THE ECONOMIC CLUB OF WASHINGTON, D.C.

Signature Event

Mark Rowan

Speaker

Mark Rowan
Co-Founder and CEO
Apollo Global Management, Inc.

Moderator

David Rubenstein
Chairman
The Economic Club of Washington, D.C.

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DAVID M. RUBENSTEIN: So, our special guest today is Mark Rowan, who is the CEO of Apollo, one of the best-known financial service firms in the world. And to show you how he's done in the roughly three years since he's been the CEO, his market capitalization – the market value of the company is up about 450 percent since he took over about three years ago. That's not bad.

MARC ROWAN: It beats the alternative. [Laughs.]

MR. RUBENSTEIN: Right. So let's go through your background for a moment. And then we'll get into some of the things you're doing. Where did you grow up?

MR. ROWAN: I grew up in Hollywood, Florida, and yo-yoing back and forth between Florida and New York.

MR. RUBENSTEIN: OK. And you said, I want to be in the business world, I want to be in private equity or private credit, and so –

MR. ROWAN: Of course, like everyone else.

MR. RUBENSTEIN: Right?

MR. ROWAN: Everyone in my family, other than my father, was a public interest lawyer. And I thought I was also going to be a public interest lawyer. I applied to Cornell ILR, which is a good prelaw program. I was accepted. The coursework arrived. And I finally realized I didn't want to be a lawyer. And I ended up calling Penn, sight unseen, and showed up at the Wharton School at the University of Pennsylvania. And hair down to my shoulders, had no idea what business was. But it all just made sense.

MR. RUBENSTEIN: OK. And you did OK there. You graduated summa. Were you first in your class, or something like that?

MR. ROWAN: Yes.

MR. RUBENSTEIN: OK.

MR. ROWAN: Yes and yes. [Laughter.]

MR. RUBENSTEIN: All right. So –

MR. ROWAN: Literally, it all just made sense.

MR. RUBENSTEIN: All right. So after you did that you said, OK, now I can go do something important, like private equity? Or what did you decide to do?

MR. ROWAN: I went to work at Drexel Burnham.

MR. RUBENSTEIN: Drexel Burnham.

MR. ROWAN: 1984, went to work for Drexel Burnham.

MR. RUBENSTEIN: And you could have gone to Goldman. Why did you pick a firm that wasn't quite as prestigious at the time as Goldman?

MR. ROWAN: It was just way more interesting. The notion of working with businesses where the business itself was in transition was just a fascinating place to be.

MR. RUBENSTEIN: Right.

MR. ROWAN: Fascinating people.

MR. RUBENSTEIN: But a few years after you joined the firm went bankrupt.

MR. ROWAN: Yes.

MR. RUBENSTEIN: So –

MR. ROWAN: Single best thing that ever happened to me, by the way.

MR. RUBENSTEIN: Really? OK. So why was it so great that it went bankrupt? At the time did you think it was going to be that great when you went bankrupt?

MR. ROWAN: No, not that moment. [Laughter.] But, you know, you get stuck in doing something that's interesting that you're engaged in, and I probably would have done it for a lot longer but for the fact that it was unavailable. So in –

MR. RUBENSTEIN: So what did you tell your family when you said the company went bankrupt that you're working for. Did they get nervous about your future?

MR. ROWAN: No. They – I don't think they ever knew what I really did. [Laughter.] So, no, it didn't really bother them. It was like, OK, next.

MR. RUBENSTEIN: So you – were you living in L.A.?

MR. ROWAN: I was living in New York. If you remember what – Valentine's Day 1990 was not a great time to be an unemployed investment banker. The world was in a deep recession. The savings and loan crisis. Texas banking crisis. New York real estate crisis. There was no M&A business. And I ended up joining with a group of former partners from Apollo – from Drexel, and we formed Apollo in the spring of 1990, never having managed money before. And raised our first Apollo funds, some $800 million. By the end of that year, we had – or, end of the next year, we had a little over $6 billion. And in 1990-1991, no one had $6 billion.

MR. RUBENSTEIN: And how much do you manage now?

MR. ROWAN: $650 billion.

MR. RUBENSTEIN: $650 billion). OK. Between the time that Drexel went bankrupt and the time you started Apollo, was that a one-month period, two months, three months?

MR. ROWAN: A couple of months.

MR. RUBENSTEIN: And so during that period of time, did your wife say: You're going to be able to support this family, or what?

MR. ROWAN: I was – I was single. I was building a house, which I've continued to build things throughout my life. And I had a low-burn lifestyle.

MR. RUBENSTEIN: OK.

MR. ROWAN: It's a little higher burn today, but it's a relatively low-burn lifestyle. [Laughter.]

MR. RUBENSTEIN: All right. So we're going to talk about Apollo in a moment, but in the recent days – in recent weeks, I'd say, you've become better known to many people in the world, and certainly the United States, for leading the effort to get rid of the president and the chairman of the board of University of Pennsylvania, your alma mater. So was that difficult to do? And why did you want to be so public about getting rid of them? And why were they so bad?

MR. ROWAN: Look, it just needed to be done. I have not – other than for Apollo – I have not sought public profile. But the events going on on university campuses around our country, in particular at a place where I am deeply involved, were troubling at another level. And it was clear to me that the existing president and the existing chair we're not going to effect change, particularly with the level of rising anti-Semitism on campuses.

MR. RUBENSTEIN: Well before the testimony on Capitol Hill had you been concerned about the president at Penn?

MR. ROWAN: Yes. So I had become engaged six months before that. But my struggle and my fight against anti-Semitism has been a 20-year fight. So this is not new to me. I'm currently chair of the board of UJA of New York. I've overseen a school system in Israel for the last 36 years. So well-versed in what goes on. But beginning in that summer, a series of events happened on the University of Pennsylvania campus which is emblematic of events happening in many campuses around the country. And, for better or worse, University of Pennsylvania is a place I love. And I took a very public stance.

And what I found pretty quickly, even ahead of the disastrous testimony in D.C., 27,000 alumni had stepped forward and had agreed that they were not going to fund the University of Pennsylvania while this chair and this president were there, and including a majority of the board of the Wharton School, of which I am chair, the head of the engineering board, the head of the design board, most of its prominent alumni, eight of its top 10 donors. And so it was very clear, the university –like many of the elite academic institutions – was heading in a direction that many in its stakeholder community thought was completely misguided.

MR. RUBENSTEIN: So how do you think the Ivy League schools, which had Jewish quotas in the ’40s and ’50s and so forth, but obviously got rid of them, say, in the ’60s and ’70s, how do you think they became what you would see as a bastion of anti-Semitism? What caused that?

MR. ROWAN: So I’ll say, hopefully, when you see these students and many professors protesting, and they’re chanting “from the river to the sea,” you can take that as anti-Semitic. And it certainly is its own way anti-Semitic. But I’m somewhat hopeful, because if you ask these kids what river and what sea, they don’t know. Who lives between the river and the sea? They don’t know. How did they get there? They don’t know. [Laughter.] And I actually don’t think – while we have an anti-Semitism problem, I don’t think we’re fighting anti-Semitism on these campuses.

I think we’re fighting something else. We’re fighting anti-Americanism. We’re fighting anti-merit. We’re fighting anti-power. We’re fighting really for the soul of these institutions. I mean, we went from being the envy of the world. We – our academic institutions are the envy of the world. We produced academic excellence, and amazing research, and amazing students. And somehow we lost our way. That is not what we produce today.

MR. RUBENSTEIN: All right. When you started the – you were on the board of the University of Pennsylvania. And when this came about, you were the chairman of the board of Wharton. Usually people who have those kinds of insider positions work behind the scenes and kind of talk to their friends on the board and say, we should make this change, and so forth. You went very public. Why did you become so public in doing this?

MR. ROWAN: This is a long process. And clearly the dialogue started directly with the president way before, and privately. And it was very clear to me over a period of time that change was not going to happen without outside pressure. And, you know, it’s an interesting dynamic. And I have a good dialogue with the interim president there now. And I kind of wanted to let him know how at least I see things. On the one hand, there clearly are members of the board of trustees who are unhappy that I went public. There are members of faculty who are unhappy that I went public.

But I get off an elevator at a hotel in Houston and someone is looking at me. They’re saying, are you Marc Rowan? And I look at them. And because we live in a crazy world, 50/50 I respond. [Laughter.] I took a chance and said, yes. And all they did was hug me and say, thank you. And that, by and large, is what’s happening. And it is not just the alumni. It’s the faculty. If you’re a Wharton faculty member, you’re interested in academic excellence and research. If you’re an engineering faculty member, you’re interested in academic excellence and research. If you are in the med school or you’re in the hospital, you are actually a professor of the university. You are interested in academic excellence and research. If you’re in our arts and sciences school, not so much.

And there's a war going on on campus where there's an accepted narrative, and that accepted narrative was put forward in the best possible way, to encourage social justice. And it metastasized into post-colonial education, into oppressed and oppressors, into powerful and powerless. Facts be damned. And so, just to finish, Jews and Israelis are seen as White. That's bad. They're seen as powerful. That's bad. They're seen as oppressing Palestinians. That's bad. So by any means necessary, according to the narrative of these universities, facts be damned.

MR. RUBENSTEIN: Right, so when you succeeded and the president resigned and the chairman of the board resigned, did you say, well, now I want to go on the board of the University of Pennsylvania. Maybe I'll be chairman of the board, because I want to make sure the things I want to see changed are changed. Did you decide to do that or not?

MR. ROWAN: It doesn't really work that way. As you know, these are invitation only. I'm still chair of the board of the Wharton School. I'm a very engaged alum. And I think there's a chance for change. I think Larry Jameson, who is the interim president of the University of Pennsylvania, who ran the med school, has done an amazing job in the medical institution. I think he has everything necessary to succeed.

If he succeeds, it will not only be an amazing capstone for his personal life, for the university, I think he will change the face of American education. I think there's a pendulum swing going on. And we see it every day in the press. The notion that our elite academic institutions have subjected themselves to immense political risk by being 99 percent in one direction, we've given up the critical thinking, we've given up critical reasoning, we've given up normative debates.

MR. RUBENSTEIN: So when you grew up, were you very involved in the Jewish community? Were you involved in a very religious upbringing, or not?

MR. ROWAN: None. None whatsoever.

MR. RUBENSTEIN: Did you get bar mitzvah-ed?

MR. ROWAN: I did.

MR. RUBENSTEIN: And that was your last time in the synagogue for a while, or –

MR. ROWAN: That was the last time in the synagogue for a while. [Laughter.]

MR. RUBENSTEIN: OK. So you've said that somebody came up and hugged you when you were somewhere, but do some people come up and also not hug you and criticize you? And you have a lot of that?

MR. ROWAN: I wouldn't say a lot of it. It's been a really interesting thing. First, I'll say it, and I've said it publicly, telling the truth feels great. You guys should all try it. It's really good. It's cleansing. It's very clarifying. And I had no idea what the reaction was going to be from our employee base, from our partners, from our Middle Eastern partners, and from otherwise. And I have to be honest, the vast, vast majority of reaction has been incredibly positive.

People at Apollo are proud and energized to work for someone who is prepared to take a moral stand on something, whether they agree or don't agree with what I've said. I've said it with clarity. I've said it with purpose. And I look at them the most – the places you would expect to have the most pushback in the Middle East, and if you think about the vast majority of regimes in the Middle East the risk to their regime is extremism.

MR. RUBENSTEIN: OK, so your shareholders, your employees didn't say, Marc, you're going to hurt the value of this company by doing this. They didn't say that to you, or they didn't think that?

MR. ROWAN: It never happened. They weren't consulted. And by the time it was over, it was all good.

MR. RUBENSTEIN: OK, so you're now going to stay involved with the University of Pennsylvania. Maybe not be on the board. But you're still going to be paying attention to what they're doing, right?

MR. ROWAN: Hundred percent.

MR. RUBENSTEIN: OK. So let's go back for a moment to Apollo. We talked about it before –

MR. ROWAN: My day job.

MR. RUBENSTEIN: Your day job. So you started the company with Leon Black and Josh Harris. Josh Harris was here a couple months ago. He recently bought a football team here, the Commanders, with Mark Ein, among others. So when you started this company did you think this is going to be a great success? And did you think it'd ever be as big as it now is?

MR. ROWAN: Not a chance. Not a chance. This was a small business. In fact, our industry was a small industry until about 2008. I think I was telling you previously, in 2008 if you took a look at every one of the big alternative asset managers, we were all circa $40 billion of assets under management. And now we're all much bigger. In our case, we're 14 times bigger. We outgrew Apple. We outgrew Microsoft. And we were just in the right place at the right time.

MR. RUBENSTEIN: Well, for people who don't know exactly what you did to get there, let me try to ask you some questions about it. So Apollo, as I saw it as a competitor, was a firm that was pretty good in credit, because a lot of you had come from Drexel and knew a lot about credit, and reasonably good in buyouts, which is the business you were kind of in – private equity. But how did you transform the company? You did something a number of years ago that completely transformed the private investment business. Can you explain what you did with some company called Athene?

MR. ROWAN: Sure. So in 2008, we started from scratch an insurance business called Athene. Athene does not insure your life, does not insure your health, does not insure your property. The only thing it ensures is your retirement through pensions and annuities. So for – Athene's business model is it essentially earns more on its assets than it pays on its liabilities, and it earns spread. But as someone who ensures your retirement, you have to be very highly rated and very safe. So we are 95 percent fixed income, of which 95 percent is investment grade, and 5 percent equity. That business started with $16 million. And it's $360 billion today.

MR. RUBENSTEIN: So to make it clear to people, you thought that the private equity business, which is putting equity, in doing buyouts and so forth, it's a nice business. But you came up with an idea of doing something for retirement security, and you started Athene de novo. It wasn't something you bought, is that right?

MR. ROWAN: Yes. We started it de novo.

MR. RUBENSTEIN: And why did you not put it in someplace important, like Philadelphia, Boston, New York, Washington? Why did you put it in Iowa?

MR. ROWAN: So in in Iowa, and in a number of other jurisdictions, these are the places that large insurers are located because they have large employee base. In our case, 2,000 people. They have sophisticated regulatory regimes. They have availability of talent. And so for the most part, if you look at these insurance companies they are located in places like Des Moines, Iowa.

MR. RUBENSTEIN: All right. So when you came to people who were living in New York, your colleagues at Apollo, and said, guess what? We should start that kind of retirement security firm and base it in Iowa, did they say you're crazy?

MR. RUBENSTEIN: No, they went about their business. This was actually 15 years ago. We had a division of labor. Leon and Josh ran what was the traditional Apollo business and I went to go build Athene, which also built our credit business. Because if you think about the raw materials that you need to be successful, you need low-cost liabilities, you need capital, you need a good operating and low-cost infrastructure. But the most important thing you need, you need highly rated assets – investment-grade assets that provide yield. And those assets don't exist in the public market. Everything in the public market for fixed income is beta. It's all just available.

So if you want to earn high returns, you use the one nuance of insurance that is different than every other investor. You are long term. We make long-term promises to people. We make eight-, 10-, 20-, 30-year promises to people. And so we don't need liquidity. A retirement services company is a terrible place to take credit risk. It is a terrible place to take equity risk. It is a wonderful place to take liquidity risk, or illiquidity. And so we built a business sourcing investment-grade credit at a time when interest rates were near zero, when the banking system itself was under pressure coming out of the financial crisis, to produce investment-grade assets in size.

MR. RUBENSTEIN: So the total amount of assets you have now at Apollo is, what? You said it was roughly –

MR. ROWAN: $650 billion, of which $500 billion is credit, mostly investment grade. $100 billion represents the traditional buyout business. And $50 billion represents a business we call hybrid equity – a midpoint between debt and equity.

MR. RUBENSTEIN: OK. So everybody knows what fixed income is. In fixed income, you get a return more likely than not, if it's a good grade, you're going to get your money back eventually, the principle. What is private credit as opposed to fixed income?

MR. ROWAN: It's the same. Private – so let's start with this. Everything on a bank balance sheet is private credit. Everything. A mortgage is private credit. A loan to a business is private credit. The press has taken private credit to mean something very, very specific and very nuanced. The press uses the word terms "private credit" to refer to loans – levered lending and buyouts. Levered lending and buyouts is a form of private credit, but it's a really, really small part of the market. To give you a sense of size, a trillion-five out of $42 trillion is levered lending. The vast, vast majority of private credit is investment grade.

MR. RUBENSTEIN: All right. So let's suppose I hear about what you're doing and I say, I want to be a person who buys an Athene annuity. What am I to do? How much do I have to put up? And what kind of rate of return am I going to get? And how long am I going to get this money for?

MR. ROWAN: Yes. So lots of variables. The typical policy we sell at Athene is $100,000. And it's eight to 10 years. And you are compounding your money tax free. And you would do it today in the 6-plus percent range.

MR. RUBENSTEIN: So if somebody says, I'll give you $100,000, you're going to give them for the next X number of years what rate of return?

MR. ROWAN: Six.

MR. RUBENSTEIN: Six percent a year for the next how many years?

MR. ROWAN: Ten years, tax free.

MR. RUBENSTEIN: Ten years. And at the end of 10 years, they get their principal back?

MR. ROWAN: They can. Or they can roll it into get another annuity. This is about –think about the drivers of the business. The drivers of the business are people getting older and saving for retirement. As you know, in our business, we – our business could be a sexy business. We're in the private equity business. We're really not. We're in the – we serve the needs of retirees. Our clients are big pension funds who are themselves providing. Everything in our business is driven by retirement, either directly through Athene or indirectly through institutional money management.

MR. RUBENSTEIN: OK, so let's suppose I say I like what you're saying. I'm going to get 6 percent a year for next 10 years, and I get my money back at the end of 10 years. But how do you get the 6 percent? How can you be sure the person's going to get 6 percent? You're finding investments in what area that's going to be presumably higher than 6 percent, and you're taking some of the difference for yourself?

MR. ROWAN: Ninety-five percent fixed income, of which 95 percent is investment grade, and 5 percent equity. Of which, almost all of that 5 percent of equity is hybrid. You cannot produce those rates of return going into the market and buying investment-grade corporate bonds. You need to do something different. In our case, the something different is we have built the capacity to originate investment-grade credit. We originate investment-grade credit three different ways. We call on businesses who want something other than a 10-year bond. So think of clients like AB InBev. Think of Air France. Think of AT&T. Investment-grade borrowers who otherwise could go to the bond market, but don't for one reason or another. And we typically get paid 200 basis points more for some accommodation that they can't get elsewhere.

The other way we originate credit is the way the GE Capitals of the world, before they lost their minds, originated credit. We own 16 different platforms that lend against aircraft, that lend against engines, that lend against equipment, that lend against floorplans. Five thousand people come into work every single day and all they do is originate credit. And we – again, these borrowers, they don't have access to the investment-grade bond market, even if they are in fact investment grade. We aggregate all of their lending. We securitize it. And we keep the investment-grade portions for ourselves.

The third way we originate is in partnership with the banking system. Everywhere in the world, regulators are making a choice how their economy is being financed. Credit is a function of GDP, and regulators and governments have two choices. Credit can come from the banking system or it can come from the investment marketplace. There's no third choice. Everywhere in the world, people are choosing more from the investment marketplace, less from the banking system. And so we have become partners with the banking system.

MR. RUBENSTEIN: Well, let me ask you about that. The banking system would say, we lend money to people for various things – for their houses, for cars, whatever it might be, or for businesses. But we're regulated by the Federal Reserve. And so we have constraints. We can't do certain things. Some of the people in the banking system would say: Apollo is lending money through its private credit business but isn't regulated in the same way that banks are, so you have an advantage. Is that a fair argument?

MR. ROWAN: It's a totally fair argument. But it's not it's not a question of not regulated at all, it's a question of regulated appropriately. So I'm very public in saying, what is the appropriate regulation for an entity that does not take deposits, does not have access to the Fed, does not have government guarantee, does not do asset liability transformation, and is 95 percent investment grade? So you start by looking at the two differences in businesses. We are 95 percent investment grade. The typical bank is about 60 percent investment grade. The typical bank borrows short and lends long. We don't do any of that. So we are regulated, but we're regulated the same way an investment firm is regulated.

So if you are – and we are kind of an interesting thing. We are illiquid, and therefore when there are dangerous spots in the economy, when there are, quote, "runs on the bank" or "runs on the market," not much happens in our business. But, again, I come back to regulatory choice. Banking system, investment marketplace. Within the investment marketplace, almost all public credit is daily liquid. Is daily liquid safer? I don't think so. Daily liquid is what leads to runs on the bank. This is where people need money, they yank it out. In our business, nothing really happens.

MR. RUBENSTEIN: When you say "investment grade," for those who aren't investment professionals, what does it mean to be investment grade?

MR. ROWAN: Highly rated. Not expected to default. Multiple rating agencies have attested to your creditworthiness.

MR. RUBENSTEIN: OK. Now some banks are saying, well, it isn't fair that you're not regulated. They would say that. But they say, well, we can join that. So they're now – banks are now raising their own private credit funds, which are not regulated. Do you think that's fair?

MR. RUBENSTEIN: I think that they're doing exactly what they're allowed to do. Investors – there are lots of ways for investors to lose money. Investors can lose money in real estate. They can lose money in stocks. They can lose money in bonds. They can lose money in commodities. The question is, is it making the financial system or regulatory environment more or less resilient? So I come up to 50,000 feet. The U.S. financial system is the single best financial system anywhere in the world. We're 50 percent of the world's financial system. Our businesses, our consumers benefit, our government benefits. We're the reserve currency. All of those things.

What percentage of our debt capital markets are now provided by banks? I'll tell you, less than 30 [percent]. Somewhere between 20 and 30 % of debt is provided by the banking system. The rest is provided by the investment marketplace. So are investors making our banking – our financial system more or less resilient? More. When you have $1 of debt in the banking system, it is levered 10 to 12 times. The moment it moves to a mutual fund, it's levered zero. The moment it moves to an institutional investor, it's levered zero. The moment it moves to BDC, it's levered 1.5 times. The moment it moves to an insurance company, it's levered six to eight times. Every dollar that moves out of the banking system makes our system more resilient, not less resilient.

Then you look at ALM. Everyone in the banking system borrows short, deposits, and lends long. Mutual funds, BDCs, investors – they're matched in terms of their investment horizon. There is no risk to it. And then I'll go to transparency. Do you ever look at how a bank discloses what they own? There's a big line. It's, like, $1.5 trillion loans to consumers, $1 trillion loans to businesses. Every quarter you can punch up our financials and get every bond and every holding.

MR. RUBENSTEIN: You know, right now if somebody wants to invest in private equity, but they're not wealthy – let's suppose to use an example I've used before, somebody went to a very good school. Let's say they went to Wharton. But they didn't want to go to Goldman Sachs or the equivalent. They wanted to go to Teach for America. So they don't have a lot of money. They're making a modest salary. They are not allowed to invest in private equity, is that right?

MR. ROWAN: That's correct.

MR. RUBENSTEIN: OK. Let's suppose your father or your mother is extremely wealthy, and you went to a great college, but you barely graduated. In fact, you probably flunked out, let's say. And then you've got $100 million your parents gave you because they're very kind. Can you invest in private equity then?

MR. ROWAN: Absolutely.

MR. RUBENSTEIN: So is it fair that the person who doesn't need to make the high rate of return, because he or she already has a lot of money, doesn't know anything about investing, they can invest in illiquid investments? The person who needs to make more money can't? Do you think that's going to change?

MR. ROWAN: I think it will change. I mean, look, we're going through immense change in the way financial markets work. And nothing works the way we thought it did - 2008, we fundamentally changed financial markets. And we're just discovering what all those changes mean. But to get directly to your question, think of the largest pool of money anywhere in the world right now. There's some $12 trillion sitting in 401(k) plans. What are these 401(k) plans invested in? They are daily liquid for 50 years.

Why? There's no good reason. We have – going back in history – we have a perception of public as safe and private as risky. And 30, 40 years ago that was the right perception. Because what was private? Venture capital, hedge funds, and private equity. All of those things involve risk. And public was safe, if we were talking about diversified equities, diversified stocks, diversified bonds. Is any of that true today? It's not.

Right now, private markets go from AA to levered equity. Private is both risky and safe. Public is both risky and safe, too. We saw the destruction of lots of Silicon Valley companies in the last couple of years. But look at – look at where we are in the stock market today. Ten companies are 35 percent of our index. Those 10 companies are larger than the market caps of the entire market of U.K., Japan, Canada, Germany, and elsewhere. These are immense companies. They trade at a 60-plus P/E.

How many people come in every day to buy 60 P/E stocks? Not that many. Yet, half of our retirement system assets in the country are levered to 10 stocks. Do we think that's great? I don't think that's great. We're not talking about resilience. That doesn't mean public is risky. It's public is safe and risky; private is safe and risky. We're just talking about different degrees of liquidity.

MR. RUBENSTEIN: So you're in town today, I assume, not just to talk to our members. Though I'm happy if that's the only reason you're here. I assume you're going to see some members of Congress.

MR. ROWAN: Yes. And so I have a tie rule. And it's freaking out my team that I'm wearing a tie. But they know there are two circumstances under which I wear a tie. One is I'm seeing my regulator anywhere. So I will go visit regulators today. And the second is I'm seeing people who have been elected to national office in their office. It's not a job interview, Joanna, don't worry. [Laughs.]

MR. RUBENSTEIN: OK. And do you find it uplifting and exciting to meet with members, and Congress, and regulators? Or –

MR. ROWAN: Hundred percent. I mean, we are going through immense regulatory change. Nothing works the way regulators think it works - 2008, we had Dodd-Frank. What did Dodd-Frank – what was the proximate goal of Dodd-Frank? To reduce the dependence of the U.S. economy on the banking system and to constrain the power of the four big banks. Guess what? It worked. Everything that they wanted to achieve they have actually achieved. But fundamentally, markets are different today.

We are indexed and correlated, per my prior remarks. Everything in the public markets is now beta, to some extent – meaning, served by daily liquid funds. There is no liquidity in public markets. There's only liquidity on the way up. There's no liquidity on the way down. And we are going to go through more of a revolution over the next five years, just like powerful trends carried us from $40 billion of AUM, up to $650 [billion]. There are some powerful trends that are going to carry us for the next five years.

MR. RUBENSTEIN: Let me ask, normally somebody in your case, situation, you've done an incredible job. You've built the company from a very good company to one that's extraordinary now. As I said, the market cap is up 450% in three years, which is pretty good. Why don't you just say, I can't do any better than this and I'm going to retire at the top?

MR. ROWAN: [Laughs.] You know, it doesn't even cross my mind. And I said this at my partner's off-site recently. We're the luckiest people in the world. We get to do this. None of us have to do this. And I said to my partners, if you come in someday and you feel like you have to do this, let's talk about another career for you. Let's talk about a transition. We are in the middle of immense change in financial markets. We are doing something that fundamentally serves a need in society, which is providing for retirees. We are excited to be at the cusp of change. Me, personally, I'm energized by doing this. This is great.

MR. RUBENSTEIN: So you're going to keep doing this for a while, presumably. So let me ask you, many people in your position they go and have big art collections. Do you have an art collection?

MR. ROWAN: Nothing.

MR. RUBENSTEIN: Do you collect anything?

MR. ROWAN: I collect nothing.

MR. RUBENSTEIN: Nothing? OK. You buy sports teams?

MR. ROWAN: I'm not even a sports fan.

MR. RUBENSTEIN: Really?

MR. ROWAN: But if you invite – I like a spectacle. If you invite me to the finals of anything, I'll go to the finals of anything.

MR. RUBENSTEIN: But you are an athlete. You are a great rider of bikes, is that right?

MR. ROWAN: On an age-adjusted basis, I mountain bike with the best of them. But, remember, it's age-adjusted.

MR. RUBENSTEIN: Is that safe? Your insurance company would think it's safe for you to be on going on mountain bike rides? [Laughter.]

MR. ROWAN: You know, it's – look, I would rather the risk is my own stupidity rather than being on the road with cars, or trucks, or someone else.

MR. RUBENSTEIN: OK. So despite all the pressure you're under, I've observed that you have no gray hair. What is the reason for that? [Laughter.]

MR. ROWAN: I get to do this. This is as good as it gets. I mean, this is so much fun to do. And, you know, I thought the job – it's interesting, you come through your career and you get to be successful by doing things. I no longer do anything. It took me about two years as CEO to realize that doing anything was not worth my time. Because if I do it, I have to do it again. And people expect that I'll actually do it. But if I instead focus on changing the culture so that I make other people successful, it's a little bit like the book. I get them to paint my fence for me. And that's literally what I do. I pick projects, large and small, symbolic and strategic, with the sole purpose of changing the way people think. Because if I can get the organization to think differently, we'll be really successful. Because the one thing that's constant is change.

MR. RUBENSTEIN: Now, before you became the CEO, you were one of the founders of Apollo but you were spending some time building restaurants in the Hamptons and other things. Was it clearly your life ambition to be the CEO of Apollo?

MR. ROWAN: No. The journey is the one – you know, you show up every day and you take the best available opportunity.

MR. RUBENSTEIN: So you were spending time doing other things and then all of a sudden they said to you – the board said you'd be the CEO. Did you say that's what you wanted to do?

MR. ROWAN: [Laughs.] Hardly. So about 15 years ago I – as I suggested – I broke off from the main Apollo business to build Athene and our credit business. And over 15 years, built Athene and the credit business. And then during the – and somehow I managed to also build – renovate buildings, build a few restaurants, build a few homes, build an office building, design this, design that.

MR. RUBENSTEIN: Are you an architect? Or how do you –

MR. ROWAN: That would be my second career. If I were not in the financial markets, I would probably build things.

MR. RUBENSTEIN: OK. So let's talk about the economy. Today as an investment professional, you must focus on the economy. Where do you think we are? Do you think the U.S. economy is in reasonable shape? Or you think we're heading for a so-called hard landing?

MR. ROWAN: I think we're in reasonable shape. I start with the real basics. Three years ago, we decided to build infrastructure. We passed a bill. We allocated money. We haven't built any infrastructure yet. Two years ago, we took $52 billion and we decided to build semiconductor plants. Not a single semiconductor plant is open. A year ago, we passed the Inflation Reduction Act to encourage the EV battery, EV manufacturing of renewables. Not a single plant is open. For the last three years, we have been the single-largest source of foreign –recipient of foreign-direct investment anywhere in the world because whatever our issues, we are the most attractive place for people to locate. And we are ramping our defense supply chain and reshoring our – defense production capability, and reshoring our supply chain.

You take those five or six things, every single one of those is positive for employment. And none of them have hit yet. And yet today, everyone has a job. And so I don't see a situation where people are not going to have jobs. That doesn't mean everyone all the time, but I do not see an employment crisis. If we don't have an employment crisis, it usually means demand is good. That says nothing about financial markets. Financial markets now march to the beat of their own drummer. They are liquidity-driven. They are Fed-driven. They are interest rate-driven. They are money flow-driven. And so we may – as I've suggested, we can get financial market corrections without corrections in the real economy. I think that's where we're heading.

MR. RUBENSTEIN: OK. And suppose the president United States came to you and said: You're a very smart person. You should be the chairman of the Fed, you should be secretary of Treasury or something like that. Would you serve your country in that way?

MR. ROWAN: Yes.

MR. RUBENSTEIN: OK. All right. So are you actively involved in the Democratic Party or the Republican Party, or neither? [Laughter.]

MR. ROWAN: The answer is no to both. I can't tell you today whether I'm a Democrat or Republican. I don't know what these labels – I don't even know what the labels mean anymore. We are in a very confusing time politically. But at the same time, when the dust settles from this election, something tells me we will need, as a country, to turn our attention to the fiscal disorder of our house.

MR. RUBENSTEIN: Do you think we have fiscal disorder because we have $34.5 trillion of debt or other reasons?

MR. ROWAN: Yeah. that's a good starting point. [Laughter.] That's a good starting point. But we are still, as nuanced as that is – $34 trillion – we're still – we hold the best hand of cards of anyone in the world. We just play it poorly.

MR. RUBENSTEIN: So today let's suppose somebody sitting here, somebody's watching, they say: Well, he's a smart guy. He knows something about investing. What should I do with my money? What do you recommend the average person who's got some spare cash to invest, should they put it all in private equity, private credit, fixed income, public securities? What do you recommend for the average person?

MR. ROWAN: So I don't give investment advice. So we'll start with that.

But I do make observations. And I start by asking every crowd, if you need 100% of your money on Tuesday you're not a candidate for private assets. And there are plenty of people who need 100% of their money on Tuesday and are not a candidate for private assets. But if you have a long-term time horizon, is illiquidity a risk to you? I don't think it is. We haven't – we're going through a bit of a revolution on the difference between public and private. I have said publicly that I think for high net worth investors, they will be 50% plus allocated to private assets in the next five years. That doesn't mean private equity and venture and hedge funds, just private assets.

We have seen on a society scale what allocations to private assets have done. Look at what's gone on in Australia. Australia 40 years ago adopted superannuation as a method of bringing professional management and access to private assets to the entirety of their population. They are the single most successful example of a society-level change in the production of retirement income. We have a retirement income crisis almost everywhere in the world. People have not saved. Social Security is not going to be enough to provide people lifestyle, particularly if they live longer and longer, which they're going to. And so, yeah. I think appropriate investing starting at a really early age, mixing access to private markets, getting excess return, is appropriate for everyone. And I think we'll get there.

MR. RUBENSTEIN: So are there particular investors that you admire? People you think have done a good job in doing the kinds of things you would like to see people do with their money?

MR. ROWAN: So I'll say it this way. When my career started I thought the single best investors in the world were in the U.S. And I think that's no longer the case. I think the U.S. investors, institutional investors, have become beholden to benchmarks, and benchmarks force you to do the same thing that everyone else is doing because you don't want to be outside the norm. And the same is true, by the way, for Europe. Europe is going through its own investment crisis. And so, I look at where the best investors in the world are today, and they are places where the decision-making and the investment are very closely tied together.

And I look at places like Singapore, and I look at places like the Emirates, who are doing unbelievable things. But as a general rule, family offices are where all the great things in the investment marketplace are happening today. They have become large enough to be institutions in their own right. And they are limited only by the imagination and risk tolerance of their founders to actually pursue and capitalize on trends. So if I look at innovation in financial markets today, it's all taking place at family office.

MR. RUBENSTEIN: Do you have a family office?

MR. ROWAN: I do.

MR. RUBENSTEIN: And the people who work there, they tell you what they think you should invest in and you listen to them, or?

MR. ROWAN: Yes, actually. It actually works quite well. And I freely share how I'm allocated, which I'm prepared to share with you and happy – I actually co-invest with your family office sometimes.

MR. RUBENSTEIN: I am aware of that, but thank you. [Laughter.] So let me ask you a question. You are the head of the United Jewish Appeal in New York, which is a very large philanthropic organization. So is it hard for you to go out and raise money from wealthy Jewish people now? Or is easier, now that you've done what you've done at Penn?

MR. ROWAN: Asking people for money for good causes, whether it is an investment good cause, whether it was for the Wharton School, or for UJA, seems to have come easily to me. We are in the U.S., in the Jewish community, going through a very interesting period of time. Anyone who was on the sidelines is no longer on the sidelines. I'll give you a sense. The normal budget of UJA is about $225 million a year, is what they raise. This year, they'll raise $375 [million]. People are off the sidelines.

The notion that we would ever see anti-Semitism in the United States of America is something that has hit people in the most visceral way. And they want to go and change it. The energy we're seeing, the outpouring of support, from people who heretofore had not been engaged in Jewish causes, is actually one of the silver linings following October 7. And it'll be interesting to see how we, as people who are active in the philanthropic world, harness that energy, because there's nothing but things to do right now.

MR. RUBENSTEIN: So why do you think anti-Semitism is on the rise in the U.S.?

MR. ROWAN: Look, I think it is part and parcel of the kinds of things that we've seen at our elite academic institutions. If you – if your worldview is not – if you've given up thinking about right and wrong and, you know, moral and immoral, and literally you are focused on oppressor, power, anyone who is seen as oppressed, oppressor, or powerful is wrong, no matter what they do. And it also depends on your lens. Because if you look at the lens of what's going on in Israel, it's hard not to say that Israel is not powerful relative to the Palestinians. But if your lens is even the slightest bit wider, you realize that you're talking about a fraction of a fraction percent population in the world.

And so we're in this really interesting period of time. I am – there are anti-Semites, the same way there are people who are anti-Black, anti-gay, anti-women, anti-everything. We will never change that. Anywhere you have free speech, free will, you will have people who are extreme in their views one way or the other. What's happening today is different. It is – anti-Semitism is a manifestation of anti-Americanism, anti-power, anti-oppressor. The dividing of our society into groups not as individuals. And we're seeing this most prominently in our elite academic institutions.

And, lo and behold, people who live in the real world, their alumni, are pissed. And we're going to go through this reformation, if you will, in elite academia. It's happening at Harvard. It's certainly happening at the University of Pennsylvania. It's happening almost every place we go. And it's going to happen through the political process. It's going to happen through the legal process. And it's going to happen through the financial process. And what's interesting, professors are not uniform in their views. People became professors. They are interested in academic excellence, in merit, in research.

MR. RUBENSTEIN: OK. So, I wouldn't say you're unique, but you're unusual in the private equity world. You're on your first wife. [Laughter.] So presumably happily married. And where did you meet your wife?

MR. ROWAN: Blind date.

MR. RUBENSTEIN: Wow. OK. Did you get a finder's fee to somebody for that, or? [Laughter.]

MR. ROWAN: I think she paid it. I didn't pay it. [Laughter.]

MR. RUBENSTEIN: OK. So you have four children?

MR. ROWAN: I have four children.

MR. RUBENSTEIN: And any of them want to be in private credit?

MR. ROWAN: No. I have – my oldest is an investor. But he invests in fashion and consumer, with a partner.

My second is in the gaming world. He's, I think, top 10 in the world in "World of Warcraft," fluent in Japanese. All the things I told him not to do, he's now turned into a business.

My third went to the Wharton School, produced the lowest grade point average known to mankind, dropped out and went to the Berklee School of Music for four years, and plays four instruments, and is a songwriter. But now, ironically, works in financial services.

And I have a 15-year-old daughter who only knows what I do because someone put something I said on TikTok. But for that, she would have no clue as to what I do.

MR. RUBENSTEIN: So people in the audience here might be saying they're very jealous of you. You're at the peak of the financial service world. You're happily married. Four kids. You're in good shape. You're a great athlete, in terms of biking at least. So to make people feel better about themselves – [laughter] – can you tell us some failure you've had, or something so that people won't walk away saying, this guy is so great that I can't possibly live up to his achievements? Tell us something you've done that didn't work out, or that you're frustrated about, or one of your weaknesses, so we can all feel not so inadequate?

MR. ROWAN: Look, David, you understand that we are talented within a very limited range of things. So I wake up every day and the first thing I do after exercises, is I do Duolingo. So I'm now on my 1,200th day of Spanish. But you cannot talk to me in Spanish. I would need to move somewhere for a long time. We are – as I said, I am fortunate to have been – have found something that I'm actually good at that makes sense to me. But take me outside of a narrow band of things, not that good at it. So we do what we do.

MR. RUBENSTEIN: OK. So today you're going to see some members of Congress, from regulators, and then go back to making more money for your investors, your shareholders tomorrow, right?

MR. ROWAN: I'm going to do a little pro-Israel work. And after that, I'll go back.

MR. RUBENSTEIN: OK. Marc, it's a very interesting story. Congratulations on building this company this way, with the help of some partners, and everything else you're doing. Congratulations.

MR. ROWAN: Thank you so much. [Applause.]

Mark Rowan
Co-Founder and CEO
Apollo Global Management, Inc.

Mr. Rowan is a Co-Founder and CEO of Apollo Global Management, Inc. He currently serves on the boards of directors of Apollo Global Management, Inc., Athene Holding Ltd. and Athora Holding Ltd. Currently, Mr. Rowan is Chair of the Board of Advisors of the Wharton School of Business at the University of Pennsylvania. In addition, he is involved in public policy and is an initial funder and contributor to the development of the Penn Wharton Budget Model, a nonpartisan research initiative which provides analysis of public policy's fiscal impact.

An active philanthropist and civically engaged, Mr. Rowan is Chair of the Board of UJA-Federation of New York, the world's largest local philanthropy helping 4.5 million people annually while funding a network of nonprofits in New York, Israel, and 70 countries. He is also a founding member and Chair of Youth Renewal Fund and Vice Chair of Darca, Israel's top educational network operating 47 schools with over 27,000 students throughout its most diverse and under-served communities. He is an Executive Committee member of the Civil Society Fellowship, a partnership of ADL and the Aspen Institute, designed to empower the next generation of community leaders and problem solvers.

Mr. Rowan graduated summa cum laude from the University of Pennsylvania's Wharton School of Business with a BS and an MBA in Finance.