration of \$25.0 million for the On-Market Buyback Program represents 2.8 million units based on the closing price at December 31, 2010. In light of these approvals, AAA 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 market conditions permit.

5. CREDIT FACILITY

On June 1, 2007, the Investment Partnership obtained a \$900 million senior secured revolving credit facility from certain U.S. financial institutions with the objective of funding our liquidity needs, increasing the amount of cash that is available for working capital and for making additional investments or temporary investments. On October 13, 2009, in connection with the Investment Partnership’s deleveraging strategy, the revolving credit facility was permanently reduced to \$675.0 million. The Investment Partnership repaid \$225.0 million to the lenders in return for the right of the Investment Partnership or one of its affiliates to purchase its debt in the future at a discount to par value, subject to certain conditions. In June 2010, February 2010 and December 2009, the Investment Partnership purchased \$75.0 million, \$37.5 million and \$25.0 million, respectively, of its own debt for a purchase price of 85% of par value, or \$63.8 million, \$31.9 million and \$21.3 million, respectively, with a realized gain on extinguishment of \$11.3 million, \$5.6 million and \$3.8 million, respectively, which is included in “Net realized gains (losses) from sales/dispositions” on the Statement of Operations. As a result of these purchases, the revolving credit facility was permanently reduced to \$537.5 million.

The financial institutions have a security interest in the equity of AAA Guarantors. Interest on borrowings is based on LIBOR plus 1.25%, and there is a commitment fee of 0.20% payable on undrawn commitments. The credit facility matures on June 1, 2012. The amount of loans that may be borrowed under the revolving credit facility cannot exceed the borrowing base. The borrowing base is based on the value of the investments held by the Investment Partnership, including temporary investments, multiplied, in each case, by a specified advance rate (which depends on the type of investment generally ranging from 100% for cash and cash equivalents to 35% for unquoted private equity co-investments).

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

As of December 31, 2010, the Investment Partnership's borrowing base is in excess of the borrowings outstanding. The Managing Investments Partner continues to monitor and stress test the borrowing base. The Managing Investment Partner recognizes that declines in the value of the investments held by the Investment Partnership could result in a borrowing base deficiency. In light of a deficiency in the borrowing base, the Investment Partnership can cure the deficiency within five days by repaying the loans until the deficiency is cured or notify the lenders within five days that it intends to deliver a good faith plan within 60 days to address a cure of the borrowing base deficiency. Once the plan is delivered, the Investment Partnership has 270 days from the date of the initial notification of the borrowing base deficiency to cure the deficiency unless the ratio of secured debt to total assets exceed 0.6x, in which case the deficiency must be cured within 30 days. The Investment Partnership is in compliance with its loan covenants as of December 31, 2010 and the ratio of the borrowing base to covered debt was 2.0 to 1.0. The Managing Investment Partner continues to realize assets where deemed appropriate in order to strengthen its borrowing base, and the Investment Partnership has opted out of any further investment commitments.

At December 31, 2010 and 2009, borrowings outstanding under the loan facility amounted to \$537.5 million and \$650.0 million, respectively, bearing interest at an average rate of 1.56% and 1.56%, respectively. At December 31, 2010, the estimated fair value of our debt obligation is believed to be approximately \$520.0 million based upon the implied yields of comparable publicly traded debt. However, at December 31, 2010, the carrying value of \$537.5 million that is recorded on the Investment Partnership's Statement of Assets and Liabilities is the amount for which we currently expect to settle the debt obligation on June 1, 2012. Included in Other Assets at December 31, 2010 and 2009, is \$2.8 million and \$4.8 million, respectively, of debt financing costs related to the credit facility. The debt financing costs are amortized over the life of the credit facility. Included in general and administrative expense for the years ended December 31, 2010 and 2009 is \$9.5 million and \$19.5 million, respectively, related to interest expense on the credit facility.

Due to the bankruptcy of Lehman Commercial Paper Inc. ("Lehman"), an original lender under the credit facility with a current aggregate commitment of \$37.5 million to the revolving credit facility, we do not believe Lehman will fund any additional borrowing requests to the extent we payback the credit facility and seek future drawdown.

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 or under the investment management agreements between Apollo and its private equity funds. As the service provider, Apollo Alternative Assets' involvement in the investments

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

of the Investment Partnership relates primarily to investments in Apollo-sponsored private equity funds and capital markets funds, direct co-investments in portfolio companies of Apollo-sponsored private equity funds, other investments including an opportunistic investment in an entity formed by Apollo, and cash management activities. Apollo, and/or its affiliates, also receives directly from portfolio companies in which the Investment Partnership has 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.

Commitment—The Investment Partnership has entered into co-investment agreements which allow it to co-invest alongside Apollo Investment Fund VI and Apollo Investment Fund VII.

Due to the unprecedented market volatility and tightening of the credit markets, particularly during the fourth quarter of 2008 and the first quarter of 2009, the Investment Partnership took certain steps in an effort to ensure that it continues to maintain appropriate cash reserves should the markets deteriorate further. As part of this process, beginning in the fourth quarter of 2008 and continuing into the third quarter of 2009, the Investment Partnership exercised the right to opt out of new co-investments alongside Apollo Investment Fund VI and Apollo Investment Fund VII and their parallel investment vehicles, as permitted by its co-investment agreements. The Investment Partnership's opt-out decisions are each made on a case-by-case basis taking into consideration reserves and liquidity at the time of the potential co-investment transaction. Beginning in the third quarter of 2009, the Investment Partnership resumed making co-investments alongside the private equity funds, however, in the fourth quarter of 2009, the co-investment agreements with Apollo Investment Fund VI and Apollo Investment Fund VII were amended as described below.

Under the co-investment agreement with Apollo Investment Fund VI, the Investment Partnership initially agreed to co-invest with the fund in each of its investments in an amount equal to 12.5% of the total amount invested by Apollo Investment Fund VI, subject to certain exceptions pursuant to which the Investment Partnership may be excluded from, or may opt out of, an investment. On December 16, 2009, the co-investment agreement with Apollo Investment Fund VI was amended to provide that no new investments will be made by the Investment Partnership. In addition, the only follow-on investments that will be made are those which are expected to protect the Investment Partnership's interest in its existing portfolio companies, subject to certain exceptions pursuant to which the Investment Partnership may be excluded from, or may opt out of, an investment. Such investments will be made by the Investment Partnership and Apollo Investment Fund VI in the same proportions as the relevant portfolio company is owned by each of them at that time. These proportions reflect the fact that the Investment Partnership's original percentage holding may have been diluted due to its prior exercise of opt-out rights.

Under the co-investment agreement with Apollo Investment Fund VII, the Investment Partnership has a variable co-investment commitment ranging from 0% to 12.5% of investments committed to by Apollo Investment Fund VII during each calendar year, subject to certain

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

exceptions pursuant to which the Investment Partnership may be excluded from, or may opt out of, an investment. The co-investment percentage is set at the beginning of each calendar year by the Board of Directors of the Managing General Partner. On December 16, 2009, the co-investment agreement with Apollo Investment Fund VII was amended to provide that any follow-on investments which are expected to protect the Investment Partnership's interest in an existing portfolio company are made by the Investment Partnership and Apollo Investment fund VII in the same proportions as the relevant portfolio company is owned by each of them at that time. These proportions reflect the fact that the Investment Partnership's original percentage holding may have been diluted due to its prior exercise of opt-out rights and the annual variation in co-investment percentage. Where a follow-on investment is made with Apollo Investment Fund VII for reasons other than to protect the Investment Partnership's interest in an existing portfolio company, it will be made at the co-investment percentage that has been set by the Board of Directors of the Managing General Partner for the relevant year (or, if lower, at the percentage necessary to ensure the Investment Partnership and Apollo Investment Fund VII continue to hold the relevant portfolio company in the same proportions as it is owned by each of them at that time). Under the agreement, the Investment Partnership committed to co-invest an amount equal to 0%, 0%, 0% and 5% of new investments committed to by Apollo Investment Fund VII during the 2011, 2010, 2009 and 2008 calendar years, respectively.

The co-investment agreements are subject to certain exceptions pursuant to which the Investment Partnership may be excluded from, or may opt out of, an investment where, despite having used reasonable best efforts to ensure that it has sufficient cash at hand, the Investment Partnership does not have sufficient cash, or where there is a reasonable likelihood that its participation in the relevant investment would result in a violation of the provisions of any applicable statute, rule, regulation, order or policy or (in the case of the co-investment agreement with Apollo Investment Fund VII) when disclosure of the Investment Partnership's participation in a particular investment would be required and when that disclosure would (as reasonably determined by the general partner of Apollo Investment Fund VII) prejudice Apollo Investment Fund VII's ability to implement the investment plan for the relevant investment.

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 Partner and the board of directors of the Managing General Partner.

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

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

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 our capital invested in Apollo-sponsored funds, and (z) the average of the daily values of our temporary investments held during such three month period, plus any of our 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 AAA's 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 our asset value, which includes the value of assets acquired with the proceeds of borrowings incurred by us, if any, less (i) the value of our capital investments in the Apollo-sponsored funds and (ii) the value of our temporary investments. The management fee under the services agreement therefore reflects the value of unrealized investments, other than in respect of capital invested in Apollo-sponsored funds. In respect of capital invested in Apollo-sponsored funds, Apollo will receive management fees directly from the relevant funds.

Prior to the second quarter of 2007, the period that the profits on the investments of the Investment Partnership that were subject to a carried interest equaled the managers' commissions and placement fees and the other fees and expenses that AAA incurred in connection with AAA's initial offering and related transactions, the management fee that was payable under our services agreement in respect of the quarterly period was subject to reduction by the lower of (i) the aggregate amount of "allocable fund distributions" to Apollo and its affiliates during such period and (ii) (x) 5% of the gross income (other than income that qualifies as capital gain) earned by or allocated to AAA for U.S. federal income tax purposes during such period minus (y) any gross income earned by or allocated to our partnership for U.S. federal income tax purposes during such period that is not "qualifying income" as defined in Section 7704(d) of the U.S. Internal Revenue Code. To the extent that the amount of reductions to the management fee in a particular quarterly period exceeded the amount of the management fee payable in respect of that period, Apollo Alternative Assets was required to credit the difference against any future management fees that became payable under our services agreement. For the years ended December 31, 2010 and 2009, the Investment Partnership's management fees were \$14.5 million and \$9.4 million, respectively. Management fees payable of \$4.5 million and \$2.3 million are included in Due to Affiliates in the Investment Partnership's Statement of Assets and Liabilities at December 31, 2010 and 2009, respectively.

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

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:

- ***Co-Investment Facilities***—The General Partner is generally entitled to a carried interest that will 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) after capital contributions in respect of realized investments made pursuant to that co-investment facility have been recovered. The General Partner's carried interest in respect of each investment made pursuant to the co-investment agreement with Apollo Investment Fund VI is subject to the Investment Partnership first achieving a preferred return of 8% per annum on the capital invested pursuant to the agreement. There is no preferred return requirement in determining carried interest relating to co-investments alongside Fund VII. Once such preferred return has been achieved, the General Partner will be entitled to the next 2% (25% of 8%) of net realized gains and, thereafter, such gains will 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 will not be netted against other co-investment facilities in future Apollo private equity funds.
- ***Apollo Strategic Value Fund***—An affiliate of Apollo will be 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 withdraws from Apollo Strategic Value Fund after losses were incurred.
- ***Apollo Asia Opportunity Fund***—An affiliate of Apollo will be entitled to a carried interest for each year on 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 withdraws from Apollo Asia Opportunity Fund after losses were incurred. Effective March 31, 2009, the Apollo Asia Opportunity Fund reduced the management fees and carried interest on all existing capital, excluding capital converted into liquidating shares. The management fee was reduced from an annual rate of 2.0% to 1.5% and the annual carried interest was reduced from 20% to 15% of the net profits for all shares

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

outstanding as of January 2, 2009. The liquidating shares are subject to the standard rates of 2% annually for management fees and 20% annually for carried interest.

As part of the reorganization of the Apollo Asia Opportunity Fund, \$5.0 million of the Investment Partnership's investment in Apollo Asia Opportunity Fund was subject to an additional one year lock-up that expired March 31, 2010. This capital that was subject to the additional one year lock-up is subject to fees of 1% annually for management fees and 10% annually for carried interest. These rates will remain effective until one year after the first month-end date when the high water mark with respect to such investments has been recovered at which point the fees will revert to 1.5% annually for management fees and 15% annually for carried interest. As of December 31, 2010, the high-water mark had not been recovered.

- **Other Apollo Capital Market Funds** — As part of the monetization plan for Apollo Investment Europe effective July 10, 2009, there are no future incentive fees in respect of Apollo Investment Europe, and the management fee was reduced from 2% of gross assets to 1.5% of net assets. The manager of Apollo Investment Europe waived all accrued but unpaid incentive and management fees through June 30, 2009. For the Apollo European Principal Finance Fund, an affiliate of Apollo is entitled to a carried interest that will allocate to it 20% of the realized returns generated by the fund after capital contributions in respect of realized investments and expenses have been returned to the limited partners, and subject to achieving an 8% preferred return (with a full catch-up) on such capital contributions. Apollo Credit Senior Loan Fund does not charge carried interest.
- **Other Opportunistic Investments**—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 each of the other opportunistic investments made by the Investment Partnership. Realized gains and losses on one other opportunistic investment will not be netted against any other opportunistic investments. At December 31, 2010 and 2009, other opportunistic investments include the investment in Apollo Life Re Ltd.
- **Temporary Investments**— The General Partner is not entitled to a carried interest with respect to temporary investments.

For the years ended December 31, 2010 and 2009, the General Partner was allocated \$1.8 million and \$(0.1) million, respectively, related to changes in carried interest on private equity co-investments. For the years ended December 31, 2010 and 2009, \$9.6 million and \$0.4, respectively, was allocated to the General Partner by the Investment Partnership for carried interest on other opportunistic investments. For the years ended December 31, 2010 and 2009, affiliates of Apollo received \$2.2 million and \$0.0, respectively, related to carried interest for appreciation in net asset values in certain capital markets funds.

Apollo enters into transaction and monitoring agreements with the portfolio companies of its private equity funds as well as opportunistic investments in which it receives periodic fees for

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

assisting the portfolio companies and opportunistic investments on an ongoing basis with respect to management, operational and other matters Apollo may also receive transaction and closing fees in connection with portfolio company investments, which may be capitalized as cost of investments by AAA. In the case of unconsummated investments Apollo may recognize potential break-up fees. For the years ended December 31, 2010 and 2009, Apollo received monitoring, transaction, closing and break-up fees of \$13.3 million and \$9.6 million, respectively, related to the Investment Partnership's portion of direct investments in private equity co-investments and opportunistic investments.

From time to time, the Investment Partnership may participate in transactions with affiliates of its 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.

Investment in Apollo Strategic Value Fund—The remainder of the Investment Partnership's investment in the Apollo Strategic Value Fund is in liquidating shares issued by the Apollo Strategic Value Fund. The liquidating shares were initially allocated a pro rata portion of each 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 years ended December 31, 2010 and 2009, the Investment Partnership received proceeds from redemptions of \$35.3 million and \$163.4 million, respectively, from the Apollo Strategic Value Fund. As a result of the redemptions during years ended December 31, 2010 and 2009, the Investment Partnership realized gains/losses on redemptions of \$4.9 million and \$(13.8) million, respectively.

Investment in Apollo Asia Opportunity Fund— During 2009, the Investment Partnership requested redemptions of portions of its outstanding shares of the Apollo Asia Opportunity Fund with values of \$140.0 million, which were converted into liquidating shares. The liquidating shares were initially allocated a pro rata portion of each of the Apollo Asia Opportunity 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 or reserves set by the Apollo Asia Opportunity Fund. At December 31, 2010, the remainder of the liquidating shares of Apollo Asia Opportunity Fund had a fair value of \$45.0 million. During the years ended December 31, 2010 and 2009, the Investment Partnership received proceeds from redemptions of \$61.8 million and \$49.3 million, respectively, from Apollo Asia Opportunity Fund and realized losses of \$0.4 million and \$3.9 million, respectively, on these redemptions.

Debt Investment Vehicles—At December 31, 2010 and 2009, included in the Investment Partnership's co-investments in portfolio companies are investments in certain debt investment vehicles and direct investments in the debt of certain private equity co-investment portfolio

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

companies. These vehicles were formed by affiliates of Apollo to invest, either directly or indirectly, in the debt securities of a number of companies, including the debt securities of certain of Apollo's portfolio companies, to capitalize on the volatility in the credit markets. These vehicles' portfolios of debt securities include exposure to the debt of a number of Apollo Investment Fund VI portfolio companies, including, but not limited to, CEVA Logistics, Claire's Stores Inc., Caesars Entertainment Corporation, Realogy Corp and Momentive Performance Materials.

Asset Management— During 2009, Apollo formed Athene Asset Management LLC ("Athene Asset Management"), an asset manager that provides asset management services to Athene Life Re Ltd. and its affiliates ("Athene Life Re"), and other third parties. In addition, certain Apollo affiliates manage assets for Athene Asset Management and earn sub-advisory fees for these services. For the years ended December 31, 2010 and 2009, Athene Asset Management and other Apollo Affiliates earned asset allocation fees and subadvisory fees, net of subadvisory fees paid to parties not affiliated with Apollo, of \$7.4 million and \$0.5 million, respectively, from Athene Life Re based upon the assets under management.

Due From Affiliates—Included in due from affiliates at December 31, 2010 and 2009, is \$0.2 million and \$0.0 million, respectively, receivable from AAA for expense reimbursements.

Due to Affiliates—Included in due to affiliates at December 31, 2010 and 2009 is \$0.0 and \$3.6 million, respectively, payable to certain debt investment vehicles for unsettled trades, and \$5.6 million and \$2.5 million, respectively, payable to Apollo Alternative Assets or affiliates for management fee, broken deal expenses, investment-related expenses and general and administrative expenses payable.

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., the manager of the Investment Partnership, 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, 2010	As of December 31, 2009
Apollo Strategic Value Fund	\$ 18,077	\$ 15,426
Apollo Investment Europe	6,254	9,284
Apollo Asia Opportunity Fund	5,477	4,876
Apollo European Principal Finance Fund	4,328	2,049
Apollo Investment Fund VI	84,161	50,980
Apollo Investment Fund VII	53,805	26,730

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, 2010 and 2009 the directors owned 2,255,984 units of AAA, respectively. This excludes 2.5 million and 3.0

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

million units owned by an affiliate of Apollo, which certain directors are deemed to beneficially own at December 31, 2010 and 2009, respectively.

7. FINANCIAL HIGHLIGHTS

Financial highlights for the Investment Partnership were as follows:

	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
Total return	29.48%	54.95%	(59.59)%
Ratios to average net assets:			
Expenses	2.35%	3.33%	2.40%
Investment income	(1.05)%	0.71%	0.08%

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 ratio was 35%, 61% and 73% at December 31, 2010, 2009 and 2008, respectively.

8. COMMITMENTS AND CONTINGENCIES

AAA and the Investment Partnership are, from time to time, 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 its business.

On or about March 21, 2009, an entity known as LLDVF, L.P., which alleges that it is an investor in certain notes with a face amount of \$43,500,000 issued by Linens 'n Things, Inc. ("Linens"), commenced an action in the United States District Court for the District of New Jersey against, inter alia, certain affiliates of AAA's investment manager, two Apollo partners, certain Apollo investment entities relating to the Linens transaction, certain current and former officers and directors of Linens, and certain other investors in Linens, alleging violations of the Federal Securities Laws and the making of negligent misrepresentations respecting the financial condition and future prospects of Linens from at least March 27, 2007 until May 2, 2008, the date on which Linens filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. On July 10, 2009, the plaintiff effectuated service of the summons and complaint on the defendants. As stipulated by the parties and ordered by the court, on September 23, 2009, the plaintiff filed an amended complaint, which brings the same causes of action as alleged in the original complaint. On November 23, 2009, the defendants filed motions to dismiss the amended complaint. On August 12, 2010, the court granted the defendants' motions to dismiss without prejudice and subsequently agreed to allow plaintiff until September 30, 2010 to file a second amended complaint in order to cure any deficiencies identified in the court's ruling. Plaintiff filed its second amended complaint on September 30, 2010, and this most recently amended complaint asserts the same causes of action set forth in its first amended

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

complaint, but no longer names the two other Linens investors as defendants. On November 30, 2010, the court granted the plaintiff's and the defendants' joint request for a stay of the litigation pending an out-of-court mediation. The court further ordered the parties to submit a joint stipulation setting forth a proposed schedule for the defendants' response to plaintiff's second amended complaint if the parties' out-of-court mediation fails to resolve the litigation by February 15, 2011. On February 14, 2011, the parties jointly reported to the court that meaningful settlement discussions are continuing, and requested the court to extend the stay of proceedings from February 15, 2011 to March 15, 2011.

On July 16, 2008, an affiliate of the AAA's investment manager was joined as a defendant in a pre-existing purported class action pending in Massachusetts federal court against, among other defendants, numerous private equity firms. The suit alleges that beginning in mid-2003, certain affiliates of AAA's investment manager and the other private equity firm defendants violated the U.S. antitrust laws by forming "bidding clubs" or "consortia" that, among other things, rigged the bidding for control of various public corporations, restricted the supply of private equity financing, fixed the prices for target companies at artificially low levels and allocated amongst themselves an alleged market for private equity services in leveraged buyouts. The suit seeks class action certification, declaratory and injunctive relief, unspecified damages and attorneys' fees. On August 27, 2008, the affiliate of AAA's investment manager and its co-defendants moved to dismiss plaintiffs' complaint and on November 20, 2008, the court granted the motion. The court also dismissed two other defendants, Permira and Merrill Lynch. In an order dated August 18, 2010, the court granted in part and denied in part plaintiffs' motion to expand the complaint and to obtain additional discovery. The court ruled that plaintiffs could amend the complaint and obtain discovery in a second discovery phase limited to eight additional transactions. The court gave the plaintiffs until September 17, 2010 to amend the complaint to include the additional eight transactions. On September 17, 2010, the plaintiffs filed a motion to amend the complaint by adding the additional eight transactions and adding the affiliate of AAA's investment manager as a defendant. On October 6, 2010, the court granted plaintiffs' motion to file the fourth amended complaint. Plaintiffs' fourth amended complaint, filed on October 7, 2010, adds the affiliate of AAA's investment manager as a defendant. On November 4, 2010, the affiliate of AAA's investment manager moved to dismiss, arguing that the claims against it are time-barred and that the allegations against it are insufficient to state an antitrust conspiracy claim. The motion to dismiss has been fully briefed and the parties are awaiting the court's decision.

Various state attorneys general and federal and state agencies have initiated industry-wide investigations into the use of placement agents in connection with the solicitation of investments, particularly with respect to investments by public pension funds. Certain affiliates of Apollo have received subpoenas and other requests for information from various government regulatory agencies and investors in Apollo's funds, seeking information regarding the use of placement agents. CalPERS, one of Apollo's Strategic Investors, announced on October 14, 2009, that it had initiated a special review of placement agents and related issues. Apollo is cooperating with all such investigations and other reviews. In addition, on May 6, 2010, the California Attorney General filed a civil complaint against Alfred Villalobos and his company, Arvco Capital Research, LLC (a placement agent that Apollo has used) and Federico Buenrostro Jr., the former

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

CEO of CalPERS, alleging conduct in violation of certain California laws in connection with CalPERS's purchase of securities in various funds, including AAA and certain other funds managed by Apollo and another asset manager. Apollo is not a party to the civil lawsuit and the lawsuit does not allege any misconduct on the part of Apollo. Apollo believes that it has handled its use of placement agents in an appropriate manner.

Although the ultimate outcome of the foregoing matters cannot be ascertained at this time, it is the opinion of the Managing General Partner and Managing Investment Partner, after consultation with counsel, that the resolution of such matters will not have a material adverse effect on the financial condition of the Partnership; such resolution may, however, have a material effect on the operating results in any future period, depending on the level of income for such period.

During the normal course of business, through its co-investments in portfolio companies of Apollo Investment Fund VI and Apollo Investment Fund VII, and investments in Apollo sponsored funds, the Investment Partnership makes commitments to fund such investments in the future.

As of December 31, 2010, the Investment Partnership had the following outstanding commitments for future funding, with amounts in thousands:

<i>(in thousands)</i>	Outstanding Capital Commitments
Apollo Life Re Ltd.	\$ 100,000
Apollo Credit Senior Loan Fund	8,300
Apollo European Principal Finance Fund	41,200
	\$ 149,500

During 2010, the Investment Partnership sold 65.8% of its interest in Apollo European Principal Finance Fund to parties that are not affiliated with Apollo. These sales reduced the Investment Partnership's total commitment to €77.0 million, of which €30.8 million (approximately \$41.2 million) was undrawn at December 31, 2010. The interests in Apollo European Principal Finance Fund were sold at a 9% discount to the Euro denominated June 30, 2010 net asset value with a true up for cash flows that occurred subsequent to June 30, 2010. The Investment Partnership received proceeds of €75.4 million (approximately \$105.5 million), from the sales of its interest in Apollo European Principal Finance Fund and reflected a net loss from investments on the sale of approximately \$9.5 million, including the reversal of previously recognized unrealized appreciation of \$11.8 million offset in part by a realized gain of \$2.3 million related to the sale proceeds in excess of original cost.

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

The commitment to the Apollo European Principal Finance Fund has a life of five years plus two one-year extensions from December 22, 2009, the final closing of the fund. Distributed capital can be recalled for an 18-month recycle period.

Whether these commitments will be consummated depends on the satisfaction of a number of conditions, some or all of which may not be in our control. No assurances can be made as to whether or when these commitments will be consummated, if at all.

The Investment Partnership may follow an over-commitment approach when making investments in order to maximize the amount of its capital that is invested at any given time. When an over-commitment approach is followed, the aggregate amount of capital committed by the Investment Partnership to, or to co-investment programs with, private equity funds and capital markets funds at a given time may exceed the aggregate amount of cash and available credit lines that the Investment Partnership has available for immediate investment. The general partners of Apollo-sponsored private equity funds and capital markets funds are permitted to make calls for capital contributions and therefore the Investment Partnership may be obliged to make payments on completion of co-investments following the expiration of a relatively short notice. As the service provider under the services agreement, Apollo is responsible for carrying out these activities for the Investment Partnership.

Apollo takes into account estimated cash flows to and from investments when planning investment and cash management activities with the objective of seeking to ensure that the Investment Partnership is able to honor the Investment Partnership's commitments as and when they become due.

In connection with the Investments Partnership's commitment to co-invest alongside Apollo Investment Fund VI and Apollo Investment Fund VII, the Investment Partnership has the right to opt-out of future investments if the Investments Partnership does not have sufficient cash on hand to fund the investments. Due to the unprecedented market volatility and tightening of the credit markets, particularly during the fourth quarter of 2008 and the first quarter of 2009, the Investment Partnership took certain steps in an effort to ensure that it continues to maintain appropriate cash reserves should the markets deteriorate further. As part of this process, beginning in the fourth quarter of 2008 and continuing into the third quarter of 2009, the Investment Partnership exercised the right to opt out of new co-investments alongside Apollo Investment Fund VI and Apollo Investment Fund VII and their parallel investment vehicles, as permitted by its co-investment agreements. The Investment Partnership's opt-out decisions are each made on a case-by-case basis taking into consideration reserves and liquidity at the time of the potential co-investment transaction. Beginning in the third quarter of 2009, the Investment Partnership resumed making co-investments alongside the private equity funds, however, in the fourth quarter of 2009, the co-investment agreements with Apollo Investment Fund VI and Apollo Investment Fund VII were amended. See Note 6, "Relationship with Apollo and Related Party Transactions". Under the co-investment agreement with Apollo Investment Fund VII, the Investment Partnership committed to co-invest an amount equal to 0%, 0%, 0% and 5% of new

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

investments committed to by Apollo Investment Fund VII during the 2011, 2010, 2009 and 2008 calendar years, respectively.

In the normal course of business, the Investment Partnership may be required to make representations about the business and financial affairs of a portfolio company or other investment, generally in connection with the sale of assets. The Investment Partnership may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. The Investment Partnership does not believe such indemnities have a material impact on the financial statements.

9. SUPPLEMENTAL FINANCIAL INFORMATION (UNAUDITED)

Quarterly Results

The following represents the Investment Partnership's unaudited quarterly results for the years ended December 31, 2010 and 2009. These quarterly results were prepared in accordance with U.S. generally accepted accounting principles and reflect all adjustments that are, in the opinion of the Managing General Partner, necessary for a fair statement of the results:

	For the Three Months Ended March 31, 2010	For the Three Months Ended June 30, 2010	For the Three Months Ended September 30, 2010	For the Three Months Ended December 31, 2010
Investment income	\$ 3,870	\$ 2,698	\$ 4,623	\$ 7,541
Expenses	(6,756)	(6,701)	(10,500)	(9,889)
Net investment income (loss)	(2,886)	(4,003)	(5,877)	(2,348)
Net realized (losses) gains from sales	8,926	13,220	3,803	7,759
Net change in unrealized depreciation on investments	112,863	(16,898)	106,450	160,748
	121,789	(3,678)	110,253	168,507
Net (decrease) increase in net assets resulting from operations	\$ 118,903	\$ (7,681)	\$ 104,376	\$ 166,159

FINANCIAL STATEMENTS OF AAA INVESTMENTS, L.P.

	For the Three Months Ended March 31, 2009	For the Three Months Ended June 30, 2009	For the Three Months Ended September 30, 2009	For the Three Months Ended December 31, 2009
Investment income	\$ 10,236	\$ 4,778	\$ 8,003	\$ 17,362
Expenses	(9,787)	(8,433)	(8,588)	(6,465)
Net investment income (loss)	449	(3,655)	(585)	10,897
Net realized (losses) gains from sales	(61,433)	(6,229)	3,736	1,775
Net change in unrealized depreciation on investments	(85,507)	277,100	285,247	50,592
	(146,940)	270,871	288,983	52,367
Net (decrease) increase in net assets resulting from operations	\$ (146,491)	\$ 267,216	\$ 288,398	\$ 63,264