

# Decomposing the Spread Premium in Private IG Corporate

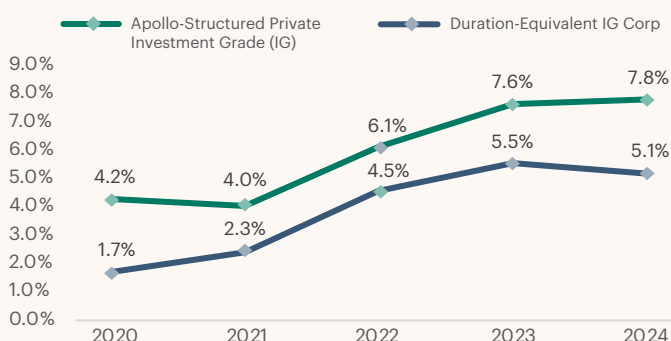
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Historically, Apollo-structured Private Investment Grade (IG) transactions have generated a Spread to Public (STP) premium of 150–300 basis points (bp) (Exhibit 1). This excess yield is not a function of higher credit risk, but rather a compensation for three distinct pillars of premium: Illiquidity, Structuring, and Origination.

**EXHIBIT 1: Private IG Corporate Has Historically Generated 150-300bp of Excess Spread**



Note: IG Corporate represented by the Bloomberg US Corporate Index. Sources: Barclays Research, Bloomberg, Apollo Analysts

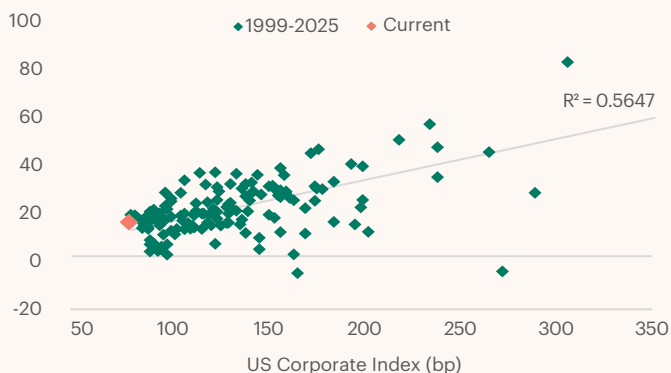
## 1. Liquidity Premium (~50–75bp)

Liquidity premium reflects the reduced tradability of Private IG transactions relative to public bonds of similar rating and duration. While this premium typically compresses for shorter-dated notes, we use the intermediate point of the curve as our primary benchmark. The components of this premium can be viewed through the tiered liquidity of the credit markets by drawing comparisons to securities with empirically observable pricing.

**144A Securities** are publicly issued but excluded from major indices typically utilized by investors. Despite having public CUSIPs and TRACE eligibility, the narrower buyer base creates a modest liquidity haircut resulting in a 5-15 bp spread premium (Exhibit 2).

**EXHIBIT 2: A Narrower Buyer Base Contributes to Liquidity Premium in 144A and Other Private Securities**

### Industrial 144A Premium (bp)



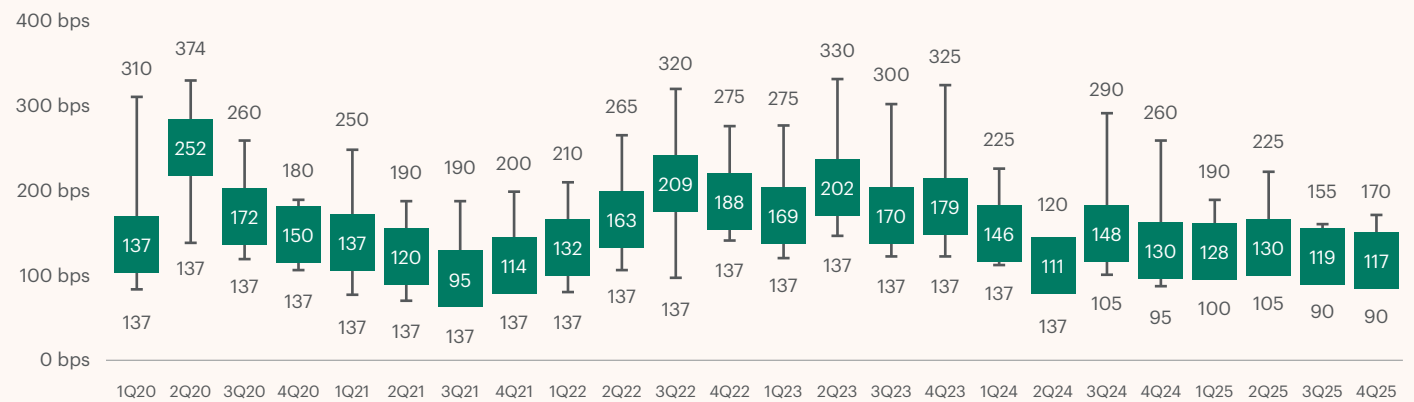
Note: Data as of Feb. 28, 2025. US Corporate Index is represented by the Bloomberg US Corporate Index. Sources: Bloomberg, Barclays Research, Apollo Analysts

**4(a)(2) Private Placements** are often issued by smaller private entities in bilateral or club formats and typically include transfer restrictions that limit secondary trading. While historical averages have implied a spread premium of 70bp versus comparable public bonds, recent compression has brought this closer to an average of 40bp, with a slightly higher premium for lower-rated credits. Exhibit 3 shows

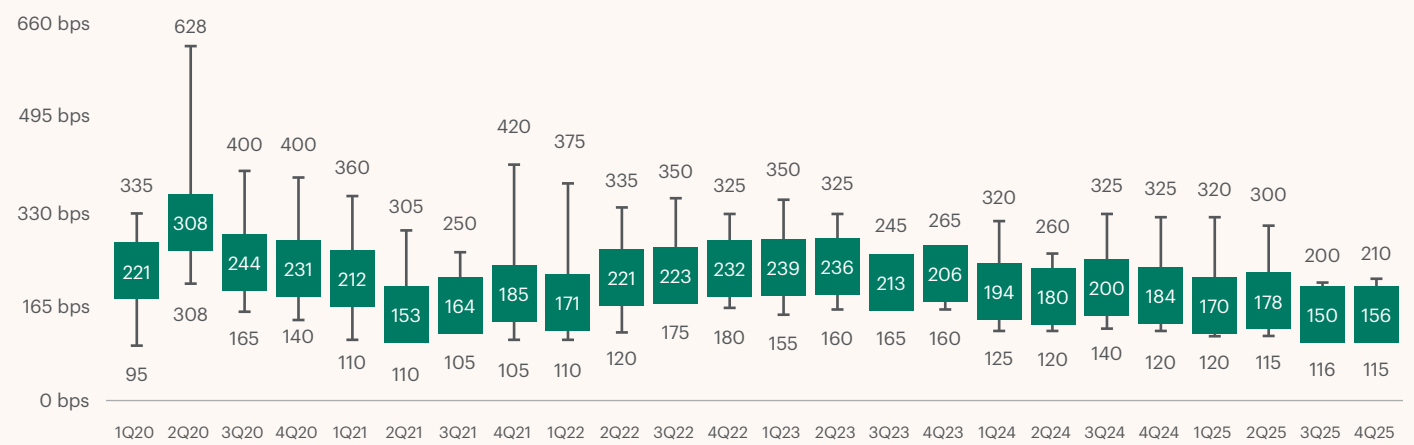
NAIC-1 and NAIC-2 spreads for the 4(a)(2) market. Using a reference point of 4Q 2025 NAIC-2 average spread at 156bp, we can compare this against the average public credit BBB-index spread of 96bp for the same period, implying a 60bp premium.

**EXHIBIT 3: Restricted Transfers Help Keep Spreads on Private Placements Wider Than Public Securities Across the Cycle**

**Pricing Differentials for NAIC-1 Spreads**



**Pricing Differentials for NAIC-2 Spreads**



Sources: BofA Securities USPP Market Snapshot FY 2025, Apollo Analysts

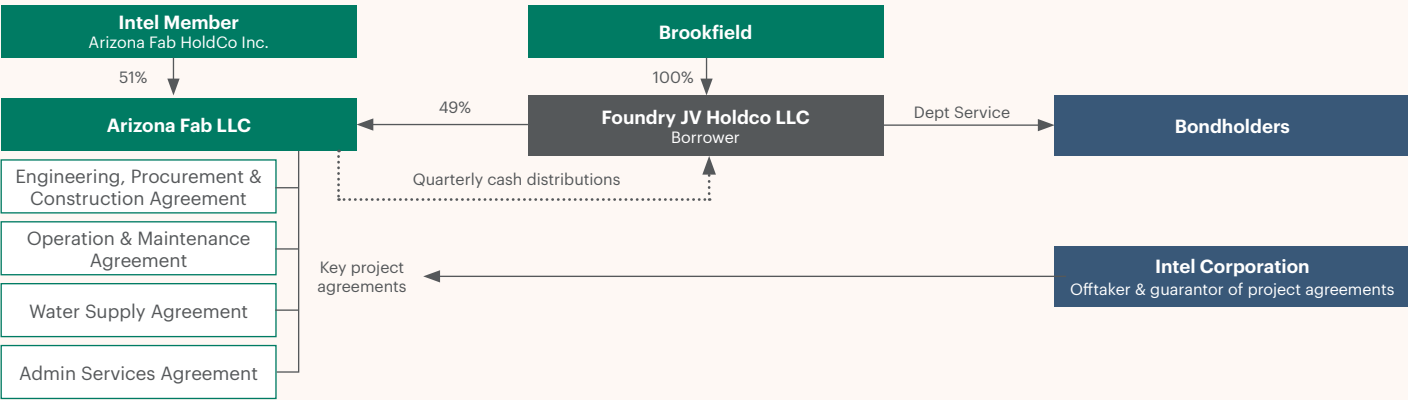
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## 2. Structuring Premium (~50–150bp)

Structuring premium reflects the complexity, bespoke disclosure and provision of issuer flexibility often incorporated into Private IG transactions. Many of these private issuances utilize bankruptcy-remote structures that rely on assets contributed by a corporate parent. While the credit profile of the issuing entity is often identical to that of the parent’s, underwriting the structure requires analyzing non-standard agreements.

To illustrate this premium, we track the spread between one of Intel’s publicly issued bonds (INTC 5.15% 2034) and similar debt issued by an Intel-owned joint venture, Foundry JV HoldCo LLC (FABSJV 5.875% 2034). Notably, the FABSJV notes carry virtually identical credit risk to the comparable INTC debt, as the contractual cash flow required to support the joint venture is guaranteed by INTC and includes cross-default provisions. Subsequently, the credit ratings for both entities have been equalized at BBB/Baa2.

FIGURE 4: FABSJV Corporate Structure

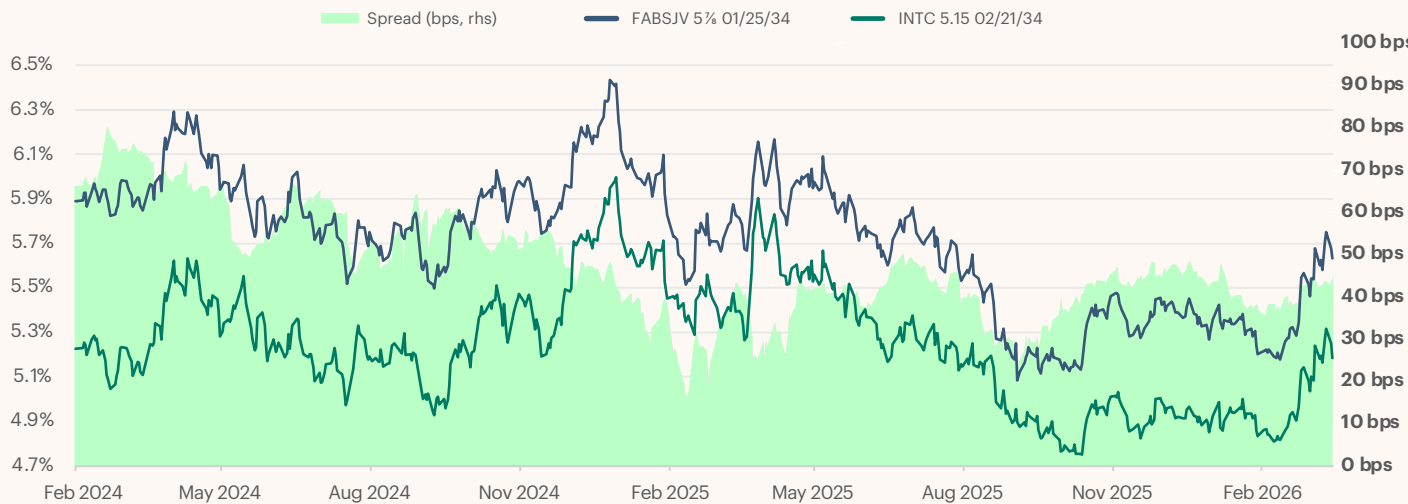


Sources: S&P Global, Apollo Analysts

While the credit profiles of INTC and FABSJV mirror one another, investment in the FABSJV entity still requires complex underwriting as its issued debt is not a simple obligation of the parent corporation (Exhibit 4).

Consequently, the FABSJV note has traded at a persistent premium ranging between 40–70bp, compressing over time as investors have become more comfortable with the structure (Exhibit 5).

EXHIBIT 5: Structuring Premium Contributes to Spread Differential Between Public Intel Debt and Private Debt from Joint Venture



Sources: Bloomberg, Apollo Analysts

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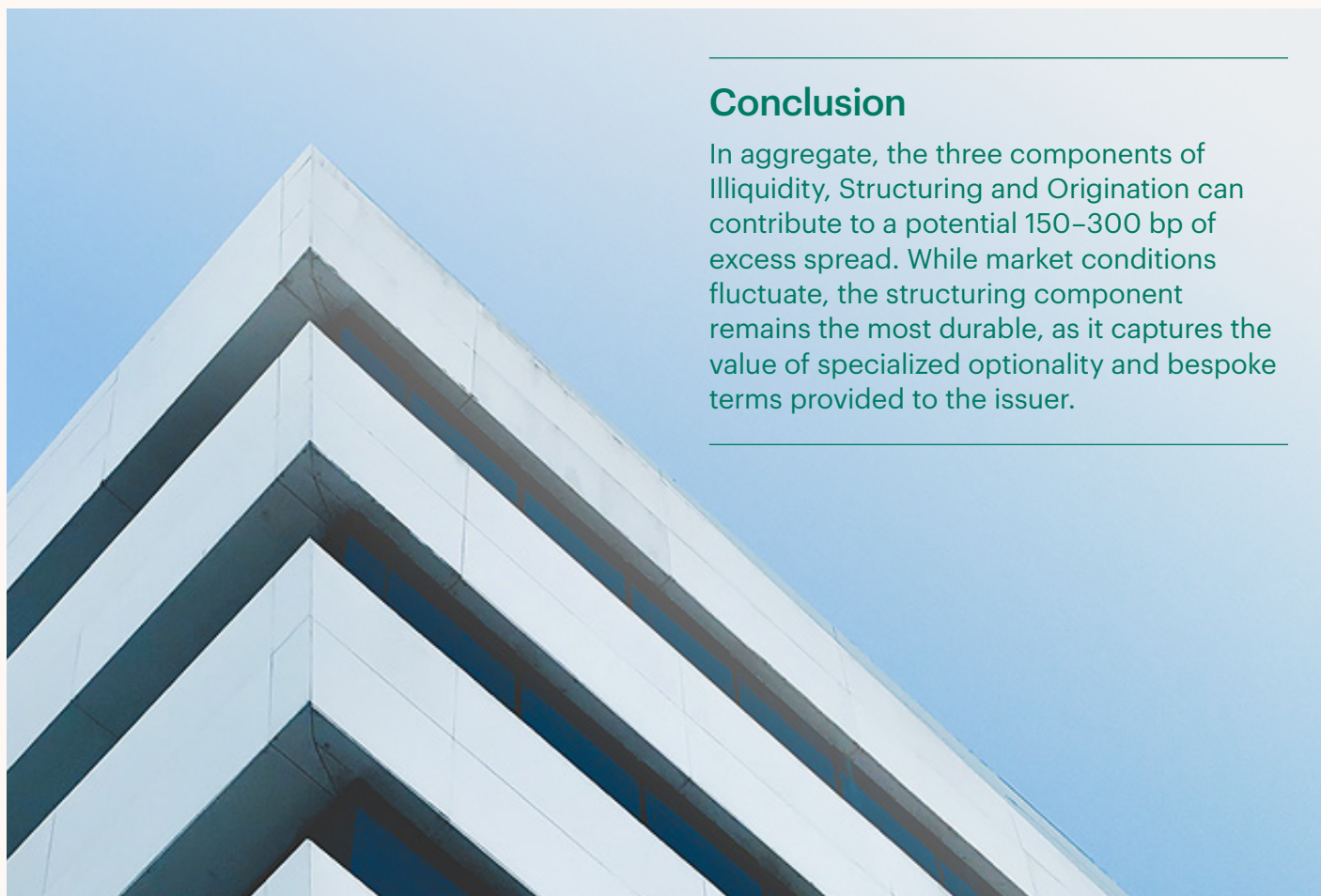
A second common contributor to the structuring premium is flexibility in terms, particularly for repayment or drawdown schedules typically tied to M&A or project financing. This enhanced call flexibility is often provided in the form of ability to defer coupon payments or amortization based on the economics of a specific project. We estimate that this optionality is priced at 25–100 bp of additional spread at origination, with the issuer receiving genuine refinancing flexibility and investors capturing it as incremental yield.

A single transaction may combine several of these features, compounding into a meaningful spread pickup versus public IG equivalents and underpinning the upper end of our estimated 50–150 bp range for the overall structuring premium.

### 3. Origination Premium (~50–100bp)

Origination premium is a direct benefit of Apollo's scale and ability to bypass traditional intermediaries.

- Underwriting pass through (~15–25bp): By moving directly to the private market, issuers bypass the public syndication process. In a negotiated transaction, a portion of the saved gross underwriting fees (typically 15–25 bp) is effectively reallocated to the lender as a wider spread. This is visible in SEC filings where disclosed underwriting fees can be compared against implied arrangement fees in the private market.
- Size/speed premium (~25–50bp): In the broadly syndicated market, larger transactions carry execution risk, especially when related to M&A or project-related financing. Apollo's ability to "write the whole check" and provide certainty of capital is a high-value service. Issuers compensate for this surety with wider spreads, particularly on transactions involving full bilateral underwriting commitments.



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## Conclusion

In aggregate, the three components of Illiquidity, Structuring and Origination can contribute to a potential 150–300 bp of excess spread. While market conditions fluctuate, the structuring component remains the most durable, as it captures the value of specialized optionality and bespoke terms provided to the issuer.

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## About the Author



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Brian Weinstein is a Partner and Head of Fixed Income Replacement, responsible for shaping Apollo's Fixed Income Replacement strategy and product suite. Prior to joining in 2025, Brian was at Morgan Stanley Investment Management, where he most recently served as the Head of Global Markets and Head of Fixed Income. Previously, he was a cofounder and CIO of Blue Elephant Capital Management, and held senior roles at BlackRock including Head of Multi-Sector Fixed Income. Brian is a graduate of the University of Pennsylvania.

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