

APOLLO

Mag 7 starting to underperform:
Markets rotating toward quality and free cash flow

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Apollo Global Management

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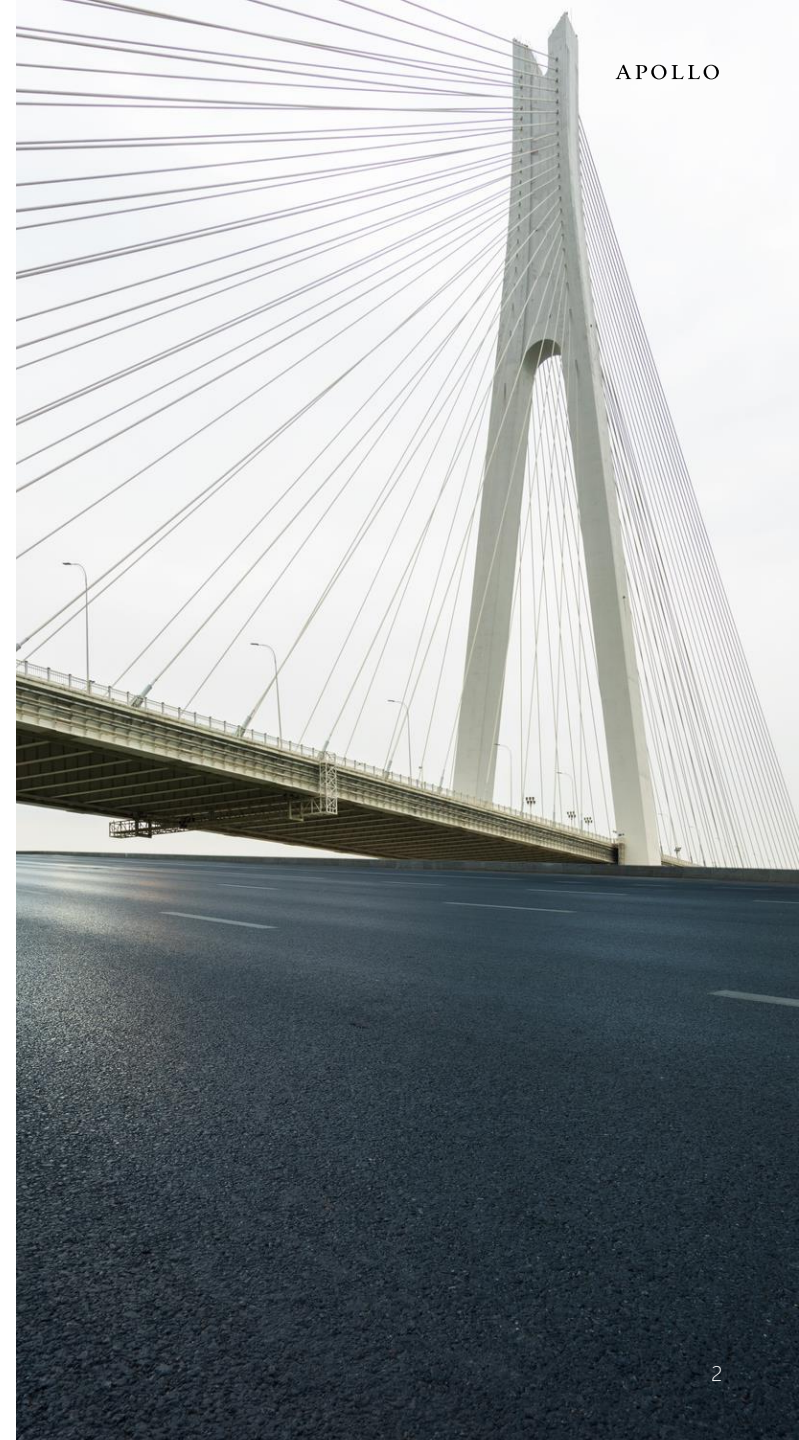
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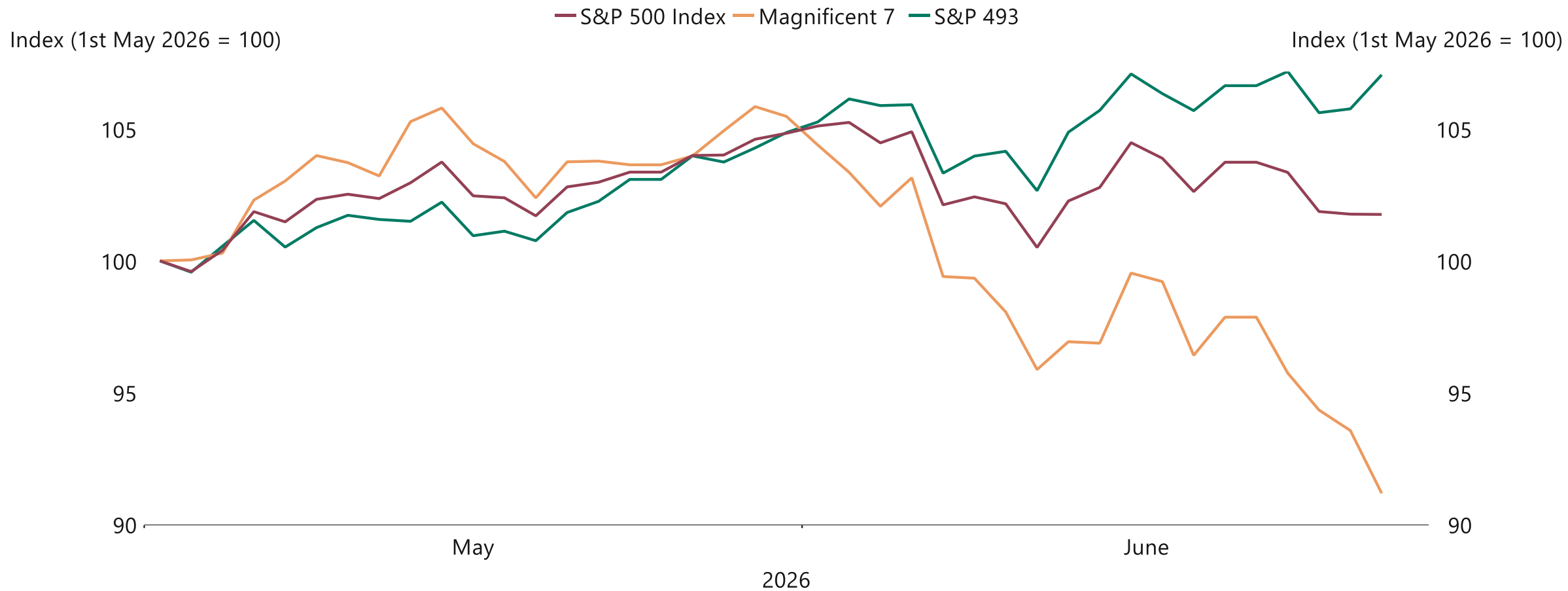
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Recent performance of the Mag 7



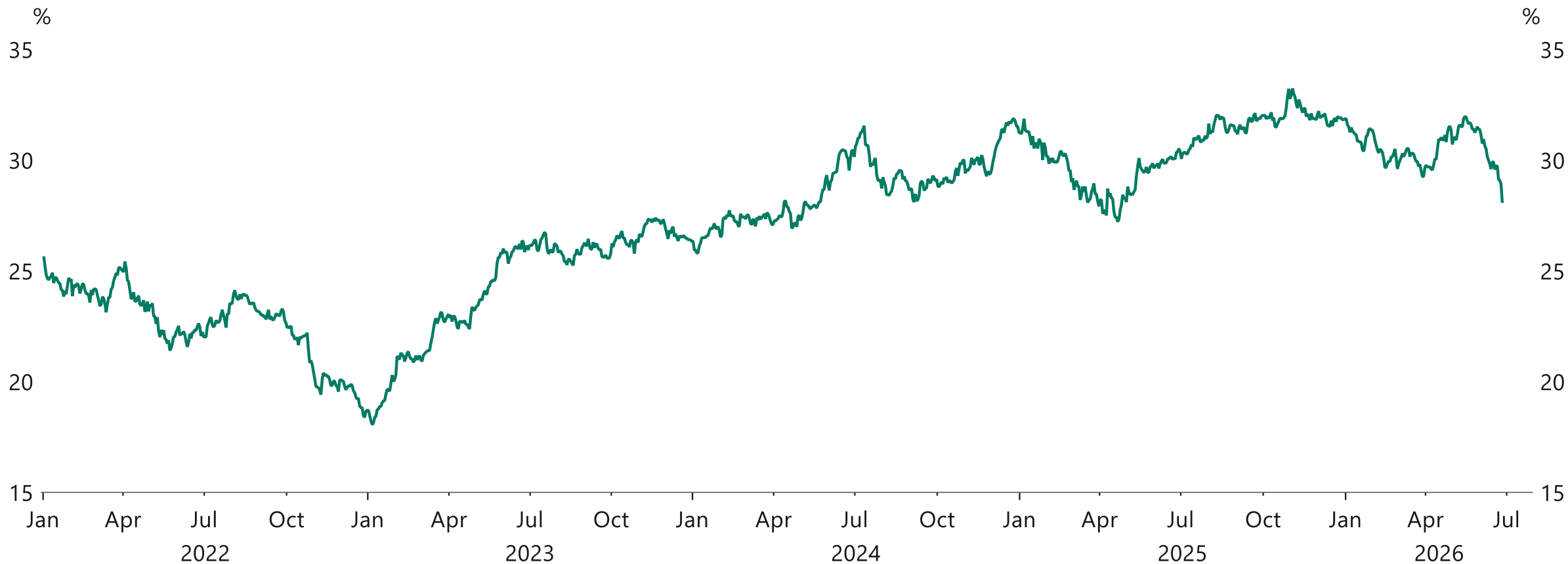
Recent performance of the Mag 7



Source: Bloomberg, Macrobond, Apollo Chief Economist. Note: Bloomberg Magnificent 7 and Bloomberg 500 ex mag 7 indices used

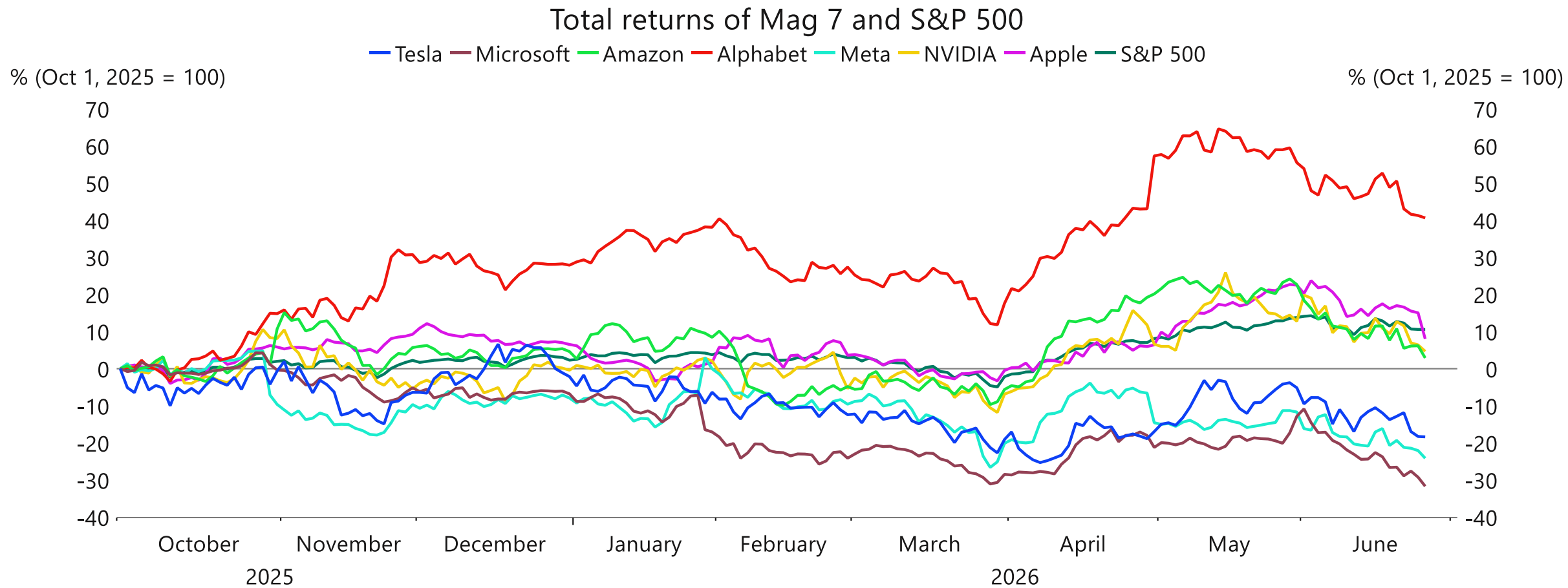
Mag 7 share of S&P 500 market cap

Mag 7 share of S&P 500 market cap



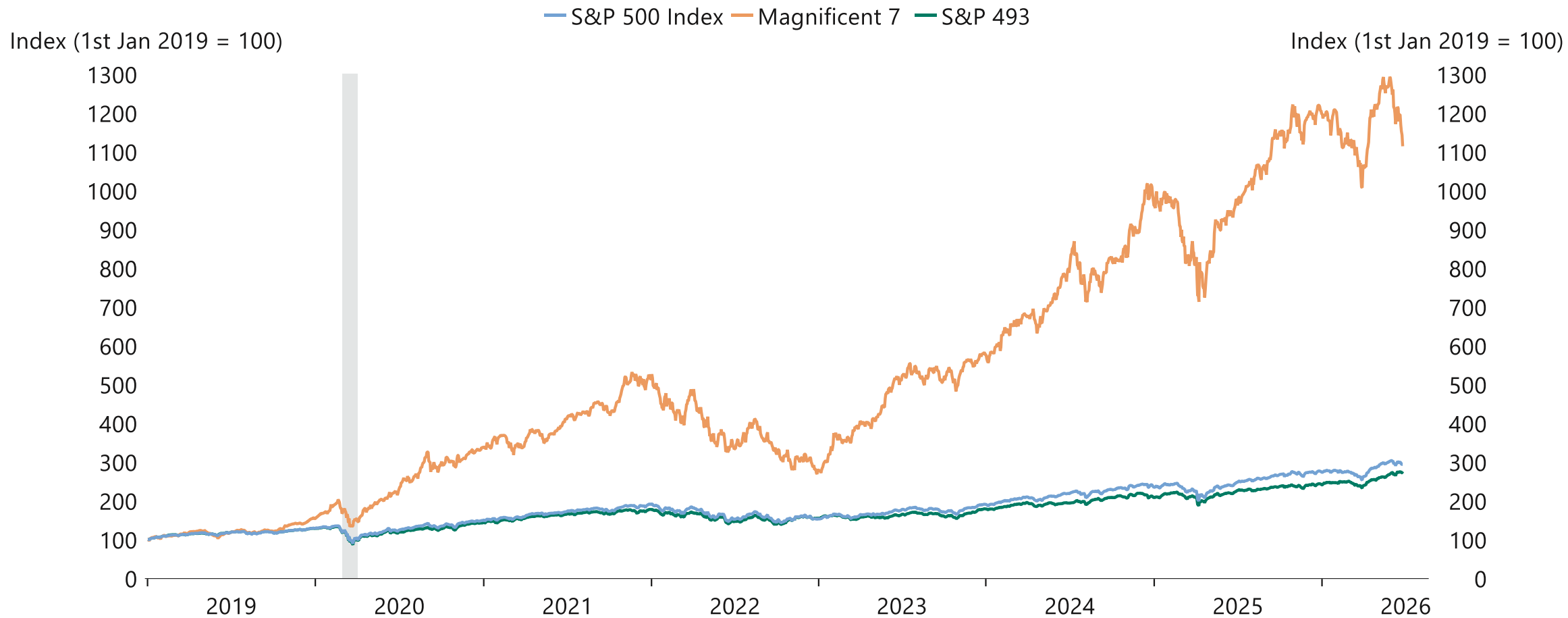
Source: Bloomberg, Macrobond, Apollo Chief Economist

Some divergence in performance inside the Mag 7 in 2025 but recently they have all been going down



Source: Bloomberg, Macrobond, Apollo Chief Economist

Performance of the Mag 7 versus the S&P 493

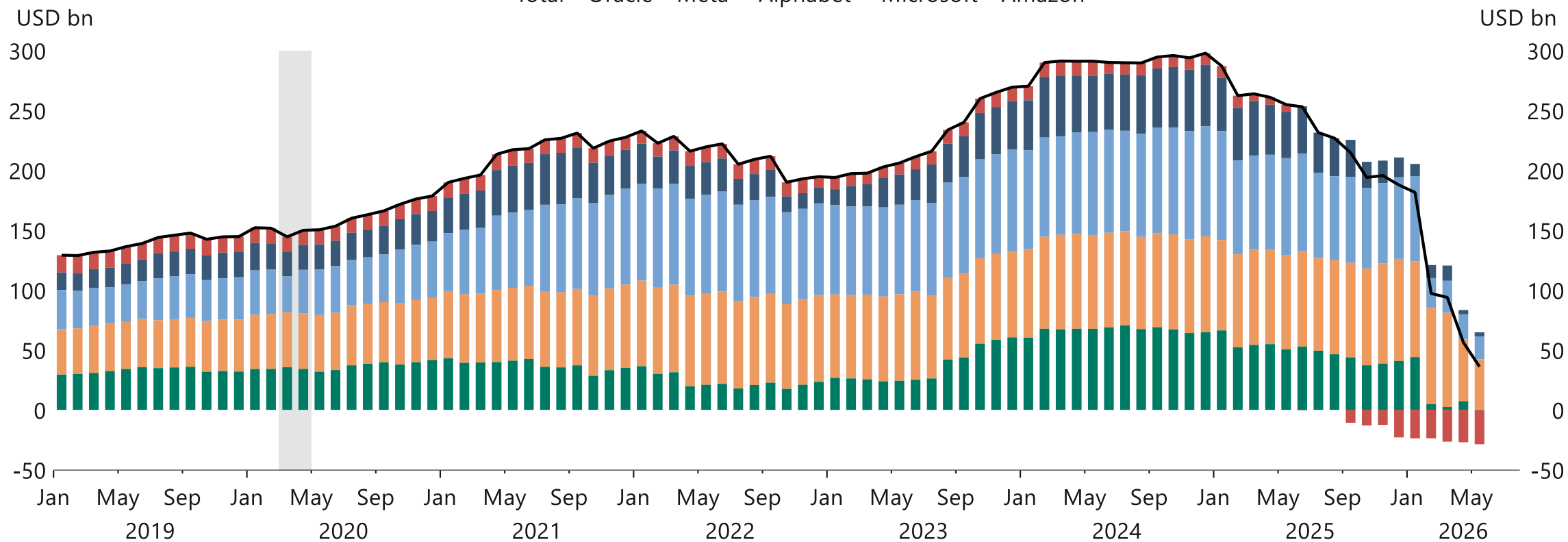


Source: Bloomberg, Macrobond, Apollo Chief Economist

Hyperscaler free cash flow coming down

12 month forward free cash flow

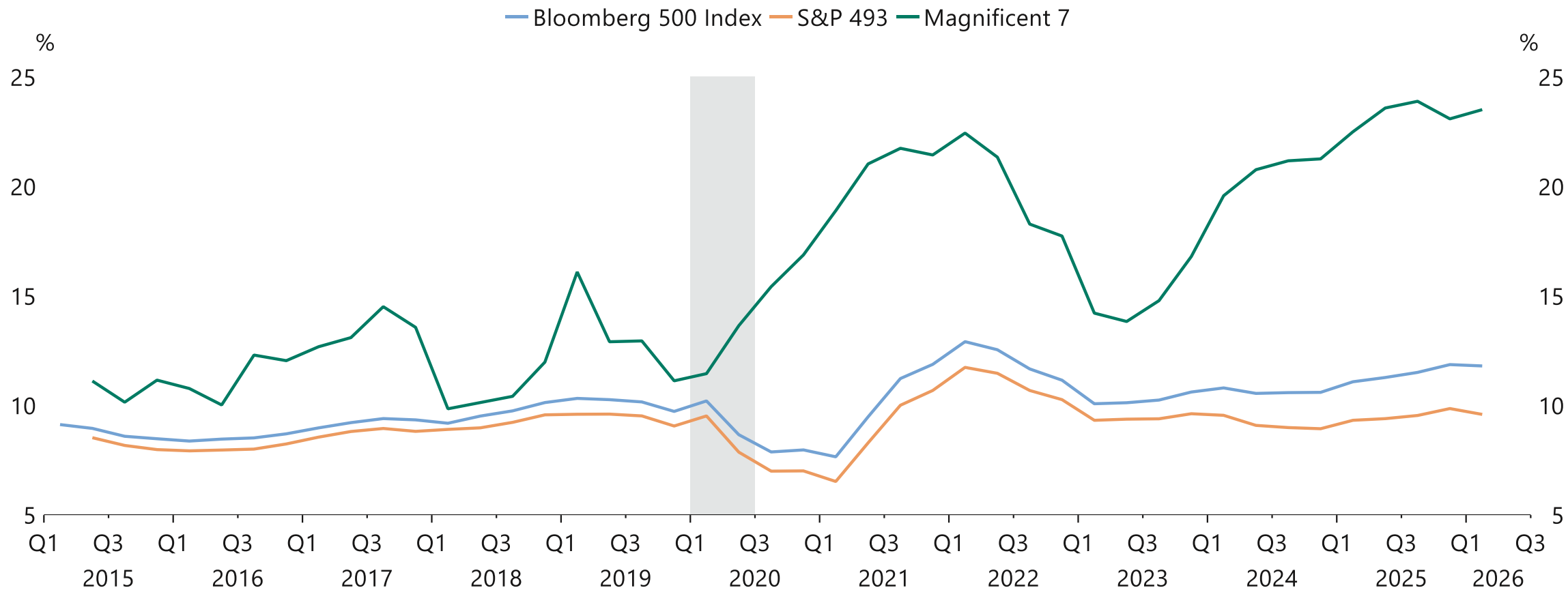
— Total Oracle Meta Alphabet Microsoft Amazon



Source: Bloomberg, Macrobond, Apollo Chief Economist

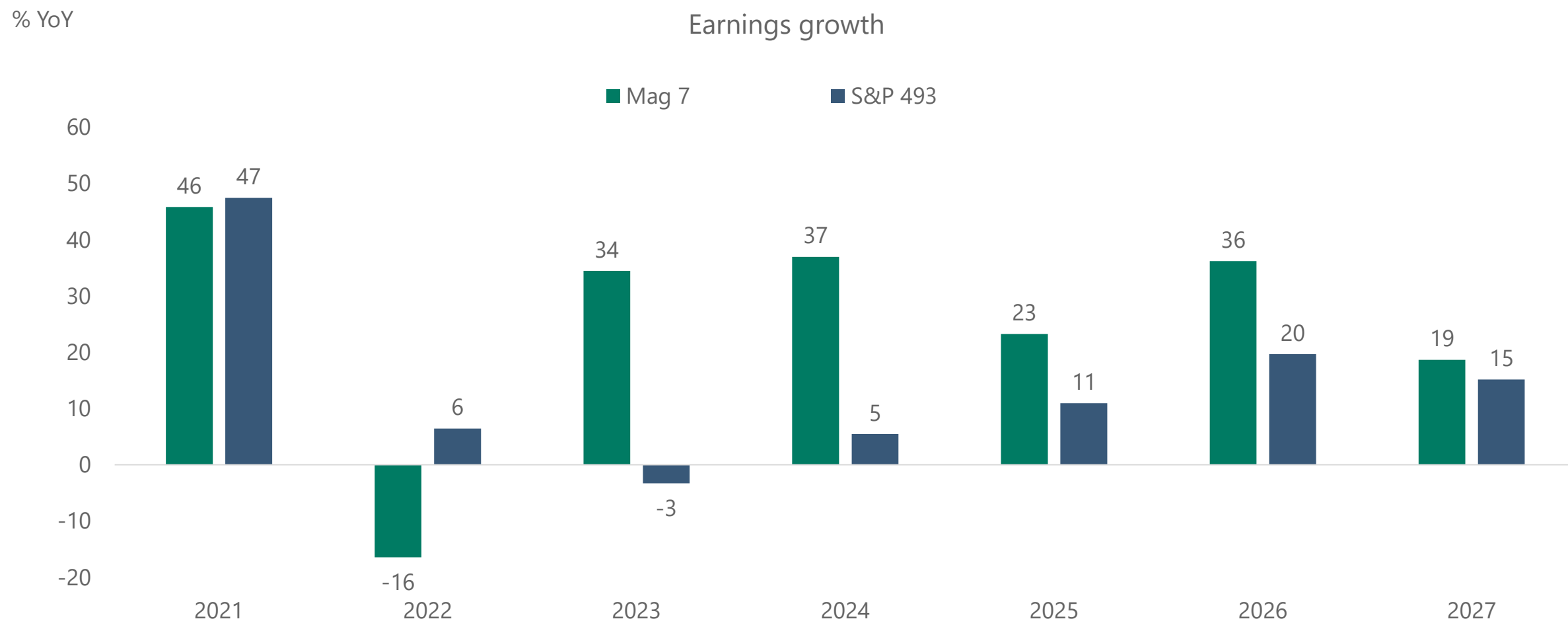
Profit margins not moving up for the S&P 493

Profit margin

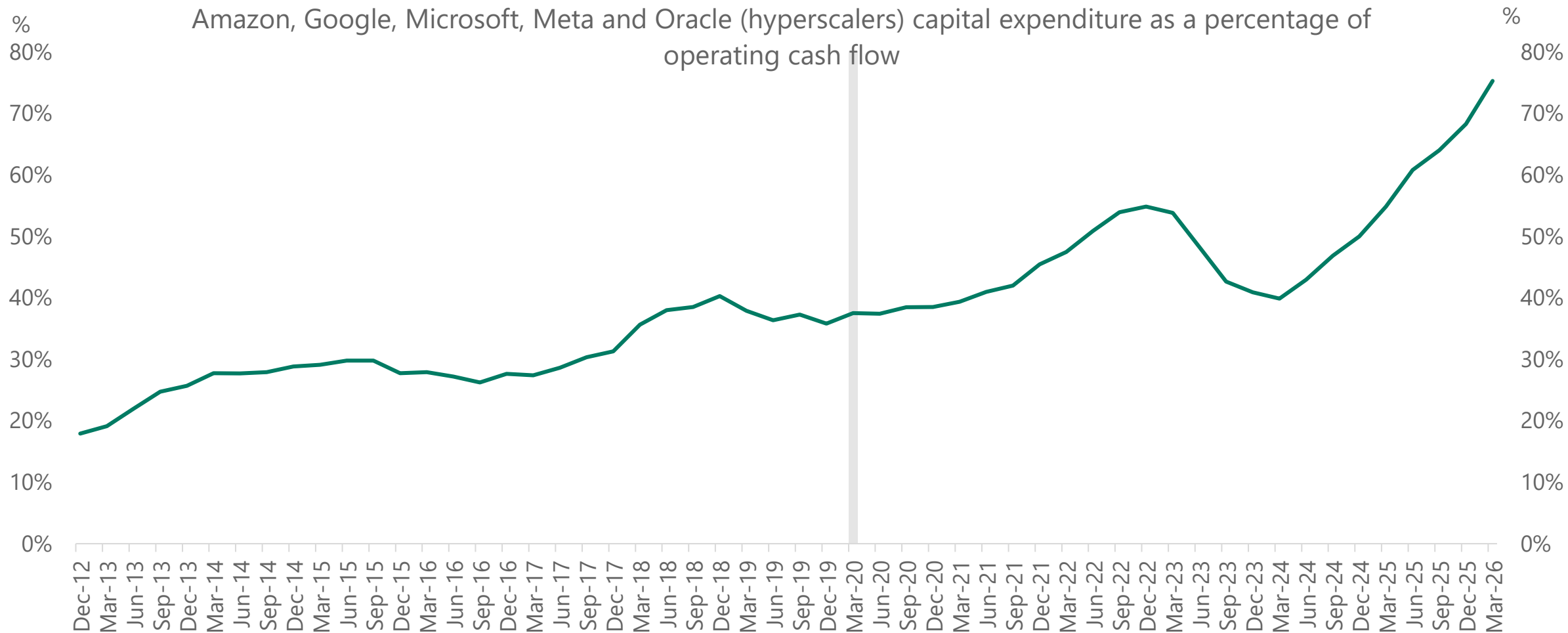


Source: Bloomberg, Macrobond, Apollo Chief Economist

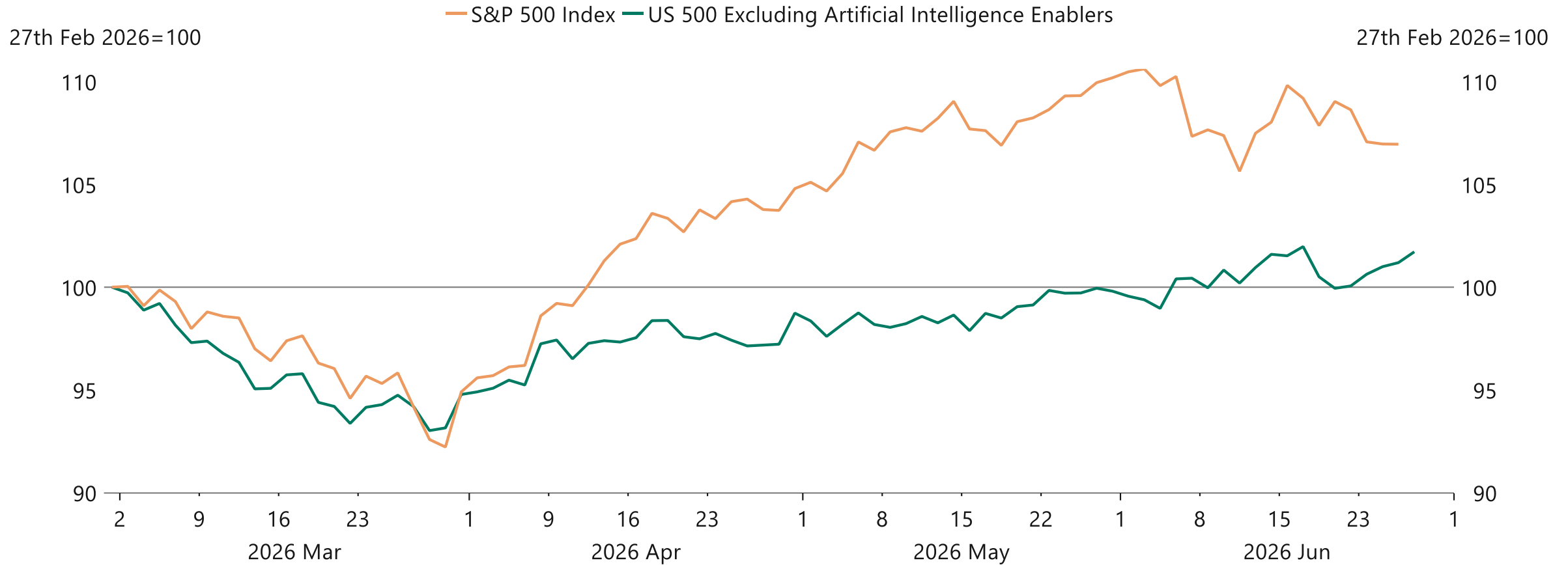
Earnings growth converging between the Mag 7 and the S&P 493



Hyperscaler capex as a share of operating cash flow



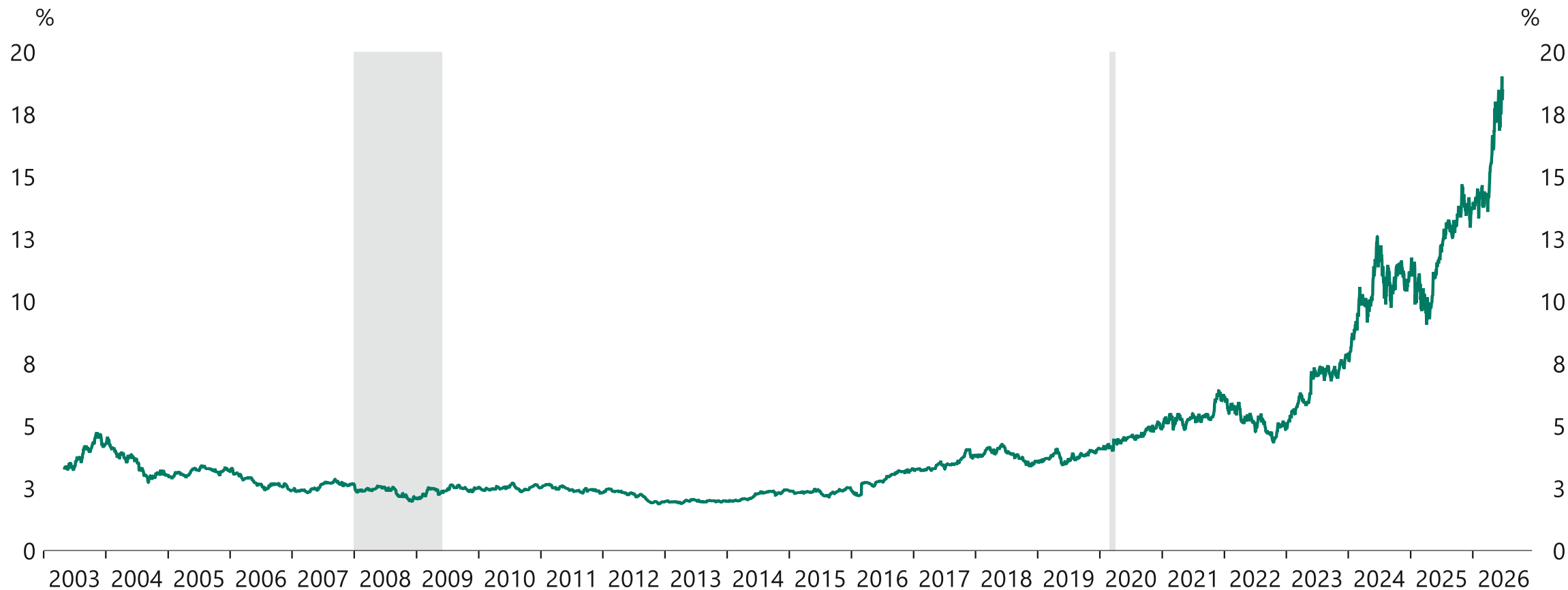
Performance of S&P 500 versus S&P 500 excluding AI enablers



Source: Bloomberg, Goldman Sachs, Macrobond, Apollo Chief Economist. Note: Index used SPTRXAI Index. The SPXXAI index excludes companies perceived to be enablers of artificial intelligence innovation before applying the S&P 500 Index weighting methodology to the remaining universe of companies.

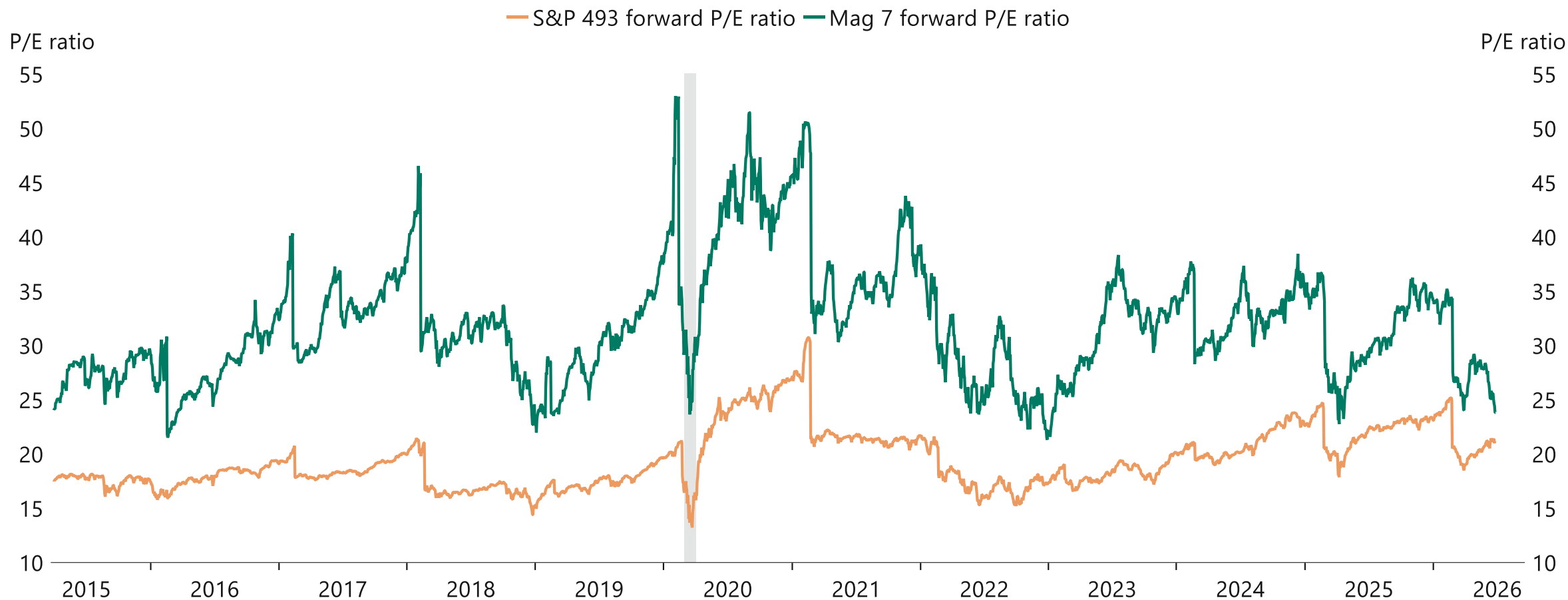
Semiconductors account for 19% of the S&P 500

Semiconductors as % of S&P 500



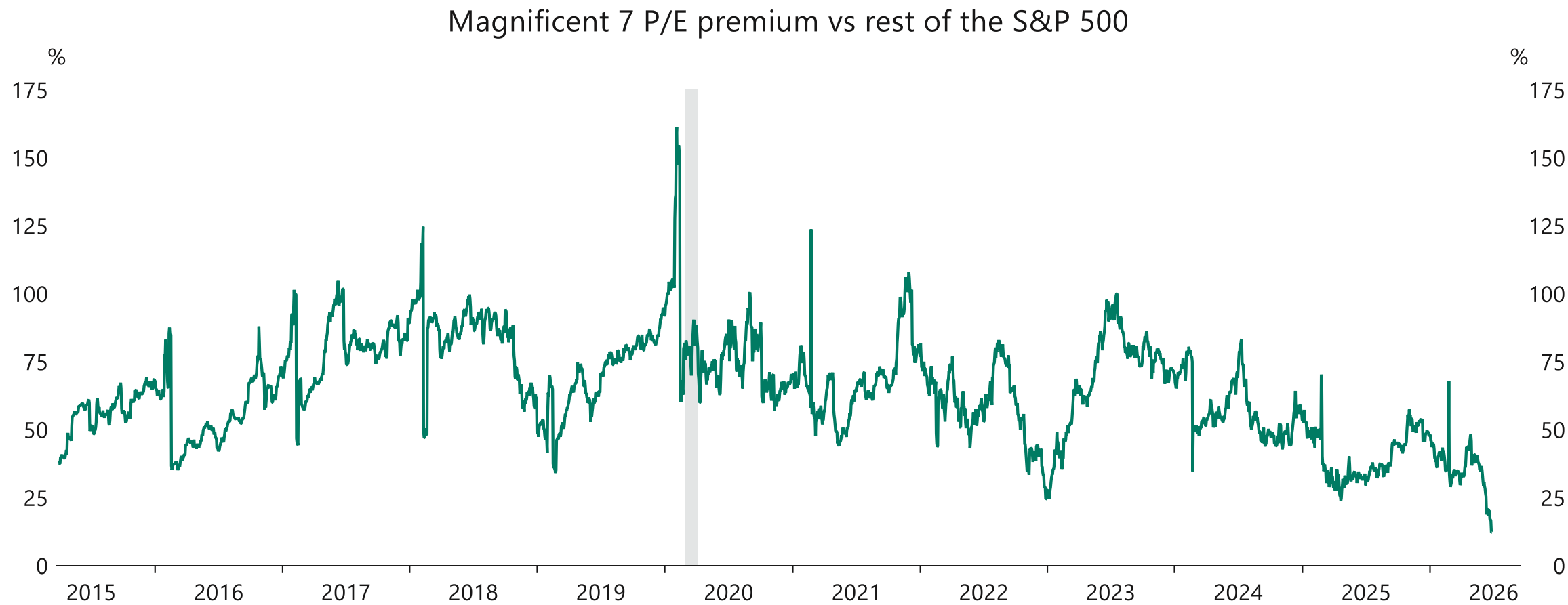
Source: Bloomberg, Macrobond, Apollo Chief Economist

Mag 7 forward P/E ratio versus S&P 493 P/E ratio



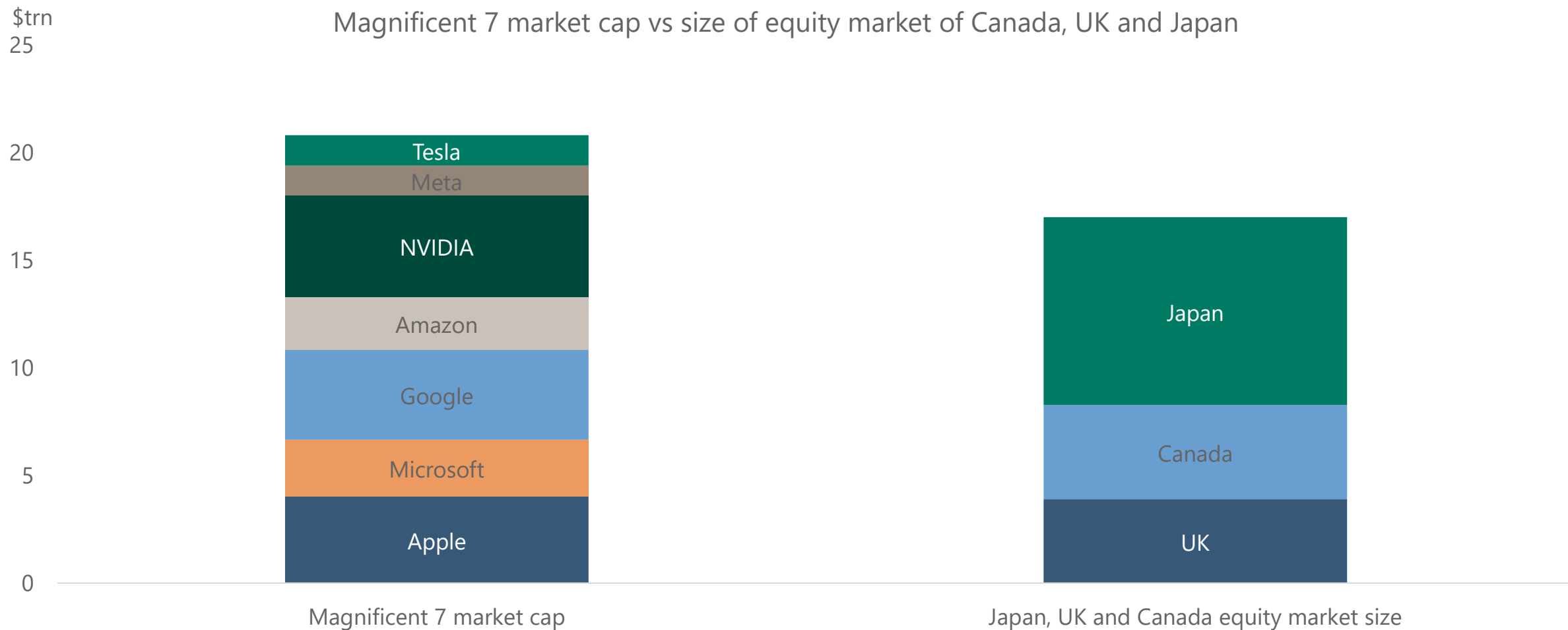
Source: Bloomberg, Macrobond, Apollo Chief Economist

Mag 7 P/E premium at the lowest level in more than a decade

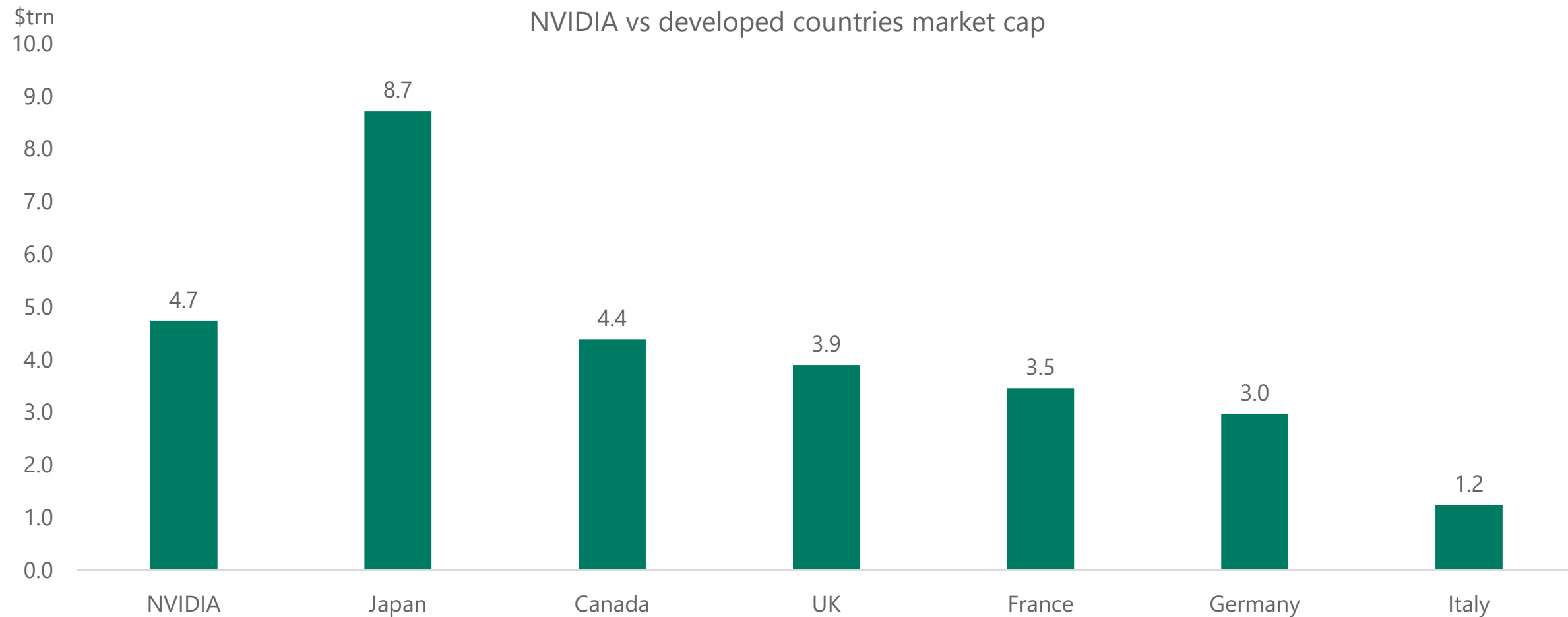


Source: Bloomberg, Macrobond, Apollo Chief Economist. Note: Premium is calculated as (Mag 7 forward P/E ratio)/(S&P 493 forward P/E ratio) - 1

Mag 7 market cap compared with the market cap of stock markets in Japan, Canada, and UK



Comparing the NVIDIA market cap with the market cap of selected stock markets



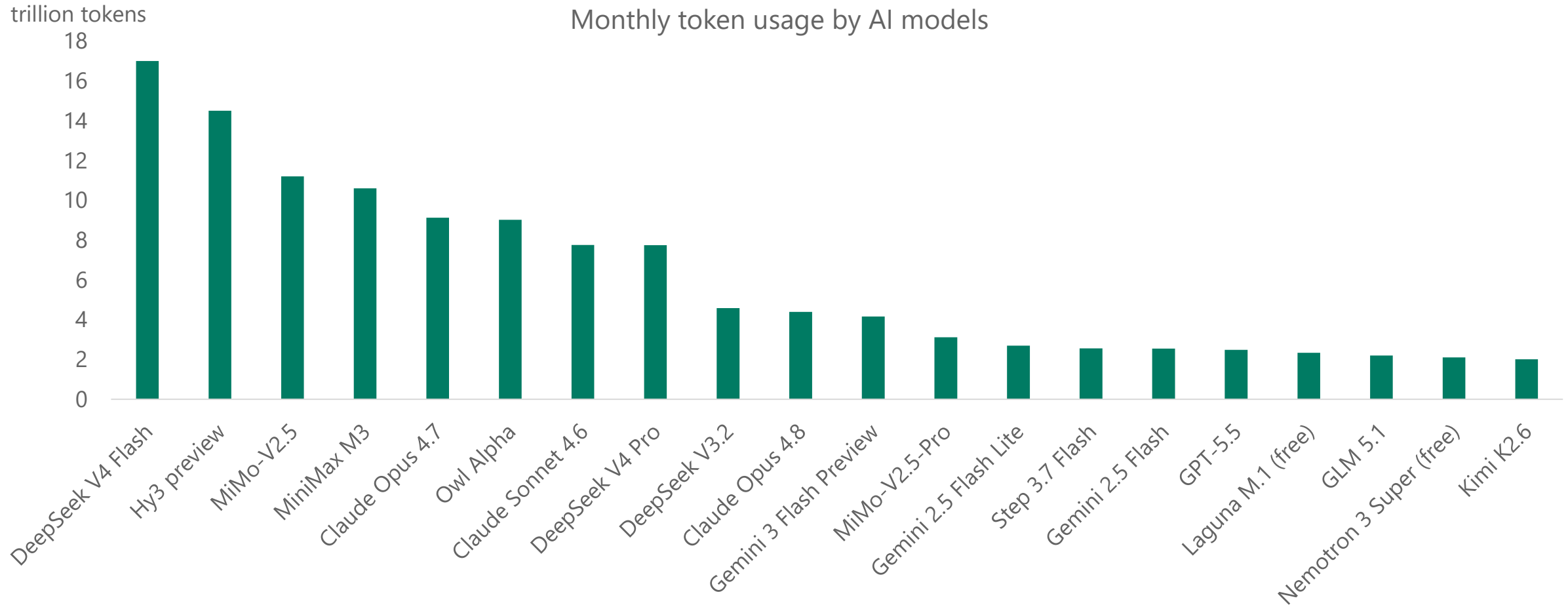
Token costs, token usage,
and data center construction



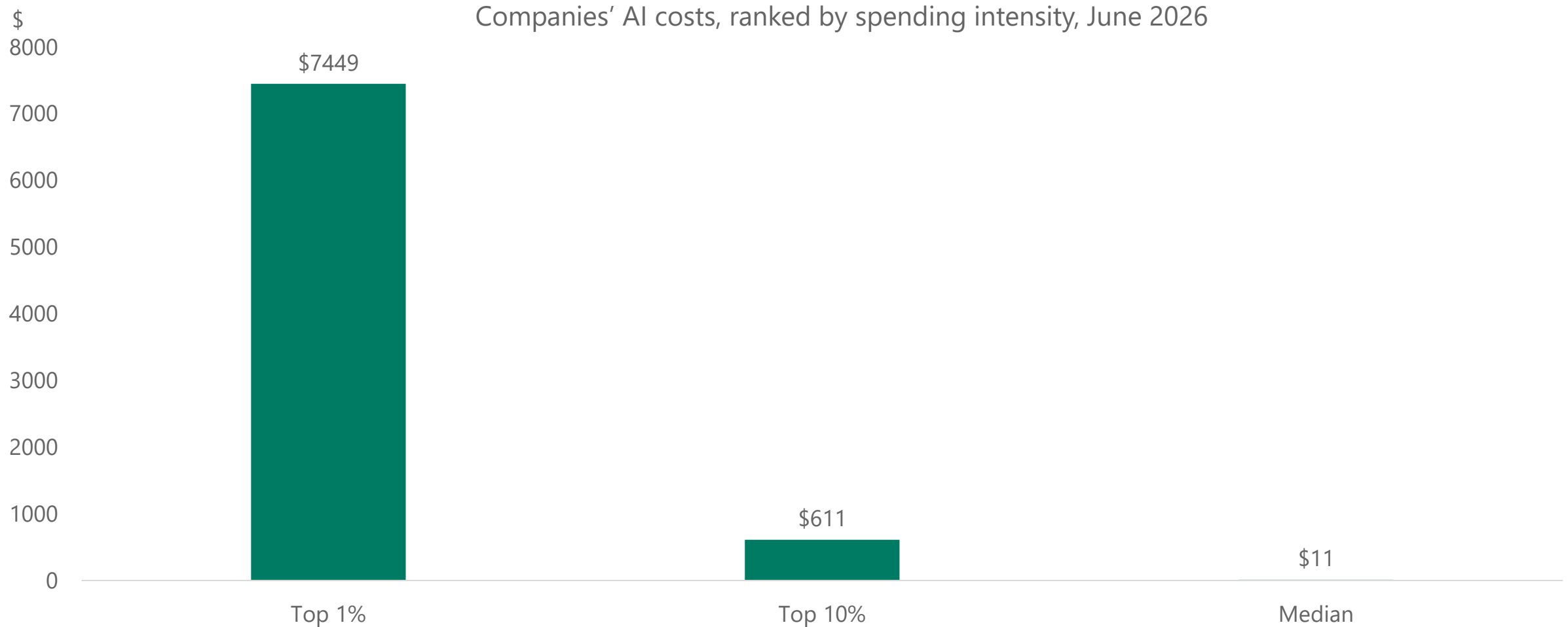
Comparing token costs across large language models



Monthly token usage by AI models

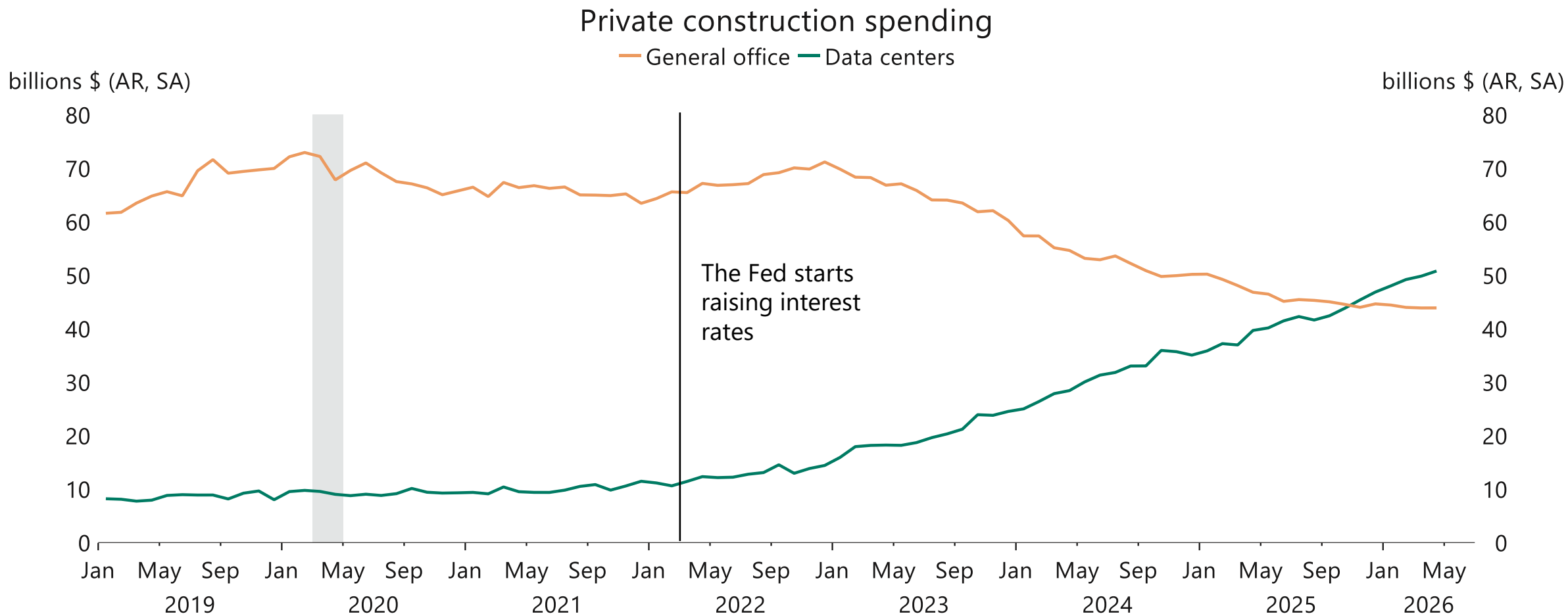


Monthly corporate AI spend per employee, top vs. median spenders



Note: The figure is a company's total AI spend divided by headcount, expressed per employee. Ramp's index breaks business spend into subscriptions vs. coding agents vs. tokens and APIs. Tokens are just one of three components. The \$7,449 covers subscriptions, API access, usage costs, and more, captured from corporate-card and invoice-based payments. Source: [Ramp AI Index](#), Apollo Chief Economist

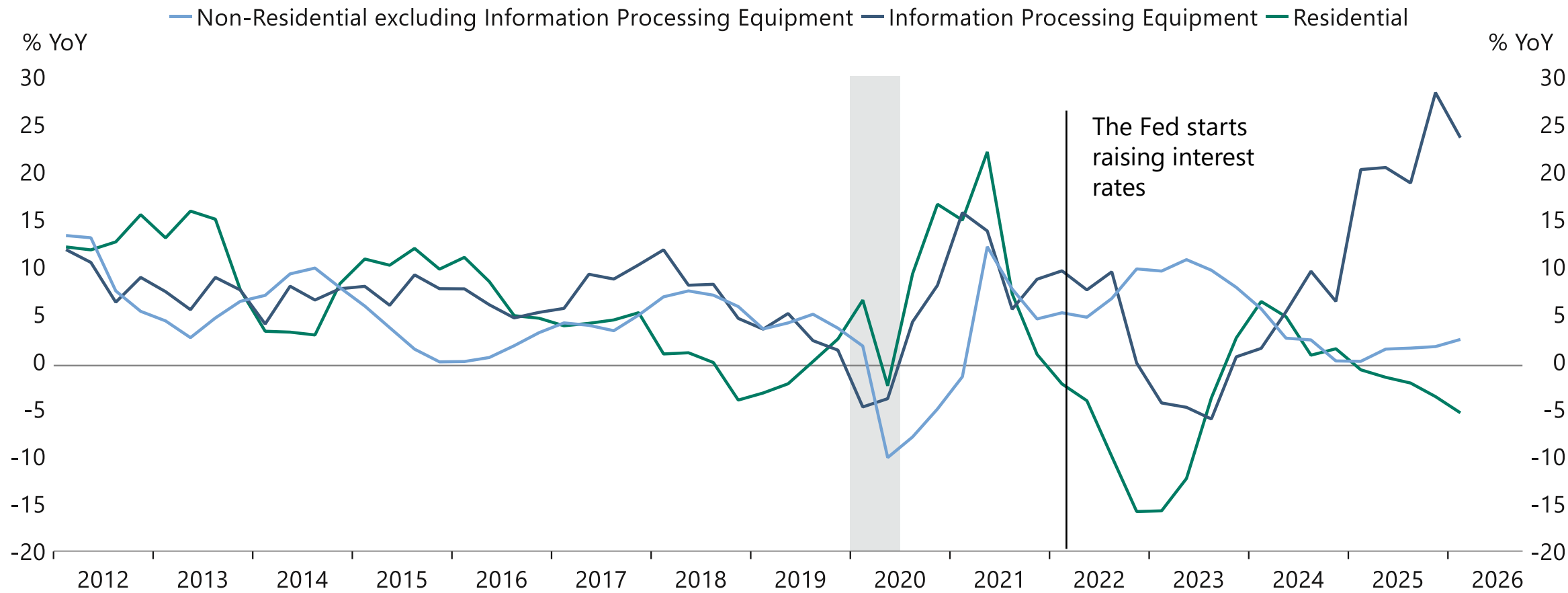
Different interest rate sensitivity for office construction and data center construction



Source: U.S. Census Bureau, Macrobond, Apollo Chief Economist

Different interest rate sensitivity for office and data centers

Real Private Fixed Investment

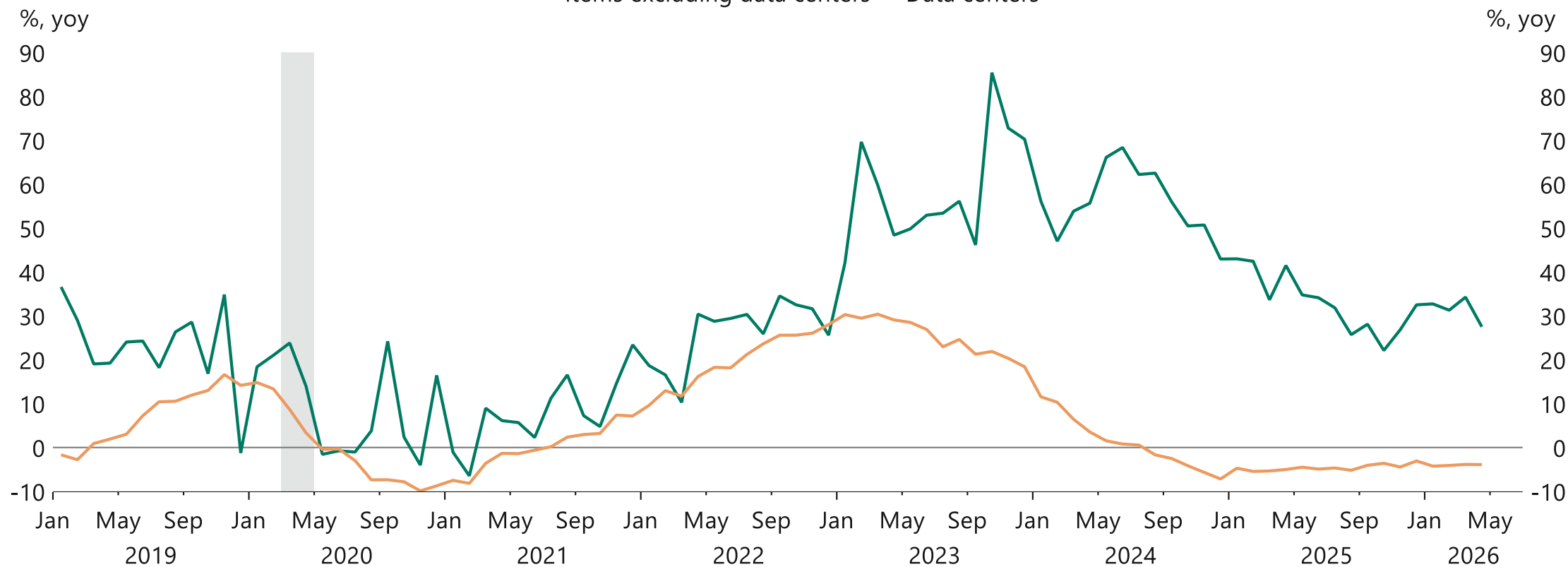


Source: U.S. Bureau of Economic Analysis (BEA), Macrobond, Apollo Chief Economist

Still strong growth in data center construction

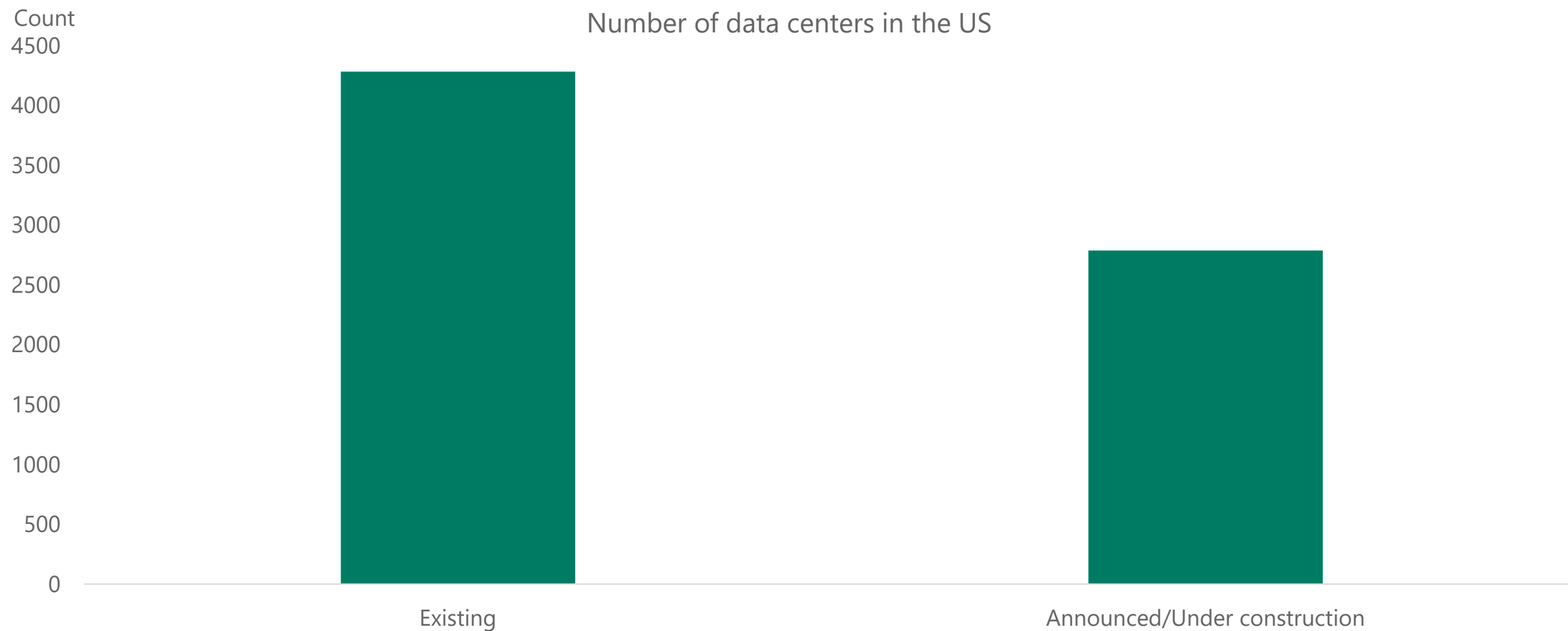
Nonresidential structures investment

— Items excluding data centers — Data centers

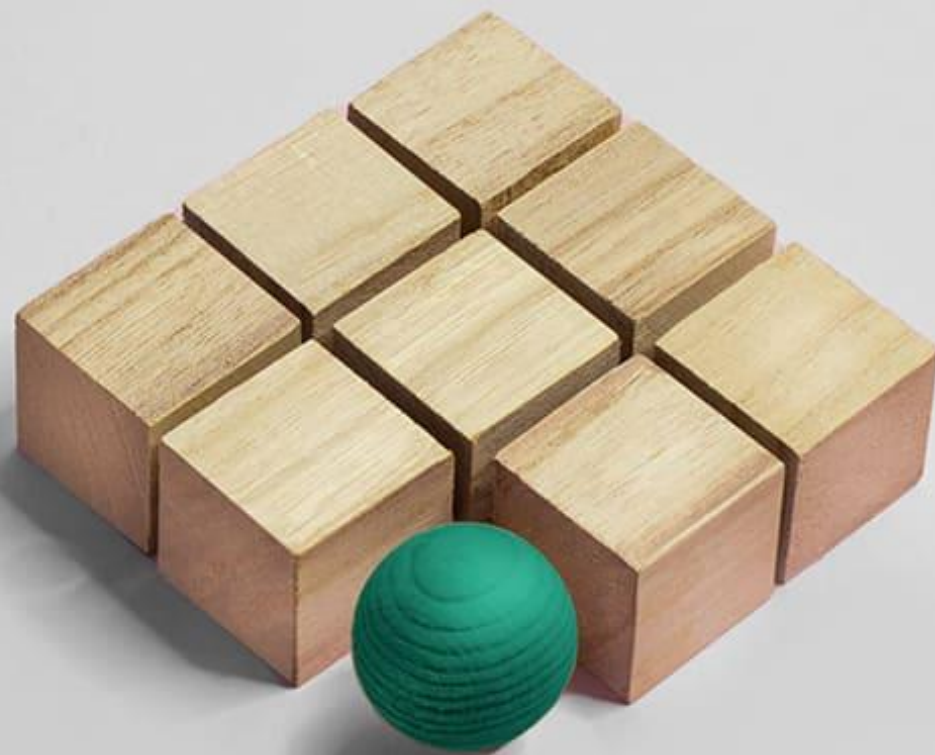


Source: U.S. Census Bureau, Macrobond, Apollo Chief Economist

The number of data centers in the US

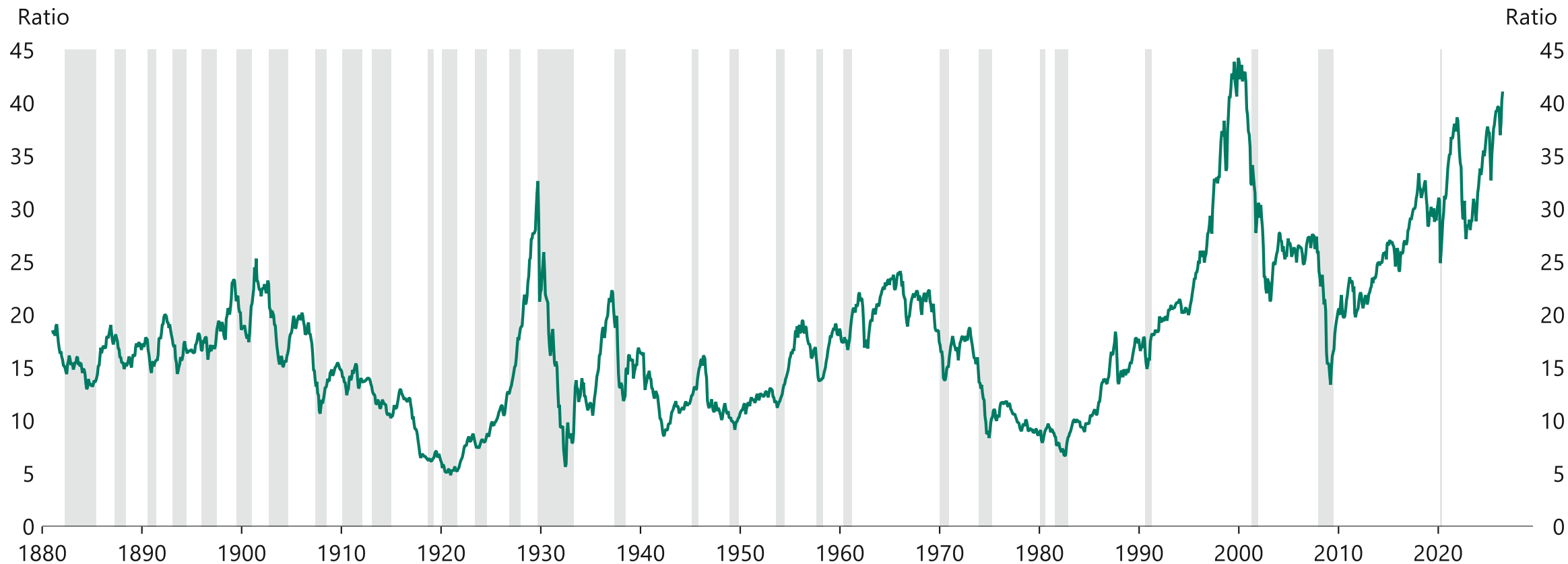


Valuations



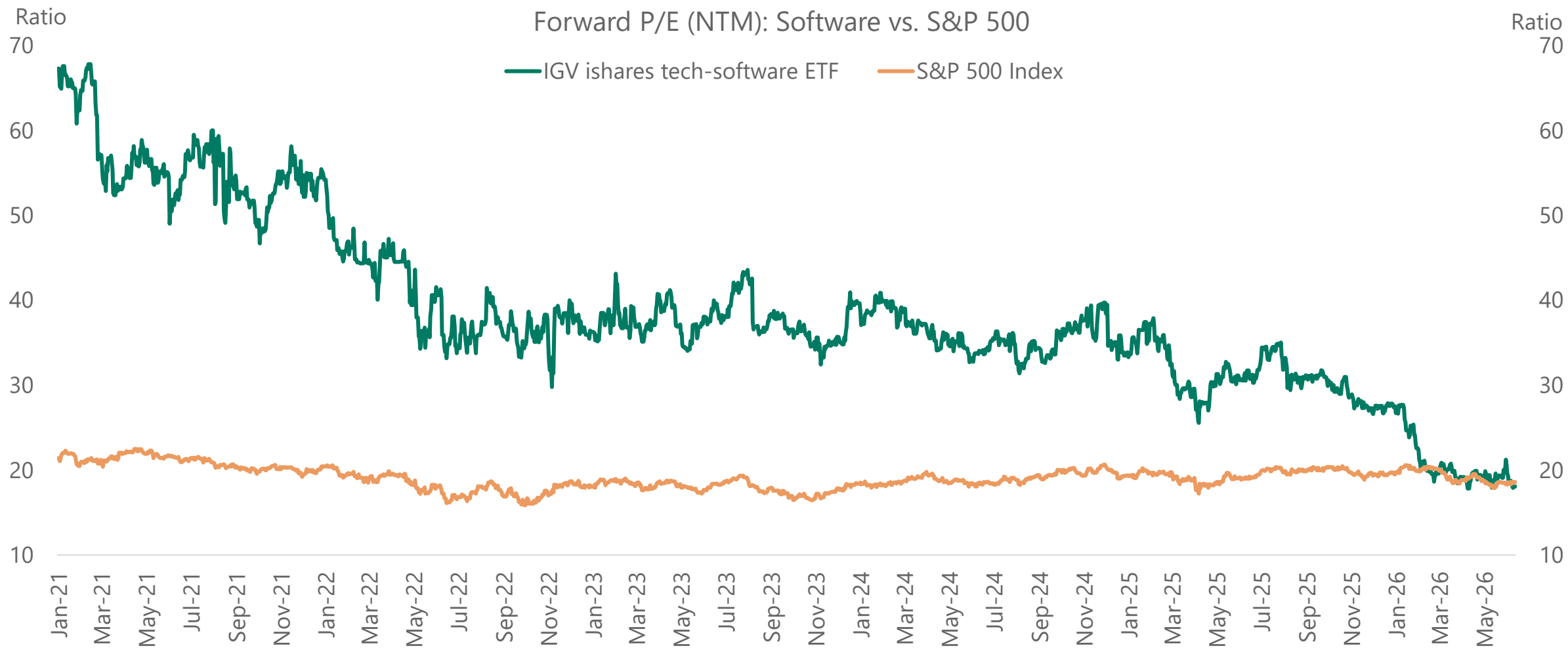
Cyclically adjusted P/E ratio near all-time highs

S&P 500 Index, Cyclically Adjusted P/E Ratio (Shiller CAPE)



Source: Robert Shiller, Macrobond, Apollo Chief Economist

Software trades at its lowest relative valuation in years

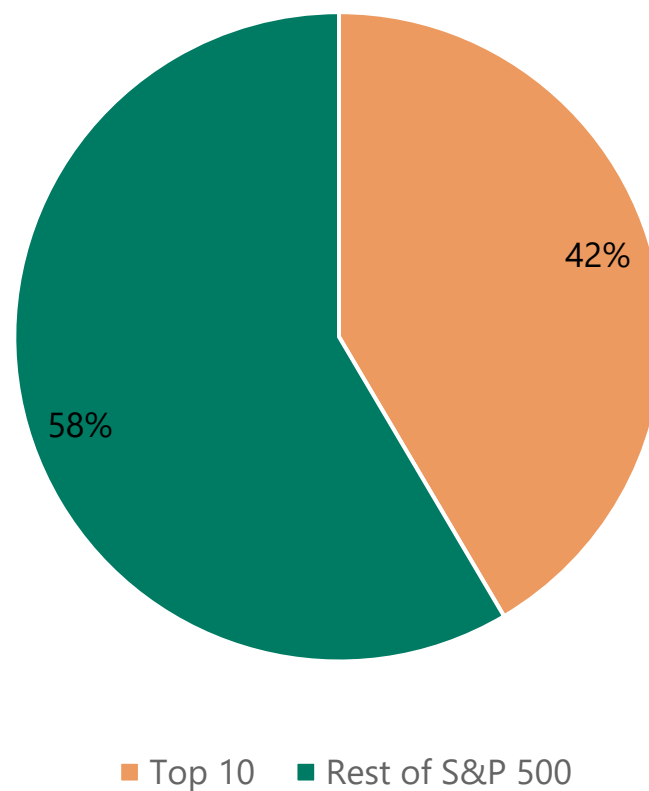


Investment implications

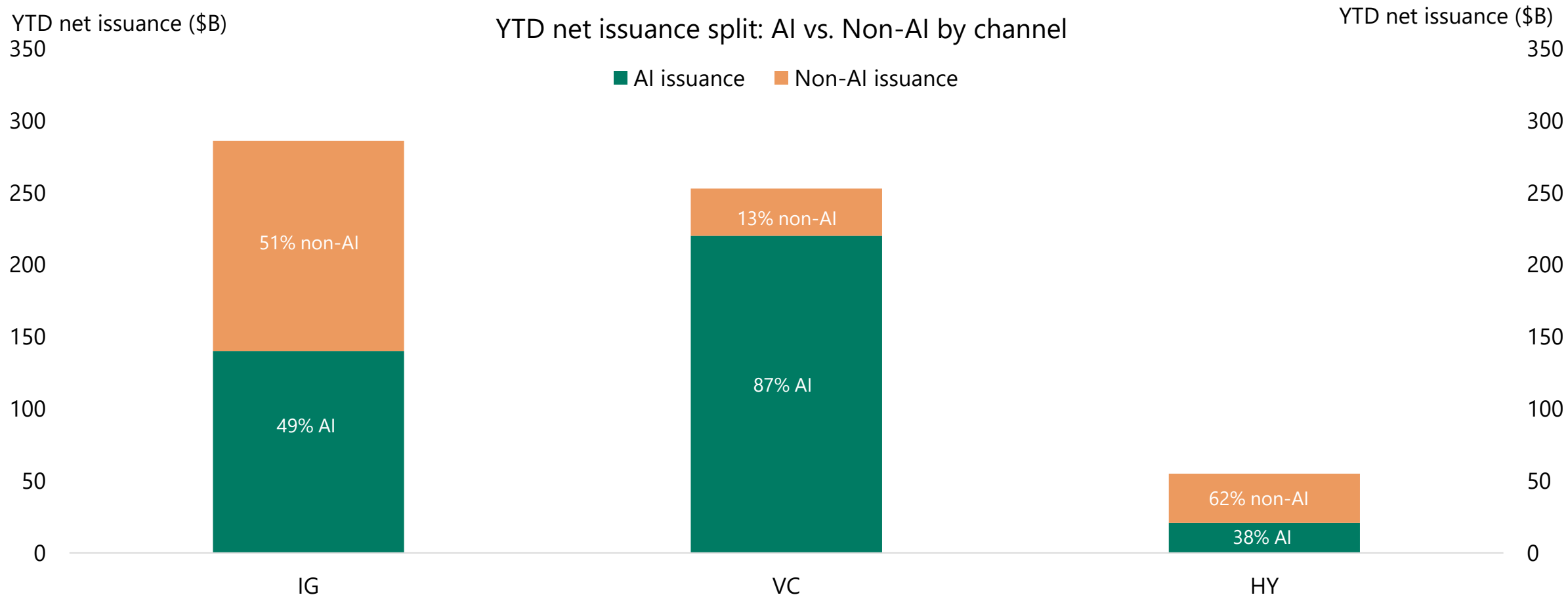


The ten biggest companies in the S&P 500 make up more than 40% of the index

Share of top 10 companies in S&P 500



AI-linked issuance is redefining credit markets and VC



Source: Goldman Sachs, JP Morgan, Bloomberg, Crunchbase, Apollo Analysts, Apollo Chief Economist.



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Torsten Slok joined Apollo in August 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist at Deutsche Bank where his team was top ranked in the annual Institutional Investor survey for a decade. Prior to joining Deutsche Bank Mr. Slok worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D. in Economics and has studied at the University of Copenhagen and Princeton University.