

It's Not That Complicated

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In this episode of Athene: In Context, Marc Rowan and Mike Downing go back to basics. Set against a growing retirement gap and rising demand for capital around

The model itself is simple: invest assets, earn a return, pay out benefits. The real difference is how those assets are sourced, structured, and matched over time.

The conversation gets into what it actually takes to deliver that promise at scale, why trust is the only thing that can derail an industry this well-positioned, and why we want to be innovators, not risk takers.

As Marc puts it, who knew insurance could be so exciting?

"We are serving a growing demographic of people who need retirement income." Marc Rowan, Chief Executive Officer

Retirement Demographics

"95% of our portfolio is fixed income of which 97% is investment grade. If the only thing you buy is public investment grade fixed income, you have no advantage over any other company in the industry. When we started, we recognized this gap, and we became the best originator of investment grade." Marc Rowan, Chief Executive Officer

Mike Downing: I've taken the time to put together the definitive guide for insurance, but I thought people could use more context.

Marc Rowan: if you think about it, we operate a really simple business. The fundamentals of this business model are not that hard to understand. We invest assets, we earn a return on those assets. We pay out benefits. That's our cost of capital. We then have OpEx, and what's left is profit, which we sometimes call spread to keep people really confused.

Mike Downing: It's really interesting because when you strip away all the jargon and the complexity, at the end of the day, we're providing a very simple promise. What that promise is, is a promise of protection and in some cases, guaranteed lifetime income.

Marc Rowan: So just to put that into context.

Marc Rowan: If you think about the backdrop of what we're doing, we are in a market that gets better every day. We have very few markets around the world where in the past five or six years our market has doubled in size, and our market is going to continue to grow into 2050. Very few businesses can look out across the landscape and say there's 20 years of growth coming and we are driven by demographics, demographics in the US.

Marc Rowan: People need guaranteed retirement income. They need lifetime retirement income. They need the kinds of products that insurance companies historically have offered but have been very inaccessible. And I think the journey we're on first is one of making inaccessible products accessible.

Marc Rowan: Going from literally a start-up entity 17 years ago, with no new business to the largest provider of organic growth in this industry has been an amazing journey and an amazing accomplishment.

Mike Downing: When you think about insurance traditionally and then what Athene and Apollo have really brought to the table in terms of changing the paradigm?

Marc Rowan: The key in our business, as you know, we want to be an innovator but not a risk taker.

Marc Rowan: The insurance company is a terrible place to take credit risk. Not only is it not the right thing for consumers, but it's very capital intensive to hold risky assets. It is a terrible place to take equity risk. It is on the other hand, a wonderful place to take liquidity risk.

Marc Rowan: 95% of our portfolio is fixed income of which 97% is investment grade. If the only thing you buy is public investment grade fixed income, you have no advantage over any other company in the industry. And so when we started, we recognized this gap and we became the best originator of investment grade.

Marc Rowan: The ability to originate investment grade fixed income is the key differentiator, and that's been the magic of the relationship between Athene and Apollo.

Mike Downing: Can you cut through some of the hype around private credit?

Marc Rowan: Well, I'd like to say these are two words that sound like they mean something, but actually mean nothing. Private and credit.

Marc Rowan: Most people use the term private credit to refer to the below investment grade levered lending, which is associated with buyouts and other forms of transactions and below investment grade companies. And often people think because insurance companies own private credit, that they own below investment grade levered lending. And nothing could be further from the truth. I know at Athene our holdings are below investment grade levered loans round closer to zero than to 1%.

Marc Rowan: Private investment grade is not the same as what's happening in the headlines today when people talk about levered lending. Private investment grade is just investment grade.

Marc Rowan: When I explain our business in the most global way to people, on the one hand, we have this insatiable need for retirement income in the US and around the world. On the other hand, we have this immense need for capital, primarily from investment grade borrowers for this global industrial renaissance.

Mike Downing: And so what you're really getting at is aligning interests, aligning the retiree promises and

then backing those promises with the appropriate assets to match that promise.

Marc Rowan: Our job at Apollo is to stand in the middle and connect the capital that is needed with the returns that are needed for retirees

Mike Downing: What are some of the mistakes insurance companies have done in the past?

Marc Rowan: Well, I come back to I think the biggest risk for our industry is loss of trust. We are, and should be a safe pair of hands. And I'm talking about the industry. Within the industry, we should be the safest pair of hands. But our industry has been a source of trust. If I look at what's happened in almost every financial crisis or financial meltdown, the insurance industry has grown. People retreat from public markets. They retreat from stocks and bonds, and they move into things that have guarantees, particularly when rates are at a reasonable level over some historical basis

Mike Downing: That idea of trust is something we at Athene work on every day because we believe trust is paramount in order to be recognized as a force for good and a power player in the retirement industry.

Marc Rowan: Our industry is going to grow through 2050. That doesn't mean in the same products, that doesn't mean exactly the same way. But we are serving a growing demographic of people who need retirement income and an aging population. We have very few competitors to provide guarantees on a tax advantaged basis. The only thing we can do is screw it up by destroying trust. That's not going to be us. We will raise our voice at every point in time. We will explain. We will teach. We will visit regulators. We have too much at stake here for this not to go well, because we're on a really good path.

Mike Downing: I couldn't be more excited. If we think about our capital stack at Athene and the opportunity in front of us, I'm confident with our ability to invest not only from an asset standpoint, but invest in our business. We will systematically demystify retirement, take out all the acronyms, and make guaranteed lifetime income a reality.

Marc Rowan: Who knew insurance was so exciting?

Mike Downing: We're going to make it that way.

- “Affiliated” & “Related Party” Assets
- Alternatives Portfolio Spotlight
- Asset Portfolio Compendium

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