

APOLLO INVESTMENT CORP

Form 10-Q

February 06, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 814-00646

APOLLO INVESTMENT CORPORATION

(Exact name of Registrant as specified in its charter)

Maryland

52-2439556

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

9 West 57<sup>th</sup> Street

37th Floor

10019

New York, New York

(Address of principal executive offices)

(Zip Code)

(212) 515-3450

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock Outstanding at February 3, 2017

\$0.001 par value

219,694,654

## APOLLO INVESTMENT CORPORATION

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## PART I. FINANCIAL INFORMATION

In this report, the terms the “Company,” “Apollo Investment,” “AIC,” “we,” “us,” and “our” refer to Apollo Investment Corporation unless the context specifically states otherwise.

## Item 1. Financial Statements

## APOLLO INVESTMENT CORPORATION

## STATEMENTS OF ASSETS AND LIABILITIES

(In thousands, except share and per share data)

	December 31, 2016	March 31, 2016
	(Unaudited)	
Assets		
Investments at fair value:		
Non-controlled/non-affiliated investments (cost — \$1,622,942 and \$2,052,896, respectively)	\$1,450,491	\$1,790,294
Non-controlled/affiliated investments (cost — \$506,324 and \$216,202, respectively)	330,153	272,558
Controlled investments (cost — \$747,753 and \$829,029, respectively)	745,689	853,977
Total investments at fair value (cost — \$2,877,019 and \$3,098,127, respectively)	2,526,333	2,916,829
Derivative assets (cost — \$4,395 and \$0, respectively)	1,910	—
Cash	50,307	16,521
Foreign currencies (cost — \$1,568 and \$2,354, respectively)	1,534	2,384
Restricted cash	7,080	—
Receivable for investments sold	1,023	79,625
Interest receivable	23,840	29,749
Dividends receivable	4,261	9,509
Deferred financing costs	18,679	14,497
Prepaid expenses and other assets	502	9,523
Total Assets	\$2,635,469	\$3,078,637
Liabilities		
Debt	\$1,033,958	\$1,312,960
Derivative liabilities (proceeds — \$3,555 and \$0, respectively)	5,117	—
Payable for investments purchased	16,858	25,091
Distributions payable	32,954	45,231
Management and performance-based incentive fees payable	20,896	31,124
Interest payable	10,870	7,444
Accrued administrative services expense	1,136	2,015
Other liabilities and accrued expenses	6,981	9,191
Total Liabilities	\$1,128,770	\$1,433,056
Commitments and contingencies (Note 10)		
Net Assets	\$1,506,699	\$1,645,581
Net Assets		
Common stock, \$0.001 par value (400,000,000 shares authorized; 219,694,654 and 226,156,496 shares issued and outstanding, respectively)	\$220	\$226
Paid-in capital in excess of par	2,989,011	3,026,922
Accumulated underdistributed net investment income	71,901	71,231
Accumulated net realized loss	(1,243,448 )	(1,288,141 )
Net unrealized loss	(310,985 )	(164,657 )
Net Assets	\$1,506,699	\$1,645,581

Net Asset Value Per Share	\$6.86	\$7.28
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See notes to financial statements.

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APOLLO INVESTMENT CORPORATION  
 STATEMENTS OF OPERATIONS (Unaudited)  
 (In thousands, except per share data)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
Investment Income				
Non-controlled/non-affiliated investments:				
Interest income	\$36,671	\$61,756	\$127,420	\$205,585
Dividend income	358	1,037	2,531	2,824
Other income	936	677	2,984	6,822
Non-controlled/affiliated investments:				
Interest income	384	182	1,014	633
Dividend income	4,609	9,594	12,312	28,263
Other income	—	70	70	297
Controlled investments:				
Interest income	18,713	13,388	53,385	34,571
Dividend income	6,400	7,621	13,850	15,352
Other income	—	—	—	63
Total Investment Income	\$68,071	\$94,325	\$213,566	\$294,410
Expenses				
Management fees	\$12,978	\$16,478	\$40,679	\$50,557
Performance-based incentive fees	5,670	11,142	16,063	33,783
Interest and other debt expenses	14,473	19,335	45,704	63,535
Administrative services expense	1,599	1,531	5,767	4,614
Other general and administrative expenses	2,329	2,806	9,917	7,695
Total expenses	37,049	51,292	118,130	160,184
Management and performance-based incentive fees waived	(5,246 )	(4,999 )	(16,264 )	(14,237 )
Expense reimbursements	(84 )	(59 )	(253 )	(176 )
Net Expenses	\$31,719	\$46,234	\$101,613	\$145,771
Net Investment Income	\$36,352	\$48,091	\$111,953	\$148,639
Net Realized and Change in Unrealized Gains (Losses)				
Net realized gains (losses):				
Non-controlled/non-affiliated investments	\$3,932	\$(6,112 )	\$(36,195 )	\$(82,896 )
Non-controlled/affiliated investments	36,473	(1,575 )	81,047	(1,642 )
Controlled investments	(1,982 )	—	(2,173 )	(39,714 )
Foreign currency transactions	749	(1,599 )	2,014	3,883
Net realized gains (losses)	39,172	(9,286 )	44,693	(120,369 )
Net change in unrealized losses:				
Non-controlled/non-affiliated investments	5,292	(73,088 )	70,318	(116,950 )
Non-controlled/affiliated investments	(53,882 )	2,879	(183,676 )	31,612
Controlled investments	(21,447 )	(2,173 )	(56,030 )	32,579
Derivatives	(4,046 )	—	(4,046 )	—
Foreign currency translations	9,849	7,805	27,106	3,360
Net change in unrealized losses	(64,234 )	(64,577 )	(146,328 )	(49,399 )
Net Realized and Change in Unrealized Losses	\$(25,062)	\$(73,863)	\$(101,635)	\$(169,768)
Net Increase (Decrease) in Net Assets Resulting from Operations	\$11,290	\$(25,772)	\$10,318	\$(21,129 )
Earnings (Loss) Per Share — Basic	\$0.05	\$(0.11 )	\$0.05	\$(0.09 )
Earnings (Loss) Per Share — Diluted	N/A	\$(0.11 )	N/A	\$(0.09 )

See notes to financial statements.

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STATEMENTS OF CHANGES IN NET ASSETS

(In thousands, except share data)

	Nine Months Ended December 31, 2016 (Unaudited)	Year Ended March 31, 2016
Operations		
Net investment income	\$111,953	\$193,257
Net realized gains (losses)	44,693	(195,364 )
Net change in unrealized losses	(146,328 )	(42,419 )
Net Increase (Decrease) in Net Assets Resulting from Operations	\$10,318	\$(44,526 )
Distributions to Shareholders		
Distribution of net investment income	\$(111,283 )	\$(111,853 )
Distribution of return of capital	—	(73,211 )
Net Decrease in Net Assets Resulting from Distributions to Shareholders	\$(111,283 )	\$(185,064 )
Capital Share Transactions		
Repurchase of common stock	\$(37,917 )	\$(62,437 )
Net Decrease in Net Assets Resulting from Capital Share Transactions	\$(37,917 )	\$(62,437 )
Net Assets		
Net decrease in net assets during the period	\$(138,882 )	\$(292,027 )
Net assets at beginning of period	1,645,581	1,937,608
Net Assets at End of Period	\$1,506,699	\$1,645,581
Capital Share Activity		
Shares repurchased during the period	(6,461,842 )	(10,584,855)
Shares issued and outstanding at beginning of period	226,156,496	236,741,351
Shares Issued and Outstanding at End of Period	219,694,654	226,156,496

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION  
 STATEMENTS OF CASH FLOWS (Unaudited)  
 (In thousands)

	Nine Months Ended December 31,	
	2016	2015
<b>Operating Activities</b>		
Net increase (decrease) in net assets resulting from operations	\$ 10,318	\$(21,129 )
Net realized (gains) losses	(44,693 )	120,369
Net change in unrealized losses	146,328	49,399
Net amortization of premiums and accretion of discounts on investments	(3,769 )	(5,039 )
Accretion of discount on notes	447	447
Amortization of deferred financing costs	4,366	5,278
Increase from foreign currency transactions	2,014	4,477
Changes in operating assets and liabilities:		
Payment-in-kind interest and dividends capitalized	(22,787 )	(34,090 )
Purchases of investments	(476,520 )	(923,719 )
Purchases of derivatives	(4,395 )	—
Proceeds from derivatives	3,555	—
Proceeds from sales and repayments of investments	837,232	1,113,077
Decrease in interest receivable	6,010	10,709
Decrease (increase) in dividends receivable	5,248	(3,449 )
Decrease in prepaid expenses and other assets	9,021	6,121
Decrease in management and performance-based incentive fees payable	(10,228 )	(7,275 )
Increase in interest payable	3,426	1,441
Decrease in accrued administrative services expense	(879 )	(192 )
Decrease in other liabilities and accrued expenses	(2,210 )	(964 )
<b>Net Cash Provided by Operating Activities</b>	<b>\$462,484</b>	<b>\$315,461</b>
<b>Financing Activities</b>		
Issuances of debt	\$741,747	\$1,624,754
Payments of debt	(994,804 )	(1,736,668 )
Financing costs paid and deferred	(7,871 )	(5,646 )
Repurchase of common stock	(37,917 )	(52,437 )
Distributions paid	(123,559 )	(141,547 )
<b>Net Cash Used in Financing Activities</b>	<b>\$(422,404)</b>	<b>\$(311,544 )</b>
<b>Cash, Foreign Currencies and Restricted Cash</b>		
Net increase in cash, restricted cash and foreign currencies during the period	\$40,080	\$3,917
Effect of foreign exchange rate changes	(64 )	193
Cash, restricted cash and foreign currencies at beginning of period	18,905	8,417
<b>Cash, Foreign Currencies and Restricted Cash at the End of Period</b>	<b>\$58,921</b>	<b>\$12,527</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash interest paid	\$37,487	\$46,962
<b>Non-Cash Activity</b>		
Payment-in-kind income	\$22,047	\$31,607

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION  
SCHEDULE OF INVESTMENTS (Unaudited)

December 31, 2016

(In thousands, except share data)

Investment	Industry	Interest Rate (20)	Maturity Date	Par (12)	Cost	Fair Value (1)
Non-Controlled/Non-Affiliated Investments						
Corporate Debt						
Secured Debt						
First Lien Secured Debt						
First Lien Secured Debt (excluding Revolvers and Letters of Credit)						
American Media, Inc. (16)	Advertising, Printing & Publishing	8.50% (1M L+750, 1.00% Floor)	8/24/20	\$ 10,400	\$10,115	\$10,088
Aptevo Therapeutics Inc. (9)(16)(23)	Healthcare & Pharmaceuticals	8.13% (3M L+760)	2/1/21	8,571	8,576	8,483
Aptevo Therapeutics Inc., Unfunded Delayed Draw (8)(9)(16)(21)(23)	Healthcare & Pharmaceuticals	0.00% Unfunded	2/1/21	6,429	(29 )	(66 )
ChyronHego Corporation (18)	High Tech Industries	7.43% (3M L+643, 1.00% Floor)	3/9/20	36,553	36,000	35,822
Dodge Data & Analytics LLC	Business Services	9.75% (3M L+875, 1.00% Floor)	10/31/19	51,990	51,344	50,561
ECN Holding Company (Emergency Communications Network) (16)(18)	High Tech Industries	9.50% (3M L+850, 1.00% Floor)	6/12/21	11,109	10,980	10,940
ECN Holding Company (Emergency Communications Network) (16)(18)	High Tech Industries	9.50% (6M L+850, 1.00% Floor)	6/12/21	11,109	10,980	10,940
Garden Fresh Restaurant Corp. (16)	Hotel, Gaming, Leisure, Restaurants	10.50% (1M L+900, 1.50% Floor)	7/3/18	2,500	2,500	2,500
LabVantage Solutions Inc.	High Tech Industries	9.00% (3M L+800, 1.00% Floor)	12/29/20	14,625	14,244	14,333
LabVantage Solutions Limited (16)(17)	High Tech Industries	9.00% (3M E+800, 1.00% Floor)	12/29/20	€ 13,398	14,012	13,849
Magnetation, LLC (14)(26)	Metals & Mining	12.00% PIK	N/A	14,296	12,427	—
Maxus Capital Carbon SPE I, LLC	Chemicals, Plastics & Rubber	13.00%	12/31/18	59,305	59,305	51,391
My Alarm Center, LLC, Term Loan A (16)	Business Services	9.00% (1M L+800, 1.00% Floor)	1/9/19	28,035	28,036	28,035
	Business Services		1/9/19	7,972	7,972	7,972

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My Alarm Center, LLC, Term Loan B (16)(23)		9.00% (1M L+800, 1.00% Floor)					
My Alarm Center, LLC, Term Loan B(16)(23)	Business Services	11.00% (P+700)	1/9/19	348	348	348	
My Alarm Center, LLC, Unfunded Term Loan B (16)(21)(23)	Business Services	0.35% Unfunded	1/9/19	441	—	—	
My Alarm Center, LLC, Term Loan C (16)(23)	Business Services	9.00% (1M L+800, 1.00% Floor)	1/9/19	3,115	3,115	3,115	
My Alarm Center, LLC, Term Loan C (16)(23)	Business Services	11.00% (P+700)	1/9/19	439	439	439	
My Alarm Center, LLC, Unfunded Term Loan C (16)(21)(23)	Business Services	0.35% Unfunded	1/9/19	558	—	—	
Nextech Systems, LLC (18)	High Tech Industries	8.25% (3M L+725, 1.00% Floor)	6/22/21	21,857	21,367	21,419	
Oxford Immunotec, Inc. (9)(16)(17)	Healthcare & Pharmaceuticals	8.22% (1M L+760)	10/1/21	9,750	9,726	9,724	
Saba Software, Inc. (18)	High Tech Industries	9.75% (1M L+875, 1.00% Floor)	3/30/21	9,850	9,850	9,702	
SCM Insurance Services, Inc. (17)	Business Services	9.25%	8/22/19	C\$39,480	33,293	24,559	
Telestream Holdings Corporation (18)	High Tech Industries	7.77% (3M L+677, 1.00% Floor)	1/15/20	30,503	30,503	29,893	
UniTek Global Services Inc. (16)	Telecommunications	8.50% (3M L+750, 1.00% Floor)	1/13/19	32,367	32,367	32,367	
UniTek Global Services Inc. (16)	Telecommunications	9.50% (3M L+750 Cash plus 1.00% PIK, 1.00% Floor)	1/13/19	11,680	11,680	11,680	
Total First Lien Secured Debt (excluding Revolvers and Letters of Credit)—25.8% (10)					\$419,150	\$388,094	

See notes to financial statements.

Table of ContentsAPOLLO INVESTMENT CORPORATION  
SCHEDULE OF INVESTMENTS (Unaudited)

December 31, 2016

(In thousands, except share data)

Investment	Industry	Interest Rate (20)	Maturity Date	Par (12)	Cost	Fair Value (1)
Revolvers and Letters of Credit Alliant Holdings Intermediate, LLC, Unfunded Revolver (8)(16)(21)(23)	Insurance	0.50% Unfunded	8/14/20	\$14,813	\$(1,236 )	\$(971 )
Alliant Holdings Intermediate, LLC, Letter of Credit (8)(16)(23)	Insurance	3.375%	4/24/17	37	—	(2 )
Alliant Holdings Intermediate, LLC, Letter of Credit (8)(16)(23)	Insurance	3.375%	5/4/17	8	—	(1 )
Alliant Holdings Intermediate, LLC, Letter of Credit (8)(16)(23)	Insurance	3.375%	6/30/17	17	—	(1 )
Alliant Holdings Intermediate, LLC, Letter of Credit (8)(16)(23)	Insurance	3.375%	7/29/17	80	—	(5 )
Alliant Holdings Intermediate, LLC, Letter of Credit (8)(16)(23)	Insurance	3.375%	10/3/17	8	—	(1 )
Alliant Holdings Intermediate, LLC, Letter of Credit (8)(16)(23)	Insurance	3.375%	11/30/17	37	—	(2 )
American Media, Inc., Revolver (16)(23)	Advertising, Printing & Publishing	8.50% (1M L+750, 1.00% Floor)	8/24/20	1,067	1,067	1,035
American Media, Inc., Unfunded Revolver (8)(16)(21)(23)	Advertising, Printing & Publishing	0.50% Unfunded	8/24/20	505	(49 )	(15 )
American Media, Inc., Letter of Credit (8)(16)(23)	Advertising, Printing & Publishing	7.50%	8/24/20	206	—	(6 )
Endologix, Inc., Unfunded Revolver (8)(9)(17)(21)(23)	Healthcare & Pharmaceuticals	0.50% Unfunded	7/29/20	5,000	(22 )	(25 )
LabVantage Solutions Limited, Unfunded Revolver (8)(16)(17)(21)(23)	High Tech Industries	0.50% Unfunded	12/29/20	€3,435	(96 )	(72 )
My Alarm Center, LLC, Revolver (16)(23)	Business Services	11.00% (P+700)	1/9/19	2,708	2,708	2,708
My Alarm Center, LLC, Unfunded Revolver (16)(21)(23)	Business Services	0.35% Unfunded	1/9/19	3,542	—	—
Oxford Immunotec, Inc., Unfunded Revolver (8)(9)(16)(17)(21)(23)	Healthcare & Pharmaceuticals	0.50% Unfunded	10/1/21	1,000	(5 )	(5 )
Tibco Software Inc., Unfunded Revolver (8)(21)(23)	High Tech Industries	0.50% Unfunded	12/5/19	6,000	(35 )	(840 )
TricorBraun Holdings, Inc., Revolver (9)(16)(23)	Containers, Packaging & Glass	5.75% (P+225)	11/30/21	998	998	993
TricorBraun Holdings, Inc., Unfunded Revolver (8)(9)(16)(21)(23)	Containers, Packaging & Glass	0.50% Unfunded	11/30/21	4,627	(497 )	(20 )
	Telecommunications		1/13/19	5,000	—	—

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UniTek Global Services Inc., Unfunded Revolver (16)(21)(23)		0.50% Unfunded					
UniTek Global Services Inc., Letter of Credit (16)(23)	Telecommunications	7.50%	1/13/19	8,812	—	—	
UniTek Global Services Inc., Letter of Credit (16)(23)	Telecommunications	7.50%	1/13/19	1,850	—	—	
Wright Medical Group, Inc., Revolver (9)(16)(17)(23)	Healthcare & Pharmaceuticals	5.00% (1M L+425, 0.75% Floor)	12/23/21	10,000	10,000	9,900	
Wright Medical Group, Inc., Unfunded Revolver (8)(9)(16)(17)(21)(23)	Healthcare & Pharmaceuticals	0.50% Unfunded	12/23/21	40,000	(478	) (400	)
Total Revolvers and Letters of Credit—0.8% (10)					\$12,355	\$12,270	
Total First Lien Secured Debt—26.6% (10)					\$431,505	\$400,364	
Second Lien Secured Debt							
1A Smart Start LLC	Consumer Services	9.50% (3M L+850, 1.00% Floor)	8/22/22	\$35,000	\$34,405	\$34,422	
Access CIG, LLC (16)	Business Services	9.75% (3M L+875, 1.00% Floor)	10/17/22	35,755	34,314	35,599	
Access CIG, LLC (16)	Business Services	9.75% (3M L+875, 1.00% Floor)	10/17/22	15,215	14,676	15,148	

See notes to financial statements.

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SCHEDULE OF INVESTMENTS (Unaudited)

December 31, 2016

(In thousands, except share data)

Investment	Industry	Interest Rate (20)	Maturity Date	Par (12)	Cost	Fair Value (1)
Active Network, LLC	Business Services	10.50% (3M L+950, 1.00% Floor)	11/15/21	\$ 16,225	\$16,074	\$16,022
A-L Parent LLC	Advertising, Printing & Publishing	8.25% (3M L+725, 1.00% Floor)	12/2/24	10,048	9,948	10,123
Appriss Holdings, Inc.	Business Services	10.25% (3M L+925, 1.00% Floor)	5/21/21	23,309	23,044	23,309
Aptean, Inc.	Business Services	10.50% (3M L+950, 1.00% Floor)	12/20/23	9,548	9,404	9,530
Armor Holding II LLC	Diversified Investment Vehicles, Banking, Finance, Real Estate	10.25% (3M L+900, 1.25% Floor)	12/26/20	8,000	7,900	8,030
Asurion Corporation	Insurance	8.50% (3M L+750, 1.00% Floor)	3/3/21	39,590	39,394	40,357
BioClinica Holding I, LP	Healthcare & Pharmaceuticals	9.25% (3M L+825, 1.00% Floor)	10/21/24	24,612	24,128	24,504
Confie Seguros Holding II Co.	Insurance	10.25% (1M L+900, 1.25% Floor)	5/8/19	22,344	22,269	22,232
Elements Behavioral Health, Inc.	Healthcare & Pharmaceuticals	13.00% (3M L+1200 PIK, 1.00% Floor)	2/11/20	10,832	10,777	8,666
Garden Fresh Restaurant Corp. (14)(16)	Hotel, Gaming, Leisure, Restaurants	7.75% (3M L+625 PIK, 1.50% Floor)	1/1/19	9,466	7,746	—
Garden Fresh Restaurant Corp. (14)(16)	Hotel, Gaming, Leisure, Restaurants	15.00% (3M L+1350 PIK, 1.50% Floor)	1/1/19	51,902	45,904	—
GCA Services Group, Inc.	Business Services	10.00% (3M L+900, 1.00% Floor)	3/1/24	10,000	9,767	9,950
Grocery Outlet, Inc.	Food & Grocery	9.25% (3M L+825, 1.00% Floor)	10/21/22	25,000	24,703	25,063
Infiltrator Systems Integrated, LLC	Manufacturing, Capital Equipment	9.75% (3M L+875, 1.00% Floor)	5/26/23	13,889	13,651	13,958
Institutional Shareholder Services, Inc.	Business Services	9.50% (3M L+850, 1.00% Floor)	4/30/22	8,232	8,159	8,149
K&N Parent, Inc.	Automotive	9.75% (3M L+875, 1.00% Floor)	10/21/24	30,000	29,407	29,775
Lanai Holdings III, Inc.	Healthcare & Pharmaceuticals	9.50% (3M L+850, 1.00% Floor)	8/28/23	17,391	16,892	16,870
Landslide Holdings, Inc.	Business Services		9/21/23	18,510	18,152	18,880

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Ministry Brands, LLC (16)(23)	Business Services	9.50% (3M L+850, 1.00% Floor) 10.25% (3M L+925, 1.00% Floor)	6/2/23	7,840	7,724	7,720
Ministry Brands, LLC, Unfunded Delayed Draw (8)(16)(21)(23)	Business Services	5.63% Unfunded (3ML+463, 1.00% Floor)	6/2/23	2,160	(32 )	(33 )
MSC Software Corp. (17)	High Tech Industries	8.50% (3M L+750, 1.00% Floor) 10.25% (3M L+925, 1.00% Floor)	5/31/21	13,448	13,355	13,465
MW Industries, Inc.	Manufacturing, Capital Equipment	10.50% (3M L+950, 1.00% Floor)	12/28/20	20,000	19,546	19,900
PAE Holding Corporation	Aerospace & Defense	10.50% (3M L+950, 1.00% Floor)	10/20/23	22,026	21,269	22,411
PetVet Care Centers, LLC	Healthcare & Pharmaceuticals	9.50% (3M L+850, 1.00% Floor)	6/17/21	13,500	13,098	13,297
Poseidon Merger Sub, Inc.	Business Services	9.50% (3M L+850, 1.00% Floor) 10.00% (3M L+900, 1.00% Floor)	8/15/23	18,000	17,551	17,820
Power Products, LLC (9)	Manufacturing, Capital Equipment	10.00% (3M L+900, 1.00% Floor)	12/20/23	37,500	36,194	36,844
River Cree Enterprises LP (11)(17)	Hotel, Gaming, Leisure, Restaurants	11.00%	1/20/21	C\$19,000	17,913	14,133

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION  
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December 31, 2016

(In thousands, except share data)

Investment	Industry	Interest Rate (20)	Maturity Date	Par (12)	Cost	Fair Value (1)	
Sequential Brands Group, Inc. (17)	Consumer Goods – Durable	9.63% (1M L+900)	7/1/22	\$17,600	\$17,397	\$17,330	
SiTV, Inc. (11)	Broadcasting & Subscription	10.375%	7/1/19	2,219	2,219	1,354	
SMG	Hotel, Gaming, Leisure, Restaurants	9.25% (3M L+825, 1.00% Floor)	2/27/21	19,649	19,649	19,600	
Sprint Industrial Holdings, LLC	Containers, Packaging & Glass	11.25% (3M L+1000, 1.25% Floor)	11/14/19	16,163	15,627	8,647	
Sterling Holdings Ultimate Parent, Inc.	Business Services	9.25% (3M L+825, 1.00% Floor)	6/19/23	20,000	19,819	20,000	
STG-Fairway Acquisitions, Inc.	Business Services	10.25% (3M L+925, 1.00% Floor)	6/30/23	15,000	14,675	14,100	
TMK Hawk Parent, Corp.	Transportation – Cargo, Distribution	8.50% (3M L+750, 1.00% Floor)	10/1/22	34,000	33,735	33,830	
Velocity Technology Solutions, Inc.	Business Services	9.50% (3M L+825, 1.25% Floor)	9/28/20	16,500	16,286	16,088	
Wave Holdco Merger Sub, Inc.	Telecommunications	10.25% (3M L+925, 1.00% Floor)	5/27/23	10,000	9,761	9,826	
Total Second Lien Secured Debt—43.6% (10)					\$716,500	\$656,919	
Total Secured Debt—70.2% (10)					\$1,148,005	\$1,057,283	
Unsecured Debt							
American Tire Distributors, Inc. (11)	Transportation – Cargo, Distribution	10.25%	3/1/22	\$14,741	\$14,811	\$14,133	
Canacol Energy Ltd. (17)	Energy – Oil & Gas	9.50% (3M L+850, 1.00% Floor)	12/31/19	75,000	73,694	73,500	
Flex Acquisition Company, Inc.	Containers, Packaging & Glass	8.00% (3M L+700, 1.00% Floor)	12/29/17	12,777	12,714	12,713	
Lonestar Intermediate Super Holdings, LLC	Insurance	10.00% (1M L+900 Cash (1M L+975 PIK Toggle), 1.00% Floor)	8/31/21	4,865	4,819	5,034	
Sorenson Holdings, LLC (11)	Consumer Goods – Durable	13.85% Cash (13.85% PIK Toggle)	10/31/21	52	35	48	
U.S. Security Associates Holdings, Inc.	Business Services	11.00%	7/28/18	135,000	135,000	135,000	
UniTek Global Services Inc. (16)	Telecommunications	15.00% PIK	7/13/19	8,231	8,231	8,355	
Total Unsecured Debt—16.5% (10)					\$249,304	\$248,783	
Total Corporate Debt—86.7% (10)					\$1,397,309	\$1,306,066	

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Structured Products and Other

Asset Repackaging

Trust Six B.V. (11)(17)(19)	Utilities – Electric	13.11%	5/18/27	\$58,411	\$25,548	\$30,894
Craft 2013-1, Credit-Linked Note (11)(16)(17)	Diversified Investment Vehicles, Banking, Finance, Real Estate	10.13% (3M L+925)	4/17/22	25,000	25,020	24,750
Craft 2013-1, Credit-Linked Note (16)(17)	Diversified Investment Vehicles, Banking, Finance, Real Estate	10.13% (3M L+925)	4/17/22	7,625	7,700	7,549
Craft 2014-1A, Credit-Linked Note (11)(17)	Diversified Investment Vehicles, Banking, Finance, Real Estate	10.55% (3M L+965)	5/15/21	42,500	42,375	41,650
Craft 2015-2, Credit-Linked Note (11)(17)	Diversified Investment Vehicles, Banking, Finance, Real Estate	10.13% (3M L+925)	1/16/24	26,000	25,833	24,960
NXT Capital CLO 2014-1, LLC, Class E Notes (11)(17)	Diversified Investment Vehicles, Banking, Finance, Real Estate	6.38% (3M L+550)	4/23/26	5,000	4,708	4,324
Total Structured Products and Other—8.9% (10)					\$131,184	\$134,127

See notes to financial statements.

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(In thousands, except share data)

Investment	Industry	Interest Rate (20)	Maturity Date	Par (12)	Cost	Fair Value (1)
Equity						
Preferred Equity				Shares		
Delta Career Education Corporation, Super Senior Preferred Stock A (13)	Education	N/A	N/A	7,812	\$7,049	\$—
Delta Career Education Corporation, Super Senior Preferred Stock B (13)	Education	N/A	N/A	10,585	8,788	—
Delta Career Education Corporation, Super Senior Preferred Stock C (13)	Education	N/A	N/A	23,769	20,665	—
Gryphon Colleges Corp., Preferred Stock (13)(14)	Education	12.50% PIK	N/A	332,500	6,863	—
Gryphon Colleges Corp., Preferred Stock (13)(14)	Education	13.50% PIK	N/A	12,360	27,686	—
Sungevity Inc., Series D Preferred Stock (13)	Energy – Electricity	N/A	N/A	114,678,890	408	4,393
Total Preferred Equity—0.3% (10)					\$75,459	\$4,393
Common Equity/Interests				Shares		
Accelerate Parent Corp., Common Stock (13)	Transportation – Cargo, Distribution	N/A	N/A	1,664,046	\$1,714	\$1,270
Clothesline Holdings, Inc., Common Stock (13)	Healthcare & Pharmaceuticals	N/A	N/A	6,000	6,000	—
Garden Fresh Restaurant Holdings, LLC, Common Stock (13)	Hotel, Gaming, Leisure, Restaurants	N/A	N/A	50,000	5,000	—
Gryphon Colleges Corp., Common Stock (13)	Education	N/A	N/A	17,500	175	—
Skyline Data, News and Analytics LLC, Class A Common Unit (13)	Business Services	N/A	N/A	4,500,000	4,500	4,500
Sorenson Holdings, LLC, Membership Interests (13)	Consumer Goods – Durable	N/A	N/A	587	—	135
Total Common Equity/Interests—0.4% (10)					\$17,389	\$5,905
Warrants				Warrants		
Gryphon Colleges Corp., Class A-1 Preferred Stock Warrants (13)	Education	N/A	N/A	45,947	\$460	\$—
Gryphon Colleges Corp., Class B-1 Preferred Stock Warrants (13)	Education	N/A	N/A	104,314	1,043	—
Gryphon Colleges Corp., Common Stock Warrants (13)	Education	N/A	N/A	9,820	98	—
Total Warrants—0.0% (10)					\$1,601	\$—
Total Equity— 0.7% (10)					\$94,449	\$10,298
Total Non-Controlled/Non-Affiliated Investments—96.3% (10)					\$1,622,942	\$1,450,491

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(In thousands, except share data)

Investment	Industry	Interest Rate (20)	Maturity Date	Par (12)	Cost	Fair Value (1)
Non-Controlled/Affiliated Investments (4)						
Corporate Debt						
Secured Debt						
First Lien Secured Debt						
		10.00% PIK				
Pelican Energy, LLC (14)(17)	Energy – Oil & Gas	Toggle (10.00% Cash)	12/31/18	\$30,373	\$26,665	\$15,155
		12.50% PIK				
Solarplicity Group Limited (3)(17)	Energy – Electricity	Toggle (12.50% cash)	11/30/22	£134,565	196,003	152,601
Total First Lien Secured Debt—11.1% (10)					\$222,668	\$167,756
Total Secured Debt—11.1% (10)					\$222,668	\$167,756
Unsecured Debt						
Venoco, Inc.	Energy – Oil & Gas	10.00% PIK	7/25/17	\$338	\$338	\$338
Total Unsecured Debt—0.0% (10)					\$338	\$338
Total Corporate Debt—11.1% (10)					\$223,006	\$168,094
Structured Products and Other						
Golden Bear 2016-R, LLC, Membership Interests (3)(17)	Diversified Investment Vehicles, Banking, Finance, Real Estate	N/A	9/20/42	N/A	\$16,352	\$16,352
Ivy Hill Middle Market Credit Fund IX, Ltd., Subordinated Notes (3)(11)(17)(22)	Diversified Investment Vehicles, Banking, Finance, Real Estate	13.34%	10/18/25	\$12,500	9,377	9,595
Ivy Hill Middle Market Credit Fund X, Ltd., Subordinated Notes (3)(11)(17)(22)	Diversified Investment Vehicles, Banking, Finance, Real Estate	11.25%	7/18/27	14,000	11,322	10,634
MCF CLO III, LLC, Class E Notes (3)(11)(17)	Diversified Investment Vehicles, Banking, Finance, Real Estate	5.33% (3M L+445)	1/20/24	12,750	11,661	10,644
MCF CLO III, LLC, Membership Interests (3)(11)(17)(22)	Diversified Investment Vehicles, Banking, Finance, Real Estate	20.40%	1/20/24	41,900	32,072	36,396
Total Structured Products and Other—5.6% (10)					\$80,784	\$83,621

See notes to financial statements.

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(In thousands, except share data)

Investment	Industry	Interest Rate (20)	Maturity Date	Par (12)	Cost	Fair Value (1)
Equity						
Preferred Equity				Shares		
Renew Financial LLC (f/k/a Renewable Funding, LLC), Series B Preferred Stock (13)	Energy – Electricity	N/A	N/A	1,505,868	\$8,343	\$20,459
Renew Financial LLC (f/k/a Renewable Funding, LLC), Series D Preferred Stock (13)	Energy – Electricity	N/A	N/A	436,689	5,568	5,933
Total Preferred Equity—1.8% (10)					\$13,911	\$26,392
Common Equity/Interests				Shares		
AIC SPV Holdings I, LLC, Membership Interests (15)(17)(23)	Diversified Investment Vehicles, Banking, Finance, Real Estate	N/A	N/A	N/A	\$68,861	\$25,987
AMP Solar Group, Inc., Class A Common Unit (13)(17)	Energy – Electricity	N/A	N/A	243,646	10,000	4,690
LVI Group Investments, LLC, Common Units (3)(13)	Environmental Industries	N/A	N/A	212,460	17,505	10,257
Pelican Energy, LLC, Membership Interests (13)(17)	Energy – Oil & Gas	N/A	N/A	1,228	1,099	—
Solarplicity Group Limited, Common Shares (2)(3)(13)(17)(27)	Energy – Electricity	N/A	N/A	2,825	2,471	—
Venoco, Inc., LLC Units (13)	Energy – Oil & Gas	N/A	N/A	192,177	40,517	10,736
Total Common Equity/Interests—3.4% (10)					\$140,453	\$51,670
Warrants				Warrants		
Venoco, Inc., Series A Warrants (13)	Energy – Oil & Gas	N/A	N/A	23,125	\$48,170	\$376
Total Warrants—0.0% (10)					\$48,170	\$376
Total Equity—5.2% (10)					\$202,534	\$78,438
Total Non-Controlled/Affiliated Investments—21.9% (10)					\$506,324	\$330,153

See notes to financial statements.

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December 31, 2016

(In thousands, except share data)

Investment	Industry	Interest Rate (20)	Maturity Date	Par (12)	Cost	Fair Value (1)
Controlled Investments (5)						
Corporate Debt						
Secured Debt						
First Lien Secured Debt						
First Lien Secured Debt (excluding Revolvers and Letters of Credit)						
Glacier Oil & Gas Corp. (f/k/a		8.00% Cash				
Miller Energy Resources, Inc.)	Energy – Oil & Gas	(10.00% PIK	3/29/19	\$ 10,000	\$ 10,000	\$ 10,000
(16)(23)		Toggle)				
		14.00% (8.00%				
SHD Oil & Gas, LLC, Tranche	Energy – Oil & Gas	Cash plus 6.00%	12/31/19	40,000	40,000	40,000
A Note (16)		PIK)				
SHD Oil & Gas, LLC, Tranche	Energy – Oil & Gas	14.00% PIK	12/31/19	60,531	44,380	28,937
B Note (14)(16)						
SHD Oil & Gas, LLC, Tranche	Energy – Oil & Gas	12.00%	12/31/19	6,750	6,750	6,750
C Note (16)(23)						
SHD Oil & Gas, LLC,						
Unfunded Tranche C Note	Energy – Oil & Gas	0.00% Unfunded	12/31/19	11,250	—	—
(16)(21)(23)						
Total First Lien Secured Debt (excluding Revolvers and Letters of Credit)—5.7%					\$ 101,130	\$ 85,687
(10)						
Revolvers and Letters of Credit						
Dynamic Product Tankers,	Transportation –	2.25%	9/20/17	\$ 2,250	\$—	\$—
LLC, Letter of Credit (17)(23)	Cargo, Distribution					
Merx Aviation Finance, LLC,	Aviation and	12.00%	10/31/18	399,084	399,083	399,084
Revolver (16)(23)	Consumer					
	Transport					
Merx Aviation Finance, LLC,	Aviation and	2.25%	7/13/17	177	—	—
Letter of Credit (16)(23)	Consumer					
	Transport					
Merx Aviation Finance Assets	Aviation and					
Ireland Limited, Letter of	Consumer	2.25%	9/30/17	1,800	—	—
Credit (16)(23)	Transport					
Merx Aviation Finance Assets	Aviation and					
Ireland Limited, Letter of	Consumer	2.25%	9/30/17	1,800	—	—
Credit (16)(23)	Transport					
Total Revolvers and Letters of Credit—26.5% (10)					\$ 399,083	\$ 399,084
Total First Lien Secured Debt—32.2% (10)					\$ 500,213	\$ 484,771
Second Lien Secured Debt						
Glacier Oil & Gas Corp. (f/k/a		10.00% PIK				
Miller Energy Resources, Inc.)	Energy – Oil & Gas	Toggle (8.00%	3/29/21	\$ 26,939	\$ 26,939	\$ 26,939
(16)		Cash)				
Total Second Lien Secured Debt—1.8% (10)					\$ 26,939	\$ 26,939
Total Secured Debt—34.0% (10)					\$ 527,152	\$ 511,710

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Total Corporate Debt—34.0% (10)					\$527,152	\$511,710
Equity						
Common Equity/Interests				Shares		
Dynamic Product Tankers, LLC, Class A Units (17)(24)	Transportation – Cargo, Distribution	N/A	N/A	N/A	\$48,106	\$43,790
Glacier Oil & Gas Corp. (f/k/a Miller Energy Resources, Inc.), Common Stock (13)	Energy – Oil & Gas	N/A	N/A	5,000,000	30,078	24,726
Merx Aviation Finance, LLC, Membership Interests	Aviation and Consumer Transport	N/A	N/A	N/A	56,505	82,610
MSEA Tankers LLC, Class A Units (17)(25)	Transportation – Cargo, Distribution	N/A	N/A	N/A	84,500	82,853
SHD Oil & Gas, LLC, Series A Units (13)	Energy – Oil & Gas	N/A	N/A	7,600,000	1,412	—
Total Common Equity/Interests—15.5% (10)					\$220,601	\$233,979
Total Equity—15.5% (10)					\$220,601	\$233,979
Total Controlled Investments—49.5% (10)					\$747,753	\$745,689
Total Investments—167.7% (6)(7)(10)					\$2,877,019	\$2,526,333

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(In thousands, except share data)

Counterparty	Instrument	Exercise Price	Maturity Date	Notional Amount (12)	Cost (Proceeds)	Fair Value (1)
Derivative Assets						
Purchased Put Options						
CME Group	WTI Crude Oil Put Options	\$ 37.00	1/31/2017 - 12/31/2017	\$ 18,204	\$ 688	\$ 159
CME Group	WTI Crude Oil Put Options	\$ 42.50	1/31/2017 - 12/31/2017	20,910	810	375
CME Group	WTI Crude Oil Put Options	\$ 45.50	1/31/2017 - 12/31/2017	22,386	1,009	562
CME Group	WTI Crude Oil Put Options	\$ 47.50	1/31/2017 - 12/31/2017	23,370	1,009	724
Total Purchased Put Options—0.1% (10)					\$ 3,516	\$ 1,820
Credit Default Swaps						
JPMorgan Chase Bank, N.A.	Deutsche Bank Aktiengesellschaft Credit Default Swap	N/A	3/20/17	€45,000	\$ 879	\$ 90
Total Credit Default Swaps—0.0% (10)					\$ 879	\$ 90
Total Derivative Assets—0.1% (10)					\$ 4,395	\$ 1,910
Derivative Liabilities						
Written Call Options						
CME Group	WTI Crude Oil Call Options	\$ 60.00	1/31/2017 - 12/31/2017	\$(118,080)	\$(3,555)	\$(5,117)
Total Written Call Options—(0.3)% (10)					\$(3,555)	\$(5,117)
Total Derivative Liabilities—(0.3)% (10)					\$(3,555)	\$(5,117)

(1) Fair value is determined in good faith by or under the direction of the Board of Directors of the Company (Note 2).

(2) Solarplicity Group Limited is a GBP denominated equity investment.

Denotes investments in which the Company owns greater than 25% of the equity, where the governing documents of each entity preclude the Company from exercising a controlling influence over the management or policies of such entity. The Company does not have the right to elect or appoint more than 25% of the directors or another party has the right to elect or appoint more directors than the Company and has the right to appoint certain members of senior management. Therefore, the Company has determined that these entities are not controlled affiliates. As of December 31, 2016, we had a 100%, 32%, 32%, 36%, 98% and 28% equity ownership interest in Golden Bear 2016-R, LLC; Ivy Hill Middle Market Credit Fund IX, Ltd.; Ivy Hill Middle Market Credit Fund X, Ltd.; LVI Group Investments, LLC; MCF CLO III, LLC; and Solarplicity Group Limited, respectively.

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Denotes investments in which we are an “Affiliated Person,” as defined in the 1940 Act, due to holding the power to vote or owning 5% or more of the outstanding voting securities of the investment but not controlling the company.

(4) Fair value as of March 31, 2016 and December 31, 2016 along with transactions during the nine months ended December 31, 2016 in these Affiliated investments are as follows:

Name of Issue	Fair Value at March 31, 2016	Gross Additions	Gross Reductions	Net Change in Unrealized Gains (Losses)	Fair Value at December 31, 2016	Net Realized Gains (Losses)	Interest/Dividend/Other Income
AIC SPV Holdings I, LLC, Membership Interests	\$—	\$68,861	\$—	\$(42,874)	\$25,987	\$—	\$405
AMP Solar Group, Inc., Class A Common Unit	—	7,022	—	(2,332)	4,690	—	—
Generation Brands Holdings, Inc., Basic Common Stock	9,712	1	—	(9,713)	—	10,155	—
Generation Brands Holdings, Inc., Series 2L Common Stock	39,572	—	(11,242)	(28,330)	—	29,963	—
Generation Brands Holdings, Inc., Series H Common Stock	8,087	—	(2,298)	(5,789)	—	6,123	—
Golden Bear 2016-R, LLC, Membership Interests	—	16,352	—	—	16,352	—	—
Golden Bear Warehouse LLC, Membership Interests	49,617	27,777	(60,685)	(16,709)	—	34,216	3,020
Highbridge Loan Management 3-2014, Ltd., Subordinated Notes	4,975	—	(5,547)	572	—	(75)	113
Ivy Hill Middle Market Credit Fund IX, Ltd., Subordinated Notes	9,717	—	(804)	682	9,595	—	1,113
Ivy Hill Middle Market Credit Fund X, Ltd., Subordinated Notes	10,722	—	(968)	880	10,634	—	1,147
Jamestown CLO I Ltd., Subordinated Notes	380	—	(2,875)	2,495	—	(1,448)	—
LVI Group Investments, LLC, Common Units	21,486	—	—	(11,229)	10,257	—	44
MCF CLO I, LLC, Membership Interests	33,145	—	(33,268)	123	—	2,113	3,374
MCF CLO III, LLC, Class E Notes	10,073	90	—	481	10,644	—	594
MCF CLO III, LLC, Membership Interests	31,180	—	(2,629)	7,845	36,396	—	3,571
Pelican Energy, LLC, First Lien Term Loan	17,500	—	(143)	(2,202)	15,155	—	—
Pelican Energy, LLC, Membership Interests	—	—	—	—	—	—	—
	20,459	—	—	—	20,459	—	—

Renew Financial LLC (f/k/a Renewable Funding, LLC), Series B Preferred Stock	5,933	—	—	—	5,933	—	—
Renew Financial LLC (f/k/a Renewable Funding, LLC), Series D Preferred Stock	—	152,601	—	—	152,601	—	—
Solarplicity Group Limited, First Lien Term Loan	—	—	—	—	—	—	—
Solarplicity Group Limited, Common Shares	—	—	—	—	—	—	—
Venoco, Inc., Unsecured Debt	—	338	—	—	338	—	15
Venoco, Inc., LLC Units	—	40,518	—	(29,782)	10,736	—	—
Venoco, Inc., Series A Warrants	—	48,170	—	(47,794)	376	—	—
	\$272,558	\$361,730	\$(120,459)	\$(183,676)	\$330,153	\$81,047	\$13,396

Gross additions includes increases in the basis of investments resulting from new portfolio investments, payment-in-kind interest or dividends, the accretion of discounts, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.

Gross reductions include decreases in the basis of investments resulting from principal collections related to investment repayments or sales, the amortization of premiums, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company out of this category into a different category.

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(In thousands, except share data)

Denotes investments in which we are deemed to exercise a controlling influence over the management or policies of a company, as defined in the 1940 Act, due to beneficially owning, either directly or through one or more (5) controlled companies, more than 25% of the outstanding voting securities of the investment. Fair value as of March 31, 2016 and December 31, 2016 along with transactions during the nine months ended December 31, 2016 in these Controlled investments are as follows:

Name of Issue	Fair Value at March 31, 2016	Gross Additions	Gross Reductions	Net Change in Unrealized Losses	Fair Value at December 31, 2016	Net Realized Losses	Interest/Dividend/Other Income
Dynamic Product Tankers, LLC, Letter of Credit	\$—	\$—	\$—	\$—	\$—	\$—	\$ 13
Dynamic Product Tankers, LLC, Class A Units	48,264	—	—	(4,474	)43,790	—	1,200
Glacier Oil & Gas Corp. (f/k/a Miller Energy Resources, Inc.), First Lien Term Loan	—	10,000	—	—	10,000	—	272
Glacier Oil & Gas Corp. (f/k/a Miller Energy Resources, Inc.), Second Lien Term Loan	25,000	1,939	—	—	26,939	—	1,940
Glacier Oil & Gas Corp. (f/k/a Miller Energy Resources, Inc.), Common Stock	30,078	—	—	(5,352	)24,726	—	—
Merx Aviation Finance, LLC, Revolver	403,084	11,000	(15,000	)—	399,084	—	36,455
Merx Aviation Finance, LLC, Letter of Credit	—	—	—	—	—	—	(9
Merx Aviation Finance Assets Ireland Limited, Letter of Credit	—	—	—	—	—	—	31
Merx Aviation Finance Assets Ireland Limited, Letter of Credit	—	—	—	—	—	—	3
Merx Aviation Finance, LLC, Membership Interests	93,714	—	(7,750	) (3,354	)82,610	—	7,000
MSEA Tankers LLC, Class A Units	84,138	—	(501	) (784	)82,853	—	5,650
SHD Oil & Gas, LLC, Tranche A Note	—	40,000	—	—	40,000	—	391
SHD Oil & Gas, LLC, Tranche B Note	—	28,937	—	—	28,937	—	—
SHD Oil & Gas, LLC, Tranche C Note	—	6,750	—	—	6,750	—	61
SHD Oil & Gas, LLC, Unfunded Tranche C Note	—	—	—	—	—	—	—
SHD Oil & Gas, LLC, Series A Units	—	—	—	—	—	—	—
	163,034	41,732	(169,365	) (35,401	)—	(2,173	)14,228

Solarplicity Group Limited, First  
lien Term Loan

Solarplicity Group Limited, Class B Common Shares	6,665	—	—	(6,665)	—	—	—
	\$ 853,977	\$ 140,358	\$ (192,616)	\$ (56,030)	\$ 745,689	\$ (2,173)	\$ 67,235

Gross additions includes increases in the basis of investments resulting from new portfolio investments, payment-in-kind interest or dividends, the accretion of discounts, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.

Gross reductions include decreases in the basis of investments resulting from principal collections related to investment repayments or sales, the amortization of premiums, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company out of this category into a different category.

As of December 31, 2016, the Company had a 85%, 49%, 100%, 98% and 38% equity ownership interest in Dynamic Product Tankers, LLC; Glacier Oil & Gas Corp. (f/k/a Miller Energy Resources, Inc.); Merx Aviation Finance, LLC; MSEA Tankers, LLC; and SHD Oil & Gas, LLC, respectively.

(6) Aggregate gross unrealized gain and loss for federal income tax purposes is \$181,932 and \$491,766, respectively. Net unrealized loss is \$309,835 based on a tax cost of \$2,836,167.

Substantially all securities are pledged as collateral to our multi-currency revolving credit facility (the “Senior (7) Secured Facility” as defined in Note 8). As such, these securities are not available as collateral to our general creditors.

(8) The negative fair value is the result of the commitment being valued below par.

These are co-investments made with the Company’s affiliates in accordance with the terms of the exemptive order (9) the Company received from the Securities and Exchange Commission (the “SEC”) permitting us to do so. (See Note 3 for discussion of the exemptive order from the SEC.)

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December 31, 2016

(In thousands, except share data)

(10) The percentage is calculated over net assets.

(11) These securities are exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.

(12) Denominated in USD unless otherwise noted, Euro (“€”), British Pound (“£”), and Canadian Dollar (“C\$”).

(13) Non-income producing security.

(14) Non-accrual status (Note 2).

The underlying investments of AIC SPV Holdings I, LLC are two secured debt positions and one preferred equity position in SquareTwo Financial Corporation. One of the secured debt positions and the preferred equity position are on non-accrual status.

(15) Denotes debt securities where the Company owns multiple tranches of the same broad asset type but whose security characteristics differ. Such differences may include level of subordination, call protection and pricing, and differing interest rate characteristics, among other factors. Such factors are usually considered in the determination of fair values.

Investments that the Company has determined are not “qualifying assets” under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, (17) qualifying assets represent at least 70% of our total assets. The status of these assets under the 1940 Act is subject to change. The Company monitors the status of these assets on an ongoing basis. As of December 31, 2016, non-qualifying assets represented approximately 27.4% of the total assets of the Company.

(18) In addition to the interest earned based on the stated rate of this loan, the Company may be entitled to receive additional interest as a result of its arrangement with other lenders in a syndication.

(19) This investment represents a leveraged subordinated interest in a trust that holds one foreign currency denominated bond and a derivative instrument.

Generally, the interest rate on floating interest rate investments is at benchmark rate plus spread. The borrower has an option to choose the benchmark rate, such as the London Interbank Offered Rate (“LIBOR”), the Euro Interbank Offered Rate (“EURIBOR”), the federal funds rate or the prime rate. The spread may change based on the type of rate used. The terms in the Schedule of Investments disclose the actual interest rate in effect as of the (20) reporting period. LIBOR loans are typically indexed to 30-day, 90-day, 180-day or 360-day LIBOR rates (1M L, 3M L, 6M L or 12M L, respectively), and EURIBOR loans are typically indexed to 90-day EURIBOR rates (3M E), at the borrower’s option. LIBOR and EURIBOR loans may be subject to interest floors. As of December 31, 2016, rates for 1M L, 3M L, 6M L, 12M L, 3M E, and prime are 0.77%, 1.00%, 1.32%, 1.69%, (0.32%), and 3.75%, respectively.

(21) The rates associated with these undrawn committed revolvers and delayed draw term loans represent rates for commitment and unused fees.

The collateralized loan obligation (“CLO”) equity investments are entitled to recurring distributions which are generally equal to the excess cash flow generated from the underlying investments after payment of the contractual payments to debt holders and fund expenses. The current estimated yield is based on the current (22) projections of this excess cash flow taking into account assumptions such as expected prepayments, losses and future reinvestment rates. These assumptions are periodically reviewed and adjusted. Ultimately, the actual yield may be higher or lower than the estimated yield if actual results differ from those used for the assumptions.

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As of December 31, 2016, the Company had the following commitments to fund various revolving and delayed draw senior secured and subordinated loans, including commitments to issue letters of credit through a financial intermediary on behalf of certain portfolio companies. Such commitments are subject to the satisfaction of certain (23) conditions set forth in the documents governing these loans and letters of credit and there can be no assurance that such conditions will be satisfied. See Note 10 to the financial statements for further information on revolving and delayed draw loan commitments, including commitments to issue letters of credit, related to certain portfolio companies.

Portfolio Company	Total Commitment	Drawn Commitment	Letters of Credit	Undrawn Commitment
AIC SPV Holdings I, LLC	\$ 8,751	\$ 4,259	\$—	\$ 4,492
Alliant Holdings Intermediate, LLC	15,000	—	187	14,813
American Media, Inc.	1,778	1,067	206	505
Aptevo Therapeutics Inc.	15,000	8,571	—	6,429
Dynamic Product Tankers, LLC	2,250	—	2,250	—
Endologix, Inc.	5,000	—	—	5,000
LabVantage Solutions Limited	3,624	—	—	3,624
Merx Aviation Finance, LLC	177	—	177	—
Merx Aviation Finance Assets Ireland Limited	3,600	—	3,600	—
Ministry Brands, LLC	10,000	7,840	—	2,160
My Alarm Center, LLC	19,123	14,582	—	4,541
Oxford Immunotec, Inc.	1,000	—	—	1,000
SHD Oil & Gas, LLC	18,000	6,750	—	11,250
Tibco Software Inc.	6,000	—	—	6,000
TricorBraun Holdings, Inc.	5,625	998	—	4,627
UniTek Global Services Inc.	15,662	—	10,662	5,000
Wright Medical Group, Inc.	50,000	10,000	—	40,000
Total Commitments	\$ 180,590	\$ 54,067	\$ 17,082	\$ 109,441

(24) As of December 31, 2016, Dynamic Product Tankers, LLC had various classes of limited liability interests outstanding of which the Company holds Class A-1 and Class A-3 units which are identical except that Class A-1 unit is voting and Class A-3 unit is non-voting. The units entitle the Company to appoint three out of five managers to the board of managers.

(25) As of December 31, 2016, MSEA Tankers, LLC had various classes of limited liability interests outstanding of which the Company holds Class A-1 and Class A-2 units which are identical except that Class A-1 unit is voting and Class A-2 unit is non-voting. The units entitle the Company to appoint two out of three managers to the board of managers.

(26) As of December 31, 2016, Magnetation, LLC was in the process of being restructured and the maturity date of the secured debt position had passed. A new credit agreement is in the process of being executed.

(27) As of December 31, 2016, the Company holds two classes of shares in Solarplicity Group Limited. The Company holds 434 shares of Class A shares (non-voting) and 2,391 shares of Class B (voting).

See notes to financial statements.

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Industry Classification	Percentage of Total Investments (at Fair Value) as of December 31, 2016
Aviation and Consumer Transport	19.1%
Business Services	18.6%
Energy – Oil & Gas	9.4%
Diversified Investment Vehicles, Banking, Finance, Real Estate	8.7%
Energy – Electricity	7.4%
Transportation – Cargo, Distribution	7.0%
High Tech Industries	6.3%
Healthcare & Pharmaceuticals	3.6%
Manufacturing, Capital Equipment	2.8%
Insurance	2.6%
Telecommunications	2.5%
Chemicals, Plastics & Rubber	2.0%
Hotel, Gaming, Leisure, Restaurants	1.4%
Consumer Services	1.4%
Utilities – Electric	1.2%
Automotive	1.2%
Food & Grocery	1.0%
Aerospace & Defense	0.9%
Containers, Packaging & Glass	0.9%
Advertising, Printing & Publishing	0.8%
Consumer Goods – Durable	0.7%
Environmental Industries	0.4%
Broadcasting & Subscription	0.1%
Education	0.0%
Metals & Mining	0.0%
Total Investments	100.0%

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## APOLLO INVESTMENT CORPORATION

## SCHEDULE OF INVESTMENTS

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(In thousands, except share data)

Investment	Industry (9)	Interest Rate (20)	Maturity Date	Par (12)	Cost	Fair Value (1)
Non-Controlled/Non-Affiliated Investments						
Corporate Debt						
Secured Debt						
First Lien Secured Debt						
First Lien Secured Debt (excluding Revolvers and Letters of Credit)						
Aventine Renewable Energy Holdings, Inc.	Chemicals, Plastics & Rubber	10.50% Cash (15.00% PIK Toggle)	9/22/17	\$16,764	\$19,053	\$15,334
Aveta, Inc. (16)	Healthcare & Pharmaceuticals	9.75% (3M L+825, 1.50% Floor)	12/12/17	21,367	21,114	13,461
Aveta, Inc. (16)	Healthcare & Pharmaceuticals	9.75% (3M L+825, 1.50% Floor)	12/12/17	15,533	15,315	9,786
Belk, Inc.	Retail	5.75% (6M L+475, 1.00% Floor)	12/12/22	1,866	1,610	1,660
ChyronHego Corporation (18)	High Tech Industries	6.63% (3M L+563, 1.00% Floor)	3/9/20	32,225	31,684	31,580
Deep Gulf Energy II, LLC	Energy – Oil & Gas	14.50% (3M L+1300, 1.50% Floor)	9/30/18	25,000	25,000	22,500
Delta Educational Systems, Inc. (16)	Education	16.00% (3M L+1400 PIK, 2.00% Floor)	12/11/16	6,784	6,784	6,784
Dodge Data & Analytics LLC	Business Services	9.75% (3M L+875, 1.00% Floor)	10/31/19	53,125	52,316	51,664
ECN Holding Company (Emergency Communications Network) (16)(18)	High Tech Industries	8.00% (3M L+700, 1.00% Floor)	6/12/21	11,166	11,017	10,786
ECN Holding Company (Emergency Communications Network) (16)(18)	High Tech Industries	8.00% (6M L+700, 1.00% Floor)	6/12/21	11,166	11,017	10,786
LabVantage Solutions Inc.	High Tech Industries	9.00% (3M L+800, 1.00% Floor)	12/29/20	14,906	14,445	14,422
LabVantage Solutions Limited (16)(17)	High Tech Industries	9.00% (3M E+800, 1.00% Floor)	12/29/20	€13,656	14,221	15,055
Magnetation, LLC (14)	Metals & Mining	12.00% PIK	7/7/16	13,466	12,427	1,687
Maxus Capital Carbon SPE I, LLC	Chemicals, Plastics & Rubber	13.00%	12/31/18	59,305	59,305	58,569
My Alarm Center, LLC, Term Loan A (16)	Business Services	9.00% (1M L+800, 1.00% Floor)	1/9/19	28,035	28,035	27,545
My Alarm Center, LLC, Term Loan B (16)(23)	Business Services	9.00% (1M L+800, 1.00% Floor)	1/9/19	7,774	7,774	7,638
	Business Services	0.35% Unfunded	1/9/19	987	—	(17 )



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My Alarm Center, LLC, Unfunded Term Loan B (8)(16)(21)(23)							
My Alarm Center, LLC, Term Loan C (16)(23)	Business Services	9.00% (3M L+800, 1.00% Floor)	1/9/19	2,865	2,865	2,814	
My Alarm Center, LLC, Unfunded Term Loan C (8)(16)(21)(23)	Business Services	0.35% Unfunded	1/9/19	1,247	—	(22	)
Osage Exploration & Development, Inc. (11)(14)(16)(17)	Energy – Oil & Gas	11.44% Cash (1M L+1100 PIK Toggle)	4/27/16	26,698	24,706	5,374	

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Investment	Industry (9)	Interest Rate (20)	Maturity Date	Par (12)	Cost	Fair Value (1)
Osage Exploration & Development, Inc. (16)(17)(23)	Energy – Oil & Gas	8.00%	4/25/16	\$ 400	\$400	\$400
Saba Software, Inc. (18)	High Tech Industries	9.75% (1M L+875, 1.00% Floor)	3/30/21	9,925	9,925	9,776
SCM Insurance Services, Inc. (17)	Business Services	9.25%	8/22/19	C\$39,480	33,035	26,538
Spotted Hawk Development, LLC (14)	Energy – Oil & Gas	19.00% (13.00% Cash plus 6.00% PIK)	9/12/16	85,660	84,380	64,071
Telestream Holdings Corporation (18)	High Tech Industries	7.77% (3M L+677, 1.00% Floor)	1/15/20	31,691	31,691	31,057
UniTek Global Services Inc. (16)	Telecommunications	9.50% (3M L+750 Cash plus 1.00% PIK, 1.00% Floor)	1/13/19	13,427	13,427	13,427
UniTek Global Services Inc. (16)	Telecommunications	11.00% (P+650 Cash plus 1.00% PIK)	1/13/19	4,500	4,500	4,500
UniTek Global Services Inc. (16)	Telecommunications	8.50% (3M L+750, 1.00% Floor)	1/13/19	32,367	32,367	30,748
Venoco, Inc. (16)	Energy – Oil & Gas	12.00%	2/28/19	40,517	40,517	32,566
Total First Lien Secured Debt (excluding Revolvers and Letters of Credit)—31.7% (10)					\$608,930	\$520,489
Revolvers and Letters of Credit						
Alliant Holdings Intermediate, LLC, Revolver (16)(23)	Insurance	3.94% (3M L+350)	8/14/20	\$ 3,375	\$3,375	\$3,051
Alliant Holdings Intermediate, LLC, Revolver (16)(23)	Insurance	6.00% (P+250)	8/14/20	375	375	339
Alliant Holdings Intermediate, LLC, Unfunded Revolver (8)(16)(21)(23)	Insurance	0.50% Unfunded	8/14/20	11,141	(1,494 )	(1,070 )
Alliant Holdings Intermediate, LLC, Letter of Credit (8)(16)(23)	Insurance	3.375%	10/1/16	8	—	(1 )
Alliant Holdings Intermediate, LLC, Letter	Insurance	3.375%	11/30/16	56	—	(5 )

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of Credit (8)(16)(23) Alliant Holdings Intermediate, LLC, Letter of Credit (8)(16)(23)	Insurance	3.375%	4/23/16	37	—	(4	)
Alliant Holdings Intermediate, LLC, Letter of Credit (8)(16)(23)	Insurance	3.375%	5/4/16	8	—	(1	)
Confie Seguros Holding II Co., Revolver (16)(23)	Insurance	4.93% (3M L+450)	11/9/17	1,120	1,120	1,008	
Confie Seguros Holding II Co., Revolver (16)(23)	Insurance	7.00% (P+350)	11/9/17	500	500	450	
Confie Seguros Holding II Co., Unfunded Revolver (8)(16)(21)(23)	Insurance	0.50% Unfunded	11/9/17	2,756	(248	)	(276 )
Confie Seguros Holding II Co., Letter of Credit (8)(16)(23)	Insurance	4.50%	1/13/17	124	—	(12	)
LabVantage Solutions Limited, Unfunded Revolver (8)(16)(17)(21)(23)	High Tech Industries	0.50% Unfunded	12/29/20	€ 3,435	(114	)	(127 )
My Alarm Center, LLC, Unfunded Revolver (8)(16)(21)(23)	Business Services	0.35% Unfunded	1/9/19	6,250	—	(109	)
Tibco Software Inc., Unfunded Revolver (8)(16)(21)(23)	High Tech Industries	0.50% Unfunded	12/5/19	6,000	(44	)	(1,200 )
Transfirst Holdings, Inc., Unfunded Revolver (16)(21)(23)	Diversified Investment Vehicles, Banking, Finance, Real Estate	0.50% Unfunded	11/12/19	2,949	(11	)	—
Transfirst Holdings, Inc., Letter of Credit (16)(23)	Diversified Investment Vehicles, Banking, Finance, Real Estate	3.75%	11/12/19	51	—	—	

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Investment	Industry (9)	Interest Rate (20)	Maturity Date	Par (12)	Cost	Fair Value (1)
UniTek Global Services Inc., Unfunded Revolver (16)(21)(23)	Telecommunications	0.50% Unfunded	1/13/19	\$5,000	\$—	\$—
UniTek Global Services Inc., Letter of Credit (16)(23)	Telecommunications	7.50%	1/13/19	8,812	—	—
UniTek Global Services Inc., Letter of Credit (16)(23)	Telecommunications	7.50%	1/13/19	1,850	—	—
Total Revolvers and Letters of Credit—0.1% (10)					\$3,459	\$2,043
Total First Lien Secured Debt—31.8% (10)					\$612,389	\$522,532
Second Lien Secured Debt						
1A Smart Start LLC	Consumer Services	9.50% (3M L+850, 1.00% Floor)	8/22/22	\$35,000	\$34,345	\$34,020
Access CIG, LLC (16)	Business Services	9.75% (3M L+875, 1.00% Floor)	10/17/22	35,755	34,180	33,558
Access CIG, LLC (16)	Business Services	9.75% (3M L+875, 1.00% Floor)	10/17/22	15,215	14,625	14,280
Active Network, Inc.	Business Services	9.50% (3M L+850, 1.00% Floor)	11/15/21	19,672	19,596	17,115
Appriss Holdings, Inc.	Business Services	9.25% (3M L+825, 1.00% Floor)	5/21/21	32,750	32,331	32,259
Armor Holding II LLC	Diversified Investment Vehicles, Banking, Finance, Real Estate	10.25% (3M L+900, 1.25% Floor)	12/26/20	8,000	7,886	7,740
Asurion Corporation	Insurance	8.50% (3M L+750, 1.00% Floor)	3/3/21	39,590	39,361	37,293
Confie Seguros Holding II Co. (16)	Insurance	10.25% (3M L+900, 1.25% Floor)	5/8/19	22,344	22,249	20,668
Delta Educational Systems, Inc. (16)	Education	35.00% PIK	6/10/18	1,289	1,289	3,223
Deltek, Inc.	Business Services	9.50% (3M L+850, 1.00% Floor)	6/26/23	15,086	14,879	14,558
	Healthcare & Pharmaceuticals		2/11/20	9,821	9,754	9,428

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Elements Behavioral Health, Inc.		13.00% (3M L+1200 PIK, 1.00% Floor)					
Extraction Oil & Gas Holdings, LLC	Energy – Oil & Gas	10.00% and 11.00%	5/29/19	52,633	52,072	51,580	
Garden Fresh Restaurant Corp. (16)	Hotel, Gaming, Leisure, Restaurants	15.00% (1M L+1350 PIK, 1.50% Floor)	1/1/19	46,400	44,933	25,520	
Garden Fresh Restaurant Corp. (16)	Hotel, Gaming, Leisure, Restaurants	7.75% (3M L+625 PIK, 1.50% Floor)	1/1/19	8,929	7,569	7,232	
GCA Services Group, Inc.	Business Services	10.00% (3M L+900, 1.00% Floor)	2/22/24	10,000	9,750	10,000	
Grocery Outlet, Inc.	Food & Grocery	9.25% (3M L+825, 1.00% Floor)	10/21/22	25,000	24,673	23,312	
GTCR Valor Companies, Inc.	Business Services	9.50% (3M L+850, 1.00% Floor)	11/30/21	35,000	34,705	34,810	
Infiltrator Systems Integrated, LLC	Manufacturing, Capital Equipment	9.75% (3M L+875, 1.00% Floor)	5/26/23	13,889	13,632	13,637	

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Investment	Industry (9)	Interest Rate (20)	Maturity Date	Par (12)	Cost	Fair Value (1)
Institutional Shareholder Services, Inc.	Business Services	8.50% (3M L+750, 1.00% Floor)	4/30/22	\$ 6,640	\$6,586	\$6,109
MSC Software Corp. (17)	High Tech Industries	8.50% (3M L+750, 1.00% Floor)	5/31/21	13,448	13,342	11,565
Novolex Holdings, Inc.	Containers, Packaging & Glass	9.75% (3M L+875, 1.00% Floor)	6/5/22	42,045	41,120	39,733
Pabst Brewing Company	Consumer Goods – Durable	9.25% (3M L+825, 1.00% Floor)	11/14/22	27,000	26,703	26,291
Poseidon Merger Sub, Inc.	Business Services	9.50% (3M L+850, 1.00% Floor)	8/15/23	18,000	17,501	17,640
Premier Trailer Leasing, Inc.	Transportation – Cargo, Distribution	10.00% (3M L+900, 1.00% Floor)	9/24/20	52,000	51,171	53,040
River Cree Enterprises LP (11)(17)	Hotel, Gaming, Leisure, Restaurants	11.00%	1/20/21	C\$23,000	21,684	17,293
SiTV, Inc. (11)	Broadcasting & Subscription	10.375%	7/1/19	2,219	2,219	1,725
SMG	Hotel, Gaming, Leisure, Restaurants	9.25% (3M L+825, 1.00% Floor)	2/27/21	19,900	19,900	19,801
Sprint Industrial Holdings, LLC	Containers, Packaging & Glass	11.25% (3M L+1000, 1.25% Floor)	11/14/19	16,163	15,507	11,557
SquareTwo Financial Corp. (17)	Diversified Investment Vehicles, Banking, Finance, Real Estate	11.625%	4/1/17	65,152	64,722	32,014
Sterling Holdings Ultimate Parent, Inc.	High Tech Industries	9.25% (3M L+825, 1.00% Floor)	6/19/23	20,000	19,804	19,400
STG-Fairway Acquisitions, Inc.	Business Services	10.25% (3M L+925, 1.00% Floor)	6/30/23	15,000	14,649	14,250
TASC, Inc. (16)	Aerospace & Defense	12.00%	5/21/21	7,704	7,368	7,357
TASC, Inc. (16)	Aerospace & Defense	12.00%	5/21/21	7,058	6,934	6,741
TMK Hawk Parent, Corp.	Transportation – Cargo, Distribution	8.50% (3M L+750, 1.00% Floor)	10/1/22	34,000	33,709	33,490

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Transfirst Holdings, Inc. (16)	Diversified Investment Vehicles, Banking, Finance, Real Estate	9.00% (3M L+800, 1.00% Floor)	11/11/22	29,840	29,538	29,989
Velocity Technology Solutions, Inc.	Business Services	9.00% (3M L+775, 1.25% Floor)	9/28/20	16,500	16,252	15,758
Venoco, Inc. (14)(16)	Energy – Oil & Gas	8.875% Cash (12.00% PIK Toggle)	2/28/19	37,993	48,170	20,766
Total Second Lien Secured Debt—47.1% (10)					\$874,708	\$774,752
Total Secured Debt—78.9% (10)					\$1,487,097	\$1,297,284

See notes to financial statements.

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## APOLLO INVESTMENT CORPORATION

## SCHEDULE OF INVESTMENTS

March 31, 2016

(In thousands, except share data)

Investment	Industry (9)	Interest Rate (20)	Maturity Date	Par (12)	Cost	Fair Value (1)
Unsecured Debt						
American Tire Distributors, Inc. (11)	Transportation – Cargo, Distribution	10.25%	3/1/22	\$ 14,741	\$ 14,819	\$ 13,230
Canacol Energy Ltd. (17)(23)	Energy – Oil & Gas	9.50% (3M L+850, 1.00% Floor)	12/31/19	75,000	73,424	71,400
Delta Educational Systems, Inc. (14)(16)	Education	16.00% PIK	5/12/17	28,276	28,125	12,110
Radio One, Inc. (11)	Broadcasting & Subscription	9.25%	2/15/20	15,804	15,724	11,004
Sorenson Holdings, LLC (11)	Consumer Goods – Durable	13.00% Cash (13.00% PIK Toggle)	10/31/21	52	35	50
Tibco Software Inc. (11)(16)	High Tech Industries	11.375%	12/1/21	4,984	4,859	4,317
U.S. Security Associates Holdings, Inc.	Business Services	11.00%	7/28/18	135,000	135,000	136,350
UniTek Global Services Inc. (16)	Telecommunications	15.00% PIK	7/13/19	7,362	7,362	7,362
Total Unsecured Debt—15.5% (10)					\$ 279,348	\$ 255,823
Total Corporate Debt—94.4% (10)					\$ 1,766,445	\$ 1,553,107
Structured Products and Other						
Asset Repackaging						
Trust Six B.V. (11)(17)(19)	Utilities – Electric	13.87%	5/18/27	\$ 58,411	\$ 25,294	\$ 31,628
Craft 2013-1, Credit-Linked Note (11)(16)(17)	Diversified Investment Vehicles, Banking, Finance, Real Estate	9.87% (3M L+925)	4/17/22	25,000	25,066	23,501
Craft 2013-1, Credit-Linked Note (16)(17)	Diversified Investment Vehicles, Banking, Finance, Real Estate	9.87% (3M L+925)	4/17/22	7,625	7,730	7,175
Craft 2014-1A, Credit-Linked Note (11)(17)	Diversified Investment Vehicles, Banking, Finance, Real Estate	10.27% (3M L+965)	5/15/21	42,500	42,436	40,257
Craft 2015-2, Credit-Linked Note (11)(17)	Diversified Investment Vehicles, Banking, Finance, Real Estate	9.87% (3M L+925)	1/16/24	26,000	25,947	24,219
Dark Castle Holdings, LLC	Media – Diversified & Production	12.77%	N/A	24,395	1,189	1,088
JP Morgan Chase & Co., Credit-Linked Note (17)	Diversified Investment Vehicles, Banking, Finance, Real Estate	12.82% (1M L+1225)	12/20/21	43,250	41,427	42,356



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NXT Capital CLO 2014-1, LLC, Class E Notes (11)(17)	Diversified Investment Vehicles, Banking, Finance, Real Estate	5.93% (3M L+550)	4/23/26	5,000	4,691	3,900
Renaissance Umiat, LLC, ACES Tax Receivable (15)(17)	Energy – Oil & Gas	15.25% to 17.46%	N/A	—	5,592	5,669
Total Structured Products and Other—10.9% (10) Equity					\$179,372	\$179,793
Preferred Equity				Shares		
Crowley Holdings, Inc., Series A Preferred Stock (11)	Transportation – Cargo, Distribution	12.00% (10.00% Cash plus 2.00% PIK)	N/A	32,500	\$34,003	\$34,328
Gryphon Colleges Corp., Preferred Stock (13)(14)	Education	13.50% PIK	N/A	12,360	27,686	—
Gryphon Colleges Corp., Preferred Stock (13)(14)	Education	12.50% PIK	N/A	332,500	6,863	—
Sungevity Inc., Series D Preferred Stock (13)	Energy – Electricity	N/A	N/A	114,678,899	4,171	3,750
Varietal Distribution Holdings, LLC, Class A Preferred Unit	Transportation – Cargo, Distribution	4.00% PIK	N/A	3,097	4,092	4,092
Total Preferred Equity—2.6% (10)					\$76,815	\$42,170

See notes to financial statements.

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## APOLLO INVESTMENT CORPORATION

## SCHEDULE OF INVESTMENTS

March 31, 2016

(In thousands, except share data)

Investment	Industry (9)	Interest Rate (20)	Maturity Date	Par (12)	Cost	Fair Value (1)
Common Equity/Interests				Shares		
Accelerate Parent Corp., Common Stock (13)	Transportation – Cargo, Distribution	N/A	N/A	1,664,046	\$1,714	\$2,000
AMP Solar Group, Inc., Class A Common Unit (13)(17)	Energy – Electricity	N/A	N/A	166,974	7,000	4,022
Clothesline Holdings, Inc., Common Stock (13)	Healthcare & Pharmaceuticals	N/A	N/A	6,000	6,000	642
Explorer Coinvest, LLC, Membership Interests (17)	Business Services	N/A	N/A	N/A	1,021	3,755
Garden Fresh Restaurant Holdings, LLC, Common Stock (13)	Hotel, Gaming, Leisure, Restaurants	N/A	N/A	50,000	5,000	—
Gryphon Colleges Corp., Common Stock (13)	Education	N/A	N/A	17,500	175	—
Skyline Data, News and Analytics LLC, Class A Common Unit (13)	Business Services	N/A	N/A	4,500	4,500	4,500
Sorenson Holdings, LLC, Membership Interests (13)	Consumer Goods – Durable	N/A	N/A	587	—	140
Varietal Distribution Holdings, LLC, Class A Common Unit (13)	Transportation – Cargo, Distribution	N/A	N/A	28,028	28	165
Total Common Equity/Interests—0.9% (10)					\$25,438	\$15,224
Warrants				Warrants		
Energy & Exploration Partners, Inc., Common Stock Warrants (13)	Energy – Oil & Gas	N/A	N/A	60,778	\$2,374	\$—
Gryphon Colleges Corp., Class A-1 Preferred Stock Warrants (13)	Education	N/A	N/A	45,947	459	—
Gryphon Colleges Corp., Class B-1 Preferred Stock Warrants (13)	Education	N/A	N/A	104,314	1,043	—
Gryphon Colleges Corp., Common Stock Warrants (13)	Education	N/A	N/A	9,820	98	—
Osage Exploration & Development, Inc., Common Stock Warrants (13)(17)	Energy – Oil & Gas	N/A	N/A	1,496,843	—	—
Spotted Hawk Development, LLC, Common Stock Warrants (13)	Energy – Oil & Gas	N/A	N/A	54,545	852	—
Total Warrants—0.0% (10)					\$4,826	\$—
Total Equity—3.5% (10)					\$107,079	\$57,394
Total Non-Controlled/Non-Affiliated Investments—108.8% (10)					\$2,052,896	\$1,790,294

See notes to financial statements.

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## APOLLO INVESTMENT CORPORATION

## SCHEDULE OF INVESTMENTS

March 31, 2016

(In thousands, except share data)

Investment	Industry (9)	Interest Rate (20)	Maturity Date	Par (12)	Cost	Fair Value (1)
Non-Controlled/Affiliated Investments (4)						
Corporate Debt						
Secured Debt						
First Lien Secured Debt						
		10.00% Cash				
Pelican Energy, LLC (14)(17)	Energy – Oil & Gas	(10.00% PIK Toggle)	12/31/18	\$ 28,313	\$ 26,808	\$ 17,500
Total First Lien Secured Debt—1.1% (10)					\$ 26,808	\$ 17,500
Total Secured Debt—1.1% (10)					\$ 26,808	\$ 17,500
Total Corporate Debt—1.1% (10)					\$ 26,808	\$ 17,500
Structured Products and Other						
Golden Bear Warehouse LLC, Membership Interests (3)(17)	Diversified Investment Vehicles, Banking, Finance, Real Estate	N/A	N/A	\$ 32,344	\$ 32,908	\$ 49,617
Highbridge Loan Management 3-2014, Ltd., Subordinated Notes (3)(11)(17)(22)	Diversified Investment Vehicles, Banking, Finance, Real Estate	5.15%	1/18/25	8,163	5,548	4,975
Ivy Hill Middle Market Credit Fund IX, Ltd., Subordinated Notes (3)(11)(17)(22)	Diversified Investment Vehicles, Banking, Finance, Real Estate	16.88%	10/18/25	12,500	10,181	9,717
Ivy Hill Middle Market Credit Fund X, Ltd., Subordinated Notes (3)(11)(17)(22)	Diversified Investment Vehicles, Banking, Finance, Real Estate	14.30%	7/18/27	14,000	12,290	10,722
Jamestown CLO I Ltd., Subordinated Notes (11)(17)(22)	Diversified Investment Vehicles, Banking, Finance, Real Estate	0.00%	11/5/24	4,325	2,875	380
MCF CLO I, LLC, Membership Interests (3)(11)(17)(22)	Diversified Investment Vehicles, Banking, Finance, Real Estate	14.23%	4/20/23	38,918	33,268	33,145
MCF CLO III, LLC, Class E Notes (11)(17)	Diversified Investment Vehicles, Banking, Finance, Real Estate	5.07% (3M L+445)	1/20/24	12,750	11,570	10,073
MCF CLO III, LLC, Membership Interests (3)(11)(17)(22)	Diversified Investment Vehicles, Banking, Finance, Real Estate	15.44%	1/20/24	41,900	34,700	31,180
Total Structured Products and Other—9.1% (10)					\$ 143,340	\$ 149,809
Equity						
Preferred Equity						
Renewable Funding Group, Inc., Series B Preferred Stock (13)						
	Energy – Electricity	N/A	N/A	1,505,868	\$ 8,343	\$ 20,459
	Energy – Electricity	N/A	N/A	436,689	5,568	5,933

Renewable Funding Group,  
Inc., Series D Preferred Stock  
(13)

Total Preferred Equity—1.6% (10)					\$13,911	\$26,392
Common Equity/Interests				Shares		
Generation Brands Holdings, Inc., Basic Common Stock (3)(13)	Consumer Goods – Durable	N/A	N/A	9,007	\$—	\$9,712
Generation Brands Holdings, Inc., Series 2L Common Stock (3)(13)	Consumer Goods – Durable	N/A	N/A	36,700	11,242	39,572
Generation Brands Holdings, Inc., Series H Common Stock (3)(13)	Consumer Goods – Durable	N/A	N/A	7,500	2,297	8,087
LVI Group Investments, LLC, Common Units (3)(13)	Environmental Industries	N/A	N/A	212,460	17,505	21,486
Pelican Energy, LLC, Membership Interests (13)(17)	Energy – Oil & Gas	N/A	N/A	1,228	1,099	—
Total Common Equity/Interests—4.8% (10)					\$32,143	\$78,857
Total Equity—6.4% (10)					\$46,054	\$105,249
Total Non-Controlled/Affiliated Investments—16.6% (10)					\$216,202	\$272,558

See notes to financial statements.

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## APOLLO INVESTMENT CORPORATION

## SCHEDULE OF INVESTMENTS

March 31, 2016

(In thousands, except share data)

Investment	Industry (9)	Interest Rate (20)	Maturity Date	Par (12)	Cost	Fair Value (1)
Controlled Investments (5)						
Corporate Debt						
Secured Debt						
First Lien Secured Debt						
First Lien Secured Debt (excluding Revolvers and Letters of Credit)						
Solarplicity Group Limited (17)	Energy – Electricity	12.50% Cash (12.50% PIK Toggle)	11/30/22	£ 114,670	\$ 171,034	\$ 163,034
Total First Lien Secured Debt (excluding Revolvers and Letters of Credit) (10)		9.9%			\$ 171,034	\$ 163,034
Revolvers and Letters of Credit						
Merx Aviation Finance, LLC, Revolver (16)(23)	Aviation and Consumer Transport	12.00%	10/31/18	\$ 403,084	\$ 403,084	\$ 403,084
Merx Aviation Finance, LLC, Unfunded Revolver (16)(21)(23)	Aviation and Consumer Transport	0.00% Unfunded	10/31/18	96,916	—	—
Merx Aviation Finance, LLC, Letter of Credit (16)(23)	Aviation and Consumer Transport	2.25%	7/13/16	177	—	—
Merx Aviation Finance Assets Ireland Limited, Letter of Credit (16)(23)	Aviation and Consumer Transport	2.25%	9/30/16	1,800	—	—
Merx Aviation Finance Assets Ireland Limited, Letter of Credit (16)(23)	Aviation and Consumer Transport	2.25%	9/30/16	1,800	—	—
Total Revolvers and Letters of Credit (10)					\$ 403,084	\$ 403,084
Total First Lien Secured Debt (10)					\$ 574,118	\$ 566,118
Second Lien Secured Debt						
Miller Energy Resources, Inc.	Energy – Oil & Gas	8.00% Cash (10.00% PIK Toggle)	3/29/21	\$ 25,000	\$ 25,000	\$ 25,000
Total Second Lien Debt (10)					\$ 25,000	\$ 25,000
Total Secured Debt (10)					\$ 599,118	\$ 591,118
Total Corporate Debt (10)					\$ 599,118	\$ 591,118
Equity						
Common Equity/Interests				Shares		
Dynamic Product Tankers, LLC, Class A Units (17)(24)	Transportation – Cargo, Distribution	N/A	N/A	N/A	\$ 48,106	\$ 48,264
Merx Aviation Finance, LLC, Membership Interests	Aviation and Consumer Transport	N/A	N/A	N/A	64,255	93,714
Miller Energy Resources, Inc., Common Stock (13)	Energy – Oil & Gas	N/A	N/A	5,000,000	30,078	30,078
		N/A	N/A	N/A	85,000	84,138

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MSEA Tankers LLC, Class A Transportation – Units (17)(25)	Cargo, Distribution					
Solarplicity Group Limited, Class B Common Shares (2)(13)(17)	Energy – Electricity	N/A	N/A	2,825	2,472	6,665
Total Common Equity/Interests—16.0% (10)					\$229,911	\$262,859
Total Equity—16.0% (10)					\$229,911	\$262,859
Total Controlled Investments—51.9% (10)					\$829,029	\$853,977
Total Investments—177.3% (6)(7)(10)					\$3,098,127	\$2,916,829
Liabilities in Excess of Other Assets—(77.3)% (10)						\$(1,271,248)
Net Assets—100.0%						\$1,645,581

- (1) Fair value is determined in good faith by or under the direction of the Board of Directors of the Company (Note 2).  
(2) Solarplicity Group Limited is a GBP denominated equity investment.

See notes to financial statements.

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## APOLLO INVESTMENT CORPORATION

## SCHEDULE OF INVESTMENTS

March 31, 2016

(In thousands, except share data)

Denotes investments in which the Company owns greater than 25% of the equity, where the governing documents of each entity preclude the Company from exercising a controlling influence over the management or policies of such entity. The Company does not have the right to elect or appoint more than 25% of the directors or another party has the right to elect or appoint more directors than the Company and has the right to appoint certain (3) members of senior management. Therefore, the Company has determined that these entities are not controlled affiliates. As of March 31, 2016, we had a 28%, 100%, 26%, 32%, 32%, 36%, 97%, and 98% equity ownership interest in Generation Brands Holdings, Inc.; Golden Bear Warehouse, LLC; Highbridge Loan Management, Ltd.; Ivy Hill Middle Market Credit Fund IX, Ltd.; Ivy Hill Middle Market Credit Fund X, Ltd.; LVI Group Investments, LLC; MCF CLO I, LLC; and MCF CLO III, LLC, respectively.

Denotes investments in which we are an “Affiliated Person,” as defined in the 1940 Act, due to holding the power to vote or owning 5% or more of the outstanding voting securities of the investment but not controlling the company. (4) Fair value as of March 31, 2015 and March 31, 2016 along with transactions during the year ended March 31, 2016 in these Affiliated investments are as follows:

Name of Issue	Fair Value at March 31, 2015	Gross Additions (Cost)	Gross Reductions (Cost)	Net Change in Unrealized Gains (Losses)	Fair Value at March 31, 2016	Net Realized Losses	Interest/Dividend/Other Income
AMP Solar (UK) Limited, Class A Preference Shares	\$65,171	\$67,313	\$(133,668)	\$1,184	\$—	\$(1,575)	\$ 7,375
AMP Solar Group, Inc., Class A Common Unit	3,500	2,500	(6,000)	)—	—	—	—
Generation Brands Holdings, Inc., Basic Common Stock	6,699	—	—	3,013	9,712	—	—
Generation Brands Holdings, Inc., Series 2L Common Stock	27,294	—	—	12,278	39,572	—	—
Generation Brands Holdings, Inc., Series H Common Stock	5,578	—	—	2,509	8,087	—	—
Golden Bear Warehouse LLC, Equity	6,833	51,574	(22,899)	)14,109	49,617	—	1,318
Golden Hill CLO I, LLC, Equity	73,587	—	(71,478)	)(2,109)	)—	—	6,459
Highbridge Loan Management 3-2014, Ltd., Class E Notes	2,121	3	(2,280)	)156	—	(67)	)34
Highbridge Loan Management 3-2014, Ltd., Subordinated Notes	6,722	—	(990)	)(757)	)4,975	—	823
Ivy Hill Middle Market Credit Fund IX, Ltd., Subordinated Notes	11,375	—	(1,194)	)(464)	)9,717	—	1,704
Ivy Hill Middle Market Credit Fund X, Ltd., Subordinated Notes	—	12,457	(167)	)(1,568)	)10,722	—	1,099
Jamestown CLO I Ltd., Subordinated Notes	3,698	—	(557)	)(2,761)	)380	—	175
LVI Group Investments, LLC, Common Units	8,669	—	—	12,817	21,486	—	263
	38,490	—	(1,820)	)(3,525)	)33,145	—	6,538

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MCF CLO I, LLC, Membership Interests							
MCF CLO III, LLC, Class E Notes	11,220	114	—	(1,261)	)10,073	—	738
MCF CLO III, LLC, Membership Interests	38,984	—	(2,257)	(5,547)	)31,180	—	6,336
Pelican Energy, LLC, First Lien Term Loan	—	27,524	(716)	(9,308)	)17,500	—	369
Pelican Energy, LLC, Membership Interests	—	1,099	—	(1,099)	)—	—	—
Renewable Funding Group, Inc., Promissory Note due 9/30/15	1,000	—	(1,000)	)—	—	—	—
Renewable Funding Group, Inc., Promissory Note due 6/3/16	—	2,068	(2,068)	)—	—	—	53
Renewable Funding Group, Inc., Series B Preferred Stock	9,309	—	882	10,268	20,459	—	—
Renewable Funding Group, Inc., Series D Preferred Stock	—	5,568	—	365	5,933	—	—
Slater Mill Loan Fund LP, LP Certificates	6,968	—	(5,754)	(1,214)	)—	(3,912)	)573
	\$327,218	\$170,220	\$(251,966)	\$27,086	\$272,558	\$(5,554)	\$ 33,857

Gross additions includes increases in the cost basis of investments resulting from new portfolio investments, payment-in-kind interest or dividends, the accretion of discounts, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.

See notes to financial statements.

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## APOLLO INVESTMENT CORPORATION

## SCHEDULE OF INVESTMENTS

March 31, 2016

(In thousands, except share data)

Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the amortization of premiums, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company out of this category into a different category.

Denotes investments in which we are deemed to exercise a controlling influence over the management or policies of a company, as defined in the 1940 Act, due to beneficially owning, either directly or through one or more (5) controlled companies, more than 25% of the outstanding voting securities of the investment. Fair value as of March 31, 2015 and March 31, 2016 along with transactions during the year ended March 31, 2016 in these Controlled investments are as follows:

Name of Issue	Fair Value at March 31, 2015	Gross Additions (Cost)	Gross Reductions (Cost)	Net Change in Unrealized Gains (Losses)	Fair Value at March 31, 2016	Net Realized Losses	Interest/Dividend/Other Income
Dynamic Product Tankers, LLC, Class A Units	\$—	\$48,150	\$(44)	)\$ 158	\$48,264	\$—	\$ 5,785
Merx Aviation Finance, LLC, Revolver	352,084	51,000	—	—	403,084	—	43,703
Merx Aviation Finance, LLC, Unfunded Revolver	—	—	—	—	—	—	—
Merx Aviation Finance, LLC, Letter of Credit	—	—	—	—	—	—	—
Merx Aviation Finance, LLC, Membership Interests	165,172	—	(87,828)	)16,370	93,714	—	5,400
Merx Aviation Finance Assets Ireland Limited, Letter of Credit	—	—	—	—	—	—	10
Merx Aviation Finance Assets Ireland Limited, Letter of Credit	—	—	—	—	—	—	10
Miller Energy Resources, Inc., Second Lien Term Loan	—	25,000	—	—	25,000	—	14
Miller Energy Resources, Inc., Common Stock	—	30,078	—	—	30,078	—	—
MSEA Tankers LLC, Class A Units	33,000	52,000	—	(862)	)84,138	—	8,598
PlayPower Holdings, Inc., Common Stock	55,900	—	(77,722)	)21,822	—	(39,736)	)63
PlayPower Holdings, Inc., Series A Preferred	59,411	1,891	(61,302)	)—	—	—	1,869
Solarplicity Group Limited, First Lien Term Loan	—	171,035	—	(8,001)	)163,034	—	7,378
Solarplicity Group Limited, Class B Common Shares	—	2,472	—	4,193	6,665	—	—
	\$665,567	\$381,626	\$(226,896)	)\$33,680	\$853,977	\$(39,736)	\$72,830

Gross additions includes increases in the cost basis of investments resulting from new portfolio investments, payment-in-kind interest or dividends, the accretion of discounts, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.

Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the amortization of premiums, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company out of this category into a different category.

As of March 31, 2016, the Company had a 85%, 100%, 49%, 98% and 28% equity ownership interest in Dynamic Product Tankers, LLC; Merx Aviation Finance, LLC; Miller Energy Resources, Inc.; MSEA Tankers, LLC; and Solarplicity Group Limited, respectively.

(6) Aggregate gross unrealized gain and loss for federal income tax purposes is \$279,370 and \$387,492, respectively. Net unrealized loss is \$108,122 based on a tax cost of \$3,024,951.

Substantially all securities are pledged as collateral to our multi-currency revolving credit facility (the “Senior (7) Secured Facility” as defined in Note 8). As such, these securities are not available as collateral to our general creditors.

(8) The negative fair value is the result of the commitment being valued below par.

(9) As a result of the amendment of our Senior Secured Facility on April 24, 2015, the industry classifications were updated in the Schedule of Investments as of March 31, 2016.

(10) The percentage is calculated over net assets.

(11) These securities are exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.

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APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS

March 31, 2016

(In thousands, except share data)

(12) Denominated in USD unless otherwise noted, Euro (“€”), British Pound (“£”), and Canadian Dollar (“C\$”).

(13) Non-income producing security.

(14) Non-accrual status (Note 2).

The investment has a put option attached to it and the combined instrument has been recorded in its entirety at fair value as a hybrid instrument in accordance with ASC 815-15-25-4 with subsequent changes in fair value charged or credited to investment gains/losses for each period.

(15) Denotes debt securities where the Company owns multiple tranches of the same broad asset type but whose security characteristics differ. Such differences may include level of subordination, call protection and pricing, and differing interest rate characteristics, among other factors. Such factors are usually considered in the determination of fair values.

(16) Investments that the Company has determined are not “qualifying assets” under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. The status of these assets under the 1940 Act is subject to change. The Company monitors the status of these assets on an ongoing basis.

(17) In addition to the interest earned based on the stated rate of this loan, the Company may be entitled to receive additional interest as a result of its arrangement with other lenders in a syndication.

(18) This investment represents a leveraged subordinated interest in a trust that holds one foreign currency denominated bond and a derivative instrument.

(19) Generally, the interest rate on variable interest rate investments is at benchmark rate plus spread. The borrower has an option to choose the benchmark rate, such as the London Interbank Offered Rate (“LIBOR”), the Euro Interbank Offered Rate (“EURIBOR”), the federal funds rate or the prime rate. The spread may change based on the type of rate used. The terms in the Schedule of Investments disclose the actual interest rate in effect as of the reporting period. LIBOR loans are typically indexed to 30-day, 90-day, 180-day or 360-day LIBOR rates (1M L, 3M L, 6M L or 12M L, respectively), at the borrower’s option. Both LIBOR and prime loans may be subject to interest floors. As of June 30, 2016, rates for 1M L, 3M L, 6M L and 12M L are 0.43725%, 0.6286%, 0.8997% and 1.2134%, respectively.

(20) The rates associated with these undrawn committed revolvers and delayed draw term loans represent rates for commitment and unused fees.

(21) The collateralized loan obligation (“CLO”) equity investments are entitled to recurring distributions which are generally equal to the excess cash flow generated from the underlying investments after payment of the contractual payments to debt holders and fund expenses. The current estimated yield is based on the current projections of this excess cash flow taking into account assumptions such as expected prepayments, losses and future reinvestment rates. These assumptions are periodically reviewed and adjusted. Ultimately, the actual yield may be higher or lower than the estimated yield if actual results differ from those used for the assumptions.

(22) As of March 31, 2016, the Company had the following commitments to fund various revolving and delayed draw senior secured and subordinated loans, including commitments to issue letters of credit through a financial intermediary on behalf of certain portfolio companies. Such commitments are subject to the satisfaction of certain conditions set forth in the documents governing these loans and letters of credit and there can be no assurance that such conditions will be satisfied. See Note 10 to the financial statements for further information on revolving and delayed draw loan commitments, including commitments to issue letters of credit, related to certain portfolio companies.

Portfolio Company	Total Commitment	Drawn Commitment	Letters of Credit	Undrawn Commitment
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Alliant Holdings	\$ 15,000	\$ 3,750	\$109	\$ 11,141
Canacol Energy Ltd.	100,000	75,000	—	25,000
Confie Seguros Holding II Co.	4,500	1,620	124	2,756
LabVantage Solutions Limited	3,915	—	—	3,915
Merx Aviation Finance, LLC	177	—	177	—
Merx Aviation Finance Assets Ireland Limited	3,600	—	3,600	—
Miller Energy Resources, Inc.	10,000	—	—	10,000
My Alarm Center, LLC	19,123	10,639	—	8,484
Osage Exploration & Development, Inc.	1,400	400	—	1,000
Tibco Software Inc.	6,000	—	—	6,000
Transfirst Holdings, Inc.	3,000	—	51	2,949
UniTek Global Services Inc.	15,662	—	10,662	5,000
Total Commitments	\$ 182,377	\$ 91,409	\$14,723	\$ 76,245

(24) As of March 31, 2016, Dynamic Product Tankers, LLC has various classes of limited liability interests outstanding of which Company holds Class A-1 and Class A-3 units which are identical except that Class A-1 unit is voting and Class A-3 unit is non-voting. The units entitle the Company to appoint three out of five managers to the board of managers.

(25) As of March 31, 2016, MSEA Tankers, LLC has various classes of limited liability interests outstanding of which the Company holds Class A-1 and Class A-2 units which are identical except that Class A-1 unit is voting and Class A-2 unit is non-voting. The units entitle the Company to appoint two out of three managers to the board of managers.

See notes to financial statements.

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## APOLLO INVESTMENT CORPORATION

## SCHEDULE OF INVESTMENTS

March 31, 2016

(In thousands, except share data)

Industry Classification	Percentage of Total Investments (at Fair Value) as of March 31, 2016
Aviation and Consumer Transport	17.0%
Business Services	16.1%
Diversified Investment Vehicles, Banking, Finance, Real Estate	12.4%
Energy – Oil & Gas	11.9%
Transportation – Cargo, Distribution	9.4%
Energy – Electricity	7.0%
High Tech Industries	5.4%
Consumer Goods – Durable	2.9%
Chemicals, Plastics & Rubber	2.5%
Hotel, Gaming, Leisure, Restaurants	2.4%
Insurance	2.1%
Telecommunications	1.9%
Containers, Packaging & Glass	1.7%
Consumer Services	1.2%
Healthcare & Pharmaceuticals	1.1%
Utilities – Electric	1.1%
Food & Grocery	0.8%
Education	0.8%
Environmental Industries	0.7%
Aerospace & Defense	0.5%
Manufacturing, Capital Equipment	0.5%
Broadcasting & Subscription	0.4%
Metals & Mining	0.1%
Retail	0.1%
Media – Diversified & Production	0.0%
Total Investments	100.0%

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS (Unaudited)  
(In thousands, except share and per share data)

Note 1. Organization

Apollo Investment Corporation (the “Company,” “Apollo Investment,” “AIC,” “we,” “us,” or “our”), a Maryland corporation incorporated on February 2, 2004, is a closed-end, externally managed, non-diversified management investment company that has elected to be treated as a business development company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”). In addition, for tax purposes we have elected to be treated as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). We commenced operations on April 8, 2004 receiving net proceeds of \$870,000 from our initial public offering by selling 62 million shares of common stock at a price of \$15.00 per share. Since then, and through December 31, 2016, we have raised approximately \$2,210,067 in net proceeds from additional offerings of common stock and repurchased common stock for \$100,356.

Apollo Investment Management, L.P. (the “Investment Adviser” or “AIM”) is our investment adviser and an affiliate of Apollo Global Management, LLC and its consolidated subsidiaries (“AGM”). The Investment Adviser, subject to the overall supervision of our Board of Directors, manages the day-to-day operations of and provides investment advisory services to the Company.

Apollo Investment Administration, LLC (the “Administrator” or “AIA”), an affiliate of AGM, provides, among other things, administrative services and facilities for the Company. Furthermore, AIA provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance.

Our investment objective is to generate current income and capital appreciation. We invest primarily in various forms of debt investments, including secured and unsecured debt, loan investments, and/or equity in private middle-market companies. We may also invest in the securities of public companies and in structured products and other investments such as collateralized loan obligations (“CLOs”) and credit-linked notes (“CLNs”). Our portfolio is comprised primarily of investments in debt, including secured and unsecured debt of private middle-market companies that, in the case of senior secured loans, generally are not broadly syndicated and whose aggregate tranche size is typically less than \$250 million. Our portfolio also includes equity interests such as common stock, preferred stock, warrants or options.

Note 2. Significant Accounting Policies

The following is a summary of the significant accounting and reporting policies used in preparing the financial statements.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) pursuant to the requirements on Form 10-Q, ASC 946, Financial Services — Investment Companies (“ASC 946”), and Articles 6, 10 and 12 of Regulation S-X. In the opinion of management, all adjustments, which are of a normal recurring nature, considered necessary for the fair presentation of the financial statements for the periods presented, have been included.

Under the 1940 Act, ASC 946, and the regulations pursuant to Article 6 of Regulation S-X, we are precluded from consolidating any entity other than another investment company or an operating company which provides substantially all of its services to benefit us. Consequently, as of December 31, 2016, the Company consolidated some special purposes entities. These special purposes entities only hold investments of the Company and have no other significant asset and liabilities. All significant intercompany transactions and balances have been eliminated in consolidation

These financial statements should be read in conjunction with the audited financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended March 31, 2016.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of income, expenses, gains and losses during the reported periods. Changes in the economic

environment, financial markets, credit worthiness of our portfolio companies and any other parameters used in determining these estimates could cause actual results to differ materially.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

Cash and Cash Equivalents

The Company defines cash equivalents as securities that are readily convertible into known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Generally, only securities with a maturity of three months or less from the date of purchase would qualify, with limited exceptions. The Company deems that certain U.S. Treasury bills, repurchase agreements, and other high-quality, short-term debt securities would qualify as cash equivalents.

Cash and cash equivalents are carried at cost which approximates fair value. There were no cash equivalents held as of December 31, 2016 and March 31, 2016.

Restricted Cash

Restricted cash represents cash held by our counterparty as collateral against our derivative instruments until such contracts mature or are settled upon per agreement of buyer and seller of the contract. In accordance with Accounting Standards Update No. 2016-18, Statement of Cash Flows: Restricted Cash, the statements of cash flow outlines the changes in cash, including both restricted and unrestricted cash, cash equivalents and foreign currencies.

Investment Transactions

Investments are recognized when we assume an obligation to acquire a financial instrument and assume the risks for gains and losses related to that instrument. Investments are derecognized when we assume an obligation to sell a financial instrument and forego the risks for gains or losses related to that instrument. Specifically, we record all security transactions on a trade date basis. Amounts for investments recognized or derecognized but not yet settled are reported as receivables for investments sold and payables for investments purchased, respectively, in the Statements of Assets and Liabilities.

Fair Value Measurements

The Company follows guidance in ASC 820, Fair Value Measurement (“ASC 820”), where fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are determined within a framework that establishes a three-tier hierarchy which maximizes the use of observable market data and minimizes the use of unobservable inputs to establish a classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, such as the risk inherent in a particular valuation technique used to measure fair value using a pricing model and/or the risk inherent in the inputs for the valuation technique. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the information available. The inputs or methodology used for valuing assets or liabilities may not be an indication of the risks associated with investing in those assets or liabilities.

ASC 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, accessible by us at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment. The level assigned to the investment valuations may not be indicative of the risk or liquidity associated with investing in such investments. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may differ materially from the values that would be received upon an actual



disposition of such investments.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

Investment Valuation Process

Under procedures established by our Board of Directors, we value investments, including certain secured debt, unsecured debt and other debt securities with maturities greater than 60 days, for which market quotations are readily available, at such market quotations (unless they are deemed not to represent fair value). We attempt to obtain market quotations from at least two brokers or dealers (if available, otherwise from a principal market maker, primary market dealer or other independent pricing service). We utilize mid-market pricing as a practical expedient for fair value unless a different point within the range is more representative. If and when market quotations are unavailable or are deemed not to represent fair value, we typically utilize independent third party valuation firms to assist us in determining fair value. Accordingly, such investments go through our multi-step valuation process as described below. In each case, our independent third party valuation firms consider observable market inputs together with significant unobservable inputs in arriving at their valuation recommendations for such investments. Investments purchased within 15 business days before the valuation date and debt investments with remaining maturities of 60 days or less may each be valued at cost with interest accrued or discount amortized to the date of maturity (although they are typically valued at available market quotations), unless such valuation, in the judgment of our Investment Adviser, does not represent fair value. In this case such investments shall be valued at fair value as determined in good faith by or under the direction of our Board of Directors including using market quotations where available. Investments that are not publicly traded or whose market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of our Board of Directors. Such determination of fair values may involve subjective judgments and estimates.

With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our Board of Directors has approved a multi-step valuation process each quarter, as described below:

1. Our quarterly valuation process begins with each investment being initially valued by the investment professionals of our Investment Adviser who are responsible for the investment.
2. Preliminary valuation conclusions are then documented and discussed with senior management of our Investment Adviser.
3. Independent valuation firms are engaged by our Board of Directors to conduct independent appraisals by reviewing our Investment Adviser's preliminary valuations and then making their own independent assessment.  
The Audit Committee of the Board of Directors reviews the preliminary valuation of our Investment Adviser and
4. the valuation prepared by the independent valuation firms and responds, if warranted, to the valuation recommendation of the independent valuation firms.  
The Board of Directors discusses valuations and determines in good faith the fair value of each investment in our
5. portfolio based on the input of our Investment Adviser, the applicable independent valuation firm, and the Audit Committee of the Board of Directors.

Investments in all asset classes are valued utilizing a market approach, an income approach, or both approaches, as appropriate. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, seniority of investment in the investee company's capital structure, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A

comparables, our principal market (as the reporting entity) and enterprise values, among other factors. When readily available, broker quotations and/or quotations provided by pricing services are considered as an input in the valuation process. During the nine months ended December 31, 2016, there were no significant changes to the Company's valuation techniques and related inputs considered in the valuation process.

#### Derivative Instruments

The Company recognizes all derivative instruments as assets or liabilities at fair value in its financial statements. Derivative contracts entered into by the Company are not designated as hedging instruments, and as a result the Company presents changes in fair value through current period earnings.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

Derivative instruments are measured in terms of the notional contract amount and derive their value based upon one or more underlying instruments. Derivative instruments are subject to various risks similar to non-derivative instruments including market, credit, liquidity, and operational risks. The Company manages these risks on an aggregate basis as part of its risk management process. The derivatives may require the Company to pay or receive an upfront fee or premium. These upfront fees or premiums are carried forward as cost or proceeds to the derivatives.

Exchange-traded derivatives which include put and call options are valued based on the last reported sales price on the date of valuation. Over The Counter (“OTC”) derivatives, including credit default swaps, are valued by the Investment Adviser using quotations from counterparties. In instances where models are used, the value of the OTC derivative is derived from the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs, such as credit spreads.

**Offsetting Assets and Liabilities**

The Company has elected not to offset cash collateral against the fair value of derivative contracts. The fair values of these derivatives are presented on a gross basis, even when derivatives are subject to master netting agreements. The Company’s disclosures regarding offsetting are discussed in Note 7.

**Valuation of Other Financial Assets and Financial Liabilities**

ASC 825, Financial Instruments, permits an entity to choose, at specified election dates, to measure certain assets and liabilities at fair value (the “Fair Value Option”). We have not elected the Fair Value Option to report selected financial assets and financial liabilities. Debt issued by the Company is reported at amortized cost (see Note 8). The carrying value of all other financial assets and liabilities approximates fair value due to their short maturities or their close proximity of the originations to the measurement date.

**Realized Gains or Losses**

Security transactions are accounted for on a trade date basis. Realized gains or losses on investments are calculated by using the specific identification method. Securities that have been called by the issuer are recorded at the call price on the call effective date.

**Investment Income Recognition**

The Company records interest and dividend income, adjusted for amortization of premium and accretion of discount, on an accrual basis. Some of our loans and other investments, including certain preferred equity investments, may have contractual payment-in-kind (“PIK”) interest or dividends. PIK income computed at the contractual rate is accrued into income and reflected as receivable up to the capitalization date. PIK investments offer issuers the option at each payment date of making payments in cash or in additional securities. When additional securities are received, they typically have the same terms, including maturity dates and interest rates as the original securities issued. On these payment dates, the Company capitalizes the accrued interest or dividends receivable (reflecting such amounts as the basis in the additional securities received). PIK generally becomes due at maturity of the investment or upon the investment being called by the issuer. At the point the Company believes PIK is not fully expected to be realized, the PIK investment will be placed on non-accrual status. When a PIK investment is placed on non-accrual status, the accrued, uncapitalized interest or dividends are reversed from the related receivable through interest or dividend income, respectively. The Company does not reverse previously capitalized PIK interest or dividends. Upon capitalization, PIK is subject to the fair value estimates associated with their related investments. PIK investments on non-accrual status are restored to accrual status if the Company believes that PIK is expected to be realized.

Investments that are expected to pay regularly scheduled interest and/or dividends in cash are generally placed on non-accrual status when principal or interest/dividend cash payments are past due 30 days or more and/or when it is no longer probable that principal or interest/dividend cash payments will be collected. Such non-accrual investments are restored to accrual status if past due principal and interest or dividends are paid in cash, and in management’s judgment, are likely to continue timely payment of their remaining interest or dividend obligations. Interest or dividend cash payments received on non-accrual designated investments may be recognized as income or applied to

principal depending upon management's judgment.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

Loan origination fees, original issue discount (“OID”), and market discounts are capitalized and accreted into interest income over the respective terms of the applicable loans using the effective interest method or straight-line, as applicable. Upon the prepayment of a loan, prepayment premiums, any unamortized loan origination fees, OID, or market discounts are recorded as interest income. Other income generally includes amendment fees, bridge fees, and structuring fees which are recorded when earned.

The Company records as dividend income the accretable yield from its beneficial interests in structured products such as CLOs based upon a number of cash flow assumptions that are subject to uncertainties and contingencies. Such assumptions include the rate and timing of principal and interest receipts (which may be subject to prepayments and defaults) of the underlying pool of assets. These assumptions are updated on at least a quarterly basis to reflect changes related to a particular security, actual historical data, and market changes. A structured product investment typically has an underlying pool of assets. Payments on structured product investments are and will be payable solely from the cash flows from such assets. As such, any unforeseen event in these underlying pools of assets might impact the expected recovery of principal and future accrual of income.

Expenses

Expenses include management fees, performance-based incentive fees, insurance expenses, administrative service fees, legal fees, directors’ fees, audit and tax service expenses, third-party valuation fees and other general and administrative expenses. Expenses are recognized on an accrual basis.

Financing Costs

The Company records expenses related to shelf filings and applicable offering costs as deferred financing costs in the Statements of Assets and Liabilities. To the extent such expenses relate to equity offerings, these expenses are charged as a reduction of capital upon utilization, in accordance with ASC 946-20-25, or charged to expense if no offering is completed.

The Company records origination and other expenses related to its debt obligations as deferred financing costs. The deferred financing cost for all outstanding debt is presented as a direct deduction from the carrying amount of the related debt liability, except that incurred under the Senior Secured Facility (as defined in Note 8), which the Company presents as an asset on the Statements of Assets and Liabilities. These expenses are deferred and amortized as part of interest expense using the straight-line method over the stated life of the obligation which approximates the effective yield method.

Foreign Currency Translations

The accounting records of the Company are maintained in U.S. dollars. All assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the foreign exchange rate on the date of valuation. The Company 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 market prices of securities held. The Company’s investments in foreign securities may involve certain risks, including without limitation: foreign exchange restrictions, expropriation, taxation or other political, social or economic risks, all of which could affect the market and/or credit risk of the investment. In addition, changes in the relationship of foreign currencies to the U.S. dollar can significantly affect the value of these investments and therefore the earnings of the Company.

Dividends and Distributions

Dividends and distributions to common shareholders are recorded as of the ex-dividend date. The amount to be paid out as a distribution is determined by the Board of Directors each quarter. Net realized capital gains, if any, are generally distributed or deemed distributed at least annually.

Share Repurchases

In connection with the Company’s share repurchase program, the cost of shares repurchased is charged to net assets on the trade date.



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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

Federal and State Income Taxes

We have elected to be treated as a RIC under the Code and operate in a manner so as to qualify for the tax treatment applicable to RICs. To qualify as a RIC, the Company must (among other requirements) meet certain source-of-income and asset diversification requirements and timely distribute to its shareholders at least 90% of its investment company taxable income as defined by the Code, for each year. The Company (among other requirements) has made and intends to continue to make the requisite distributions to its shareholders, which will generally relieve the Company from corporate-level income taxes. For income tax purposes, distributions made to shareholders are reported as ordinary income, capital gains, non-taxable return of capital, or a combination thereof. The tax character of distributions paid to shareholders through December 31, 2016 may include return of capital, however, the exact amount cannot be determined at this point. The final determination of the tax character of distributions will not be made until we file our tax return for the tax year ending March 31, 2017. The character of income and gains that we will distribute is determined in accordance with income tax regulations that may differ from GAAP. Book and tax basis differences relating to shareholder dividend and distributions and other permanent book and tax difference are reclassified to paid-in capital.

If we do not distribute (or are not deemed to have distributed) at least 98% of our annual ordinary income and 98.2% of our capital gains in the calendar year earned, we will generally be required to pay excise tax equal to 4% of the amount by which 98% of our annual ordinary income and 98.2% of our capital gains exceed the distributions from such taxable income for the year. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such taxable income, we accrue excise taxes, if any, on estimated undistributed taxable income.

If we fail to satisfy the annual distribution requirement or otherwise fail to qualify as a RIC in any taxable year, we would be subject to tax on all of our taxable income at regular corporate rates. Distribution would generally be taxable to our individual and other non-corporate taxable shareholders as ordinary dividend income eligible for the reduced maximum rate applicable to qualified dividend income to the extent of our current and accumulated earnings and profits provided certain holding period and other requirements are met. Subject to certain limitation under the Code, corporate distributions would be eligible for the dividend-received deduction. To qualify again to be taxed as a RIC in a subsequent year, we would be required to distribute to our shareholders our accumulated earnings and profits payable by us as an additional tax. In addition, if we failed to qualify as a RIC for a period greater than two taxable years, then, in order to qualify as a RIC in a subsequent year, we would be required to elect to recognize and pay tax on any net built-in gain (the excess of aggregate gain, including items of income, over aggregate loss that would have been realized if we had been liquidated) or, alternatively, be subject to taxation on such built-in gain recognized for a period of up to ten years.

We follow ASC 740, Income Taxes ("ASC 740"). ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. As of December 31, 2016, there were no uncertain tax positions. Management's determinations regarding ASC 740 may be subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof. Although we file both federal and state income tax returns, our major tax jurisdiction is federal. Our tax returns for each of our federal tax years since 2013 remain subject to examination by the Internal Revenue Service.



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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

Accounting Standards Adopted in Fiscal Year 2017

In August 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (“ASU 2014-15”). This guidance refers to management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. The new guidance requires that management evaluate each annual and interim reporting period whether conditions exist that give rise to substantial doubt about the entity’s ability to continue as a going concern within one year from the financial statement issuance date, and if so, provide related disclosures. Substantial doubt exists when conditions and events, considered in the aggregate, indicate that it is probable that a company will be unable to meet its obligations as they become due within one year after the financial statement issuance date. The new guidance applies to all companies. The guidance is effective for annual reporting periods ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. The adoption of this guidance did not have an impact on the financial statements of the Company.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”). This guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability (i.e., versus being capitalized as an asset and amortized as required under previous guidance), consistent with the presentation of debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this guidance (i.e., debt issuance costs will continue to be amortized as an increase to interest expense). In addition, in August 2015, the FASB issued ASU 2015-15, Interest-Imputation of Interest (Subtopic 835-30) (“ASU 2015-15”). This guidance reiterates that the Securities and Exchange Commission (the “SEC”) would not object to an entity deferring and presenting debt issuance costs related to a line of credit arrangement as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line of credit arrangement, regardless of whether there are any outstanding borrowings. ASU 2015-03 and ASU 2015-15 are effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015. As of April 1, 2016, the Company adopted ASU 2015-03 and ASU 2015-15 to simplify the presentation of debt issuance costs for all outstanding debt, except that incurred under our Senior Secured Facility (as defined in Note 8), which the Company will continue to present as an asset on our Statements of Assets and Liabilities. The balance sheet as of March 31, 2016 has been adjusted to apply the change in accounting principle retrospectively. The debt issuance cost that is now presented as a reduction from the carrying value of the related debt as of March 31, 2016 is \$14,649. The adoption of ASU 2015-03 and 2015-15 had no material impact on the Company’s net asset value, results of operations or cash flows.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows: Restricted Cash (“ASU 2016-18”) guidance to reduce diversity in practice in the classification and presentation of changes in restricted cash on the statement of cash flows, (“ASU 2016-18”). The new guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash. As a result, amounts generally described as restricted cash should be included with cash and cash equivalents when reconciling the beginning and ending total amounts shown on the statement of cash flows. The guidance is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. The adoption of ASU 2016-18 had no material impact on Company’s financial statements.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

Recent Accounting Pronouncements

In May 2014, the FASB issued guidance to establish a comprehensive and converged standard on revenue recognition to enable financial statement users to better understand and consistently analyze an entity's revenue across industries, transactions, and geographies. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. As such, this new guidance could impact the timing of revenue recognition. The new guidance also requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The new guidance will apply to all entities. In August 2015, FASB issued its final standard formally amending the effective date of the new revenue recognition guidance. The amended guidance defers the effective date of the new guidance to interim reporting periods within annual reporting periods beginning after December 15, 2017. Public business entities are permitted to apply the new guidance early, but not before the original effective date (i.e., interim periods within annual periods beginning after December 15, 2016). The Company is in the process of evaluating the impact that this guidance will have on its financial statements.

In March 2016, the FASB issued guidance that amends the principal versus agent considerations for reporting revenue gross versus net. The amended guidance affects entities that enter into contracts with customers to transfer goods or services in exchange for consideration. Under the amended guidance, when another party is involved in providing goods or services to a customer, an entity must determine whether the nature of its promise is to provide the specified good or service itself (that is, the entity is a principal) or to arrange for that good or service to be provided by the other party (that is, the entity is an agent). An entity is a principal if it controls the specified good or service before that good or service is transferred to a customer. The amended guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customer. The amended guidance affects the guidance in the new revenue standard issued in May 2014, which is not yet effective. The effective date and transition requirements for the amended guidance are the same as the effective date and transition requirements for the new revenue standard. The Company is in the process of evaluating the impact that this guidance will have on its financial statements.

In August 2016, the FASB issued guidance intended to reduce diversity in practice in how certain cash receipts and payments are classified in the statement of cash flows, including debt repayment or extinguishment costs, the settlement of contingent liabilities arising from a business combination, proceeds from insurance settlements, and distributions from certain equity method investments. The guidance is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. The Company is in the process of evaluating the impact that this guidance will have on its financial statements.

In January 2017, the FASB issued guidance that clarifies the definition of a business with the objective of adding guidance to assist companies with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The new guidance is expected to reduce the number of transactions that need to be further evaluated as businesses. The guidance is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted for certain types of transactions. The Company is in the process of evaluating the impact that this guidance will have on its financial statements.

Note 3. Related Party Agreements and Transactions

Investment Advisory Agreement with AIM

The Company has an investment advisory and management agreement with the Investment Adviser (the "Investment Advisory Agreement") under which AIM receives a fee from the Company, consisting of two components — a base management fee and a performance-based incentive fee.



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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

Base Management Fee

The base management fee is determined by taking the average value of our gross assets, net of the average of any payable for investments at the end of the two most recently completed calendar quarters calculated at an annual rate of 2%.

2017 Management Fee Waiver

Effective April 1, 2016 through March 31, 2017 (the “waiver period”), the Investment Adviser has agreed to waive 25% of its base management fee so that base management fee is reduced from 2% to 1.50%.

Performance-based Incentive Fee

Incentive Fee on Pre-Incentive Fee Net Investment Income

The first part of the incentive fee is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding calendar quarter at an annual rate of 20%. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income including any other fees (other than fees for providing managerial assistance), such as structuring fees, administrative fees, amendment fees, rebate fees, and bridge fees or other fees that we receive from portfolio companies accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, any expenses payable under an administration agreement between the Company and the Administrator, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income does not include any realized capital gains computed net of all realized capital losses and unrealized capital depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to the rate of 1.75% per quarter (7% annualized) (the “performance threshold”). If the resulting incentive fee rate is less than 20% due to the incentive fee waiver discussed below, the percentage at which the Investment Adviser’s 100% catch-up is complete will also be reduced ratably from 2.1875% (8.75% annualized) to as low as 2.06% (8.24% annualized) (“catch-up threshold”). The Company pays the Investment Adviser an incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows: (1) no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the performance threshold; (2) 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds 1.75% but does not exceed the catch-up threshold in any calendar quarter; and (3) 15% to 20% of the amount of our pre-incentive fee net investment income, if any, that exceeds catch-up threshold in any calendar quarter. These calculations are appropriately prorated for any period of less than three months. The effect of the fee calculation described above is that if pre-incentive fee net investment income is equal to or exceeds catch-up threshold, the Investment Adviser will receive a fee of 15% to 20% of our pre-incentive fee net investment income for the quarter.

2017 Incentive Fee Waiver

Effective April 1, 2016 through March 31, 2017, AIM has agreed to waive up to 25% of its performance-based incentive fee so that the incentive fee on pre-incentive fee net investment income could be accrued at as low a rate as 15% to the extent the Company experiences cumulative net realized and change in unrealized losses during the waiver period (“cumulative net losses”). The inclusion of cumulative net gains and cumulative net losses will be measured on a cumulative basis from April 1, 2016 through the end of each quarter during the waiver period. Any cumulative net gains will result in a dollar for dollar increase in the incentive fee payable up to a maximum rate of 20% and any cumulative net losses will result in a dollar for dollar decrease in the incentive fee payable down to a minimum rate of 15%.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

**Incentive Fee on Cumulative Net Realized Gains**

The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date) and will equal 20% of our cumulative realized capital gains less cumulative realized capital losses, unrealized capital loss (unrealized loss on a gross investment-by-investment basis at the end of each calendar year) and all capital gains upon which prior performance-based capital gains incentive fee payments were previously made to the Investment Adviser. For accounting purposes only, we are required under GAAP to accrue a theoretical capital gains incentive fee based upon net realized capital gains and unrealized capital gain and loss on investments held at the end of each period. The accrual of this theoretical capital gains incentive fee assumes all unrealized capital gain and loss is realized in order to reflect a theoretical capital gains incentive fee that would be payable to the Investment Adviser at each measurement date. There was no accrual for theoretical capital gains incentive fee for the three and nine months ended December 31, 2016 and December 31, 2015. It should be noted that a fee so calculated and accrued would not be payable under the Investment Advisers Act of 1940 (the “Advisers Act”) or the Investment Advisory Agreement, and would not be paid based upon such computation of capital gains incentive fees in subsequent periods. Amounts actually paid to the Investment Adviser will be consistent with the Advisers Act and formula reflected in the Investment Advisory Agreement which specifically excludes consideration of unrealized capital gain.

**Management Fee and Incentive Fee Waivers Prior to April 1, 2016**

Effective April 2, 2012 through March 31, 2016, AIM has agreed to voluntarily waive the management fees and incentive fees on the common shares issued on April 2, 2012 and May 20, 2013. The Investment Adviser has also entered into an investment sub-advisory agreement with CION Investment Corporation (“CION”) (the “Sub-Advisory Agreement”) under which AIM receives management and incentive fees from CION in connection with the investment advisory services provided. For the period between April 1, 2014 and March 31, 2016, the Investment Adviser has agreed to waive all base management fees receivable under the Investment Advisory Agreement with the Company in the amount equal to the amount actually received by AIM from CION less the fully allocated incremental expenses accrued by AIM.

**Deferred Payment of Certain Incentive Fees**

For the period between April 1, 2013 and March 31, 2017, AIM has agreed to be paid the portion of the incentive fee that is attributable to interest or dividend income on PIK securities when the Company receives such interest or dividend income in cash. The accrual of incentive fee shall be reversed if such interest or dividend income is written off or determined to be no longer realizable. Upon payment of the deferred incentive fee, AIM will also receive interest on the deferred incentive fee at an annual rate of 3.25% for the period between the date in which the incentive fee is earned and the date of payment.

For the three and nine months ended December 31, 2016, the Company recognized \$12,978 and \$40,679, respectively, of management fees, and \$5,670 and \$16,063, respectively, of incentive fees before impact of waived fees. For the three and nine months ended December 31, 2015, the Company recognized \$16,478 and \$50,557, respectively, of management fees, and \$11,142 and \$33,783, respectively, of incentive fees before impact of waived fees. For the three and nine months ended December 31, 2016, management fees waived were \$3,245 and \$10,171, respectively, and incentive fees waived were \$2,001 and \$6,093, respectively. For the three and nine months ended December 31, 2015, management fees waived were \$3,729 and \$10,307, respectively, and incentive fees waived were \$1,270 and \$3,930, respectively.

As of December 31, 2016 and March 31, 2016, management and performance-based incentive fees payable were \$20,896 and \$31,124, respectively.

For the nine months ended December 31, 2016 and December 31, 2015, the amount of incentive fees on PIK income for which payments have been deferred were \$3,142 and \$6,065, respectively. During the nine months ended December 31, 2016, the Company reversed \$8,292 of the deferred incentive fee payable related to PIK income which

was deemed to be no longer realizable. The cumulative deferred incentive fee on PIK income included in management and performance-based incentive fee payable line of the Statements of Assets and Liabilities as of December 31, 2016 and March 31, 2016 were \$6,307 and \$11,824, respectively.

**Administration Agreement with AIA**

The Company has also entered into an administration agreement with the Administrator (the “Administration Agreement”) under which AIA provides administrative services for the Company. For providing these services, facilities and personnel, the Company reimburses the Administrator for the allocable portion of overhead and other expenses incurred by the Administrator and requested

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## APOLLO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

to be reimbursed by the Administrator in performing its obligations under the Administration Agreement. The expenses include rent and the Company's allocable portion of its Chief Financial Officer, Chief Compliance Officer, Chief Legal Officer, and their respective staffs. For the three and nine months ended December 31, 2016, the Company recognized administrative services expense under the Administration Agreement of \$1,599 and \$5,767, respectively. For the three and nine months ended December 31, 2015, the Company recognized administrative services expense under the Administration Agreement of \$1,531 and \$4,614, respectively. Included in the other liabilities and accrued expenses in the Statements of Assets and Liabilities as of December 31, 2016 and March 31, 2016 is a payable to AIA and its affiliates of \$29 and \$1,017, respectively, for expenses paid on our behalf.

**Merx Aviation Finance, LLC**

Merx Aviation Finance, LLC ("Merx"), a wholly-owned portfolio company of the Company, has also entered into an administration agreement with the Administrator (the "Merx Administration Agreement") under which AIA provides administrative services to Merx. The fee received from Merx by the Company is included in expense reimbursements in the Statements of Operations. For the three and nine months ended December 31, 2016, the Company recognized expense reimbursements of \$62 and \$188, respectively, under the Merx Administration Agreement. For the three and nine months ended December 31, 2015, the Company recognized expense reimbursements of \$37 and \$112, respectively, under the Merx Administration Agreement.

The Company has also entered into an expense reimbursement agreement with Merx Aviation Finance Assets Ireland Limited, an affiliate of Merx, that will reimburse the Company for reasonable out-of-pocket expenses incurred, including any interest, fees or other amounts incurred by the Company in connection with letters of credit issued on its behalf. For the three and nine months ended December 31, 2016, the Company recognized expenses that were reimbursed under the expense reimbursement agreement of \$22 and \$65, respectively. For the three and nine months ended December 31, 2015, the Company recognized expenses that were reimbursed under the expense reimbursement agreement of \$22 and \$64, respectively.

**Co-Investment Activity**

We may co-invest on a concurrent basis with affiliates of ours, subject to compliance with applicable regulations and our allocation procedures. Certain types of negotiated co-investments may be made only in accordance with the terms of the exemptive order we received from the SEC permitting us to do so. On March 29, 2016, we received an exemptive order from the SEC (the "Order") permitting us greater flexibility to negotiate the terms of co-investment transactions with certain of our affiliates, including investment funds managed by AIM or its affiliates, subject to the conditions included therein. Under the terms of the Order, a "required majority" (as defined in Section 57(o) of the 1940 Act) of our independent directors must be able to reach certain conclusions in connection with a co-investment transaction, including that (1) the terms of the proposed transaction are reasonable and fair to us and our shareholders and do not involve overreaching of us or our shareholders on the part of any person concerned, and (2) the transaction is consistent with the interests of our shareholders and is consistent with our Board of Directors' approved criteria. In certain situations where co-investment with one or more funds managed by AIM or its affiliates is not covered by the Order, the personnel of AIM or its affiliates will need to decide which fund will proceed with the investment. Such personnel will make these determinations based on policies and procedures, which are designed to reasonably ensure that investment opportunities are allocated fairly and equitably among affiliated funds over time and in a manner that is consistent with applicable laws, rules and regulations. The Order is subject to certain terms and conditions so there can be no assurance that we will be permitted to co-invest with certain of our affiliates other than in the circumstances currently permitted by regulatory guidance and the Order.

**Note 4. Earnings Per Share**

The following table sets forth the computation of basic and diluted earnings (loss) per share ("EPS"), pursuant to ASC 260-10, for the three and nine months ended December 31, 2016 and December 31, 2015:

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	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Basic and Diluted Earnings (Loss) Per Share (1)				
Net increase (decrease) in net assets resulting from operations	\$ 11,290	\$ (25,772 )	\$ 10,318	\$ (21,129 )
Weighted average shares outstanding	220,168,711	211,537,374	223,305,322	224,709,883
Basic and diluted earnings (loss) per share	\$0.05	\$ (0.11 )	\$0.05	\$ (0.09 )



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## APOLLO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

Diluted earnings (loss) per share is calculated using the if-converted method. In applying the if-converted method, conversion is not assumed for purposes of computing diluted EPS if the effect would be anti-dilutive. For the three (1) and nine months ended December 31, 2016, the Company did not have any convertible notes. As such, diluted EPS was not applicable. For the three and nine months ended December 31, 2015, anti-dilution would total \$0.02 and \$0.04, respectively.

## Note 5. Investments

## Fair Value Measurement and Disclosures

The following table shows the composition of our investment and derivative portfolio as of December 31, 2016, with the fair value disaggregated into the three levels of the fair value hierarchy in accordance with ASC 820:

	Cost	Fair Value	Fair Value Hierarchy		
			Level 1	Level 2	Level 3
First Lien Secured Debt	\$1,154,386	\$1,052,891	\$—	\$—	\$1,052,891
Second Lien Secured Debt	743,439	683,858	—	273,317	410,541
Unsecured Debt	249,642	249,121	—	19,216	229,905
Structured Products and Other	211,968	217,748	—	10,644	207,104
Preferred Equity	89,370	30,785	—	—	30,785
Common Equity/Interests	378,443	291,554	—	—	291,554
Warrants	49,771	376	—	—	376
Total Investments	\$2,877,019	\$2,526,333	\$—	\$303,177	\$2,223,156
Purchased Put Options	\$3,516	\$1,820	\$1,820	\$—	\$—
Credit Default Swaps	879	90	—	90	—
Written Call Options	(3,555)	(5,117)	(5,117)	—	—
Total Derivatives	\$840	\$(3,207)	\$(3,297)	\$90	\$—
Total Investments and Derivatives	\$2,877,859	\$2,523,126	\$(3,297)	\$303,267	\$2,223,156

The following table shows the composition of our investment portfolio as of March 31, 2016, with the fair value disaggregated into the three levels of the fair value hierarchy in accordance with ASC 820:

	Cost	Fair Value	Fair Value Hierarchy		
			Level 1	Level 2	Level 3
First Lien Secured Debt	\$1,213,315	\$1,106,150	\$—	\$16,994	\$1,089,156
Second Lien Secured Debt	899,708	799,752	—	308,264	491,488
Unsecured Debt	279,348	255,823	—	28,601	227,222
Structured Products and Other	322,712	329,602	—	10,072	319,530
Preferred Equity	90,726	68,562	—	—	68,562
Common Equity/Interests	287,492	356,940	—	—	356,940
Warrants	4,826	—	—	—	—
Total Investments	\$3,098,127	\$2,916,829	\$—	\$363,931	\$2,552,898

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## APOLLO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

The following table shows changes in the fair value of our Level 3 investments during the three months ended December 31, 2016:

	First Lien Secured Debt (2)	Second Lien Secured Debt (2)	Unsecured Debt	Structured Products and Other	Preferred Equity	Common Equity/Interests	Warrants	Total
Fair value as of September 30, 2016	\$1,053,764	\$338,740	\$216,222	\$296,566	\$67,602	\$316,469	\$2,412	\$2,291,775
Net realized gains (losses)	(1,899)	)—	—	38,811	(246)	)2,414	—	39,080
Net change in unrealized gains (losses)	(10,878)	)10,999	21,293	(31,925)	(36,380)	(25,885)	(1,184)	(73,960)
Net amortization on investments	538	219	92	93	—	41	—	983
Purchases, including capitalized PIK (3)	118,583	88,959	13,011	16,558	36,677	1,530	—	275,318
Sales (3)	(107,217)	(18,208)	(20,665)	(112,999)	(36,868)	(3,015)	(852)	(299,824)
Transfers out of Level 3 (1)	—	(10,168)	(48)	)—	—	—	—	(10,216)
Transfers into Level 3 (1)	—	—	—	—	—	—	—	—
Fair value as of December 31, 2016	\$1,052,891	\$410,541	\$229,905	\$207,104	\$30,785	\$291,554	\$376	\$2,223,156

Net change in unrealized gains (losses) on Level 3 investments still held as of December 31, 2016	\$(19,252)	)\$2,086	\$627	\$3,519	\$122	\$(23,179)	\$(2,036)	\$(38,113)
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The following table shows changes in the fair value of our Level 3 investments during the nine months ended December 31, 2016:

	First Lien Secured Debt (2)	Second Lien Secured Debt (2)	Unsecured Debt	Structured Products and Other	Preferred Equity	Common Equity/Interests	Warrants	Total
Fair value as of March 31, 2016	\$1,089,156	\$491,488	\$227,222	\$319,530	\$68,562	\$356,940	\$—	\$2,552,898
Net realized gains (losses)	(35,345)	)—	—	37,288	(247)	)50,382	(2,374)	49,704
Net change in unrealized gains (losses)	2,000	26,255	16,618	(1,592)	(36,420)	(156,337)	(44,568)	(194,044)
Net amortization on investments	1,901	800	270	270	—	98	—	3,339
Purchases, including capitalized PIK (3)	248,137	126,661	13,920	44,129	37,081	113,692	48,170	631,790
Sales (3)	(252,958)	(234,663)	(28,125)	(192,521)	(38,191)	(73,221)	(852)	(820,531)

Transfers out of Level 3 (1)								
Transfers into Level 3 (1)	—	—	—	—	—	—	—	—
Fair value as of December 31, 2016	\$1,052,891	\$410,541	\$229,905	\$207,104	\$30,785	\$291,554	\$376	\$2,223,156
Net change in unrealized gains (losses) on Level 3 investments still held as of December 31, 2016	\$(42,530)	\$(30,572)	\$603	\$12,833	\$(22,014)	\$(100,837)	\$(20,390)	\$(202,907)

Transfers out of Level 3 are due to an increase in the quantity and reliability of broker quotes obtained and  
(1) transfers into Level 3 are due to a decrease in the quantity and reliability of broker quotes obtained as assessed by the Investment Adviser. Transfers are assumed to have occurred at the end of the period. There were no transfers between Level 1 and Level 2 fair value measurements during the period shown.

(2) Includes unfunded commitments measured at fair value of \$(2,466).

(3) Includes reorganizations and restructuring of investments.

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## APOLLO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

The following table shows changes in the fair value of our Level 3 investments during the three months ended December 31, 2015:

	First Lien Secured Debt (2)	Second Lien Secured Debt (2)	Unsecured Debt	Structured Products and Other	Preferred Equity	Common Equity/Interests	Warrants	Total
Fair value as of September 30, 2015	\$1,032,839	\$531,316	\$250,179	\$413,465	\$160,108	\$305,128	\$4,327	\$2,697,362
Net realized gains (losses)	(3,307)	(2,165)	—	—	(2,363)	(3,218)	3,571	(7,482)
Net change in unrealized gains (losses)	(54,241)	(7,909)	(3,027)	(6,692)	11,428	3,116	3,779	(53,546)
Net amortization on investments	221	465	110	111	—	—	—	907
Purchases, including capitalized PIK (3)	173,843	23,614	1,375	10,258	46,799	28,472	—	284,361
Sales (3)	(55,189)	(490)	(8,363)	(87,389)	(132,819)	(16,199)	(3,636)	(304,085)
Transfers out of Level 3 (1)	(14,810)	(87,776)	(69)	(14,596)	—	(140)	—	(117,391)
Transfers into Level 3 (1)	—	—	—	—	—	—	—	—
Fair value as of December 31, 2015	\$1,079,356	\$457,055	\$240,205	\$315,157	\$83,153	\$317,159	\$8,041	\$2,500,126

Net change in unrealized gains (losses) on Level 3 investments still held as of December 31, 2015	\$(93,807)	\$(8,238)	\$(3,028)	\$(2,717)	\$8,637	\$(380)	\$5,002	\$(94,531)
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The following table shows changes in the fair value of our Level 3 investments during the nine months ended December 31, 2015:

	First Lien Secured Debt (2)	Second Lien Secured Debt (2)	Unsecured Debt	Structured Products and Other	Preferred Equity	Common Equity/Interests	Warrants	Total
Fair value as of March 31, 2015	\$1,016,030	\$512,110	\$351,971	\$374,368	\$165,101	\$329,800	\$5,571	\$2,754,951
Net realized gains (losses)	(5,355)	14	(40,602)	(67)	(2,363)	(43,661)	3,571	(88,463)
Net change in unrealized gains (losses)	(71,682)	(50,743)	10,784	(17,830)	17,661	60,546	2,535	(48,729)
Net amortization on investments	2,048	1,338	351	325	—	—	—	4,062
Purchases, including capitalized PIK (3)	368,847	232,696	33,159	76,092	98,080	102,810	—	911,684
Sales (3)	(236,324)	(52,299)	(115,458)	(103,136)	(195,326)	(132,336)	(3,636)	(838,515)
	875	(186,061)	—	(14,595)	—	—	—	(199,781)

Transfers out of Level 3 (1)									
Transfers into Level 3 (1)	4,917	—	—	—	—	—	—	—	4,917
Fair value as of December 31, 2015	\$1,079,356	\$457,055	\$240,205	\$315,157	\$83,153	\$317,159	\$8,041		\$2,500,126
Net change in unrealized gains (losses) on Level 3 investments still held as of December 31, 2015	\$129,187	\$62,369	\$9,527	\$(27,528)	\$45,192	\$(80,992)	\$(3,238)		\$134,517

Transfers out of Level 3 are due to an increase in the quantity and reliability of broker quotes obtained and  
(1) transfers into Level 3 are due to a decrease in the quantity and reliability of broker quotes obtained as assessed by the Investment Adviser. Transfers are assumed to have occurred at the end of the period. There were no transfers between Level 1 and Level 2 fair value measurements during the period shown.

(2) Includes unfunded commitments measured at fair value of \$(2,311).

(3) Includes reorganizations and restructuring of investments.

The following tables summarize the significant unobservable inputs the Company used to value its investments categorized within Level 3 as of December 31, 2016 and March 31, 2016. In addition to the techniques and inputs noted in the tables below, according to our valuation policy we may also use other valuation techniques and methodologies when determining our fair value measurements. The below tables are not intended to be all-inclusive, but rather provide information on the significant unobservable inputs as they relate to the Company's determination of fair values.

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## APOLLO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

The unobservable inputs used in the fair value measurement of our Level 3 investments as of December 31, 2016 were as follows:

Asset Category	Fair Value	Quantitative Information about Level 3 Fair Value Measurements				
		Valuation Techniques/Methodologies	Unobservable Input	Range		Weighted Average (1)
First Lien Secured Debt	\$ (840 )	Broker Quoted	Broker Quote	N/A	N/A	N/A
	551,685	Discounted Cash Flow	Discount Rate	2.3%	14.1%	10.3%
	2,500	Market Comparable Approach	Comparable Multiple	4.5x	4.5x	4.5x
	9,500	Recent Transaction	Recent Transaction	N/A	N/A	N/A
	100,843	Recovery Analysis	Commodity Price	\$51.00	\$64.00	\$62.86
	51,391	Recovery Analysis	Recoverable Amount	N/A	N/A	N/A
	337,812	Yield Analysis	Discount Rate	5.1%	18.5%	11.9%
Second Lien Secured Debt	147,567	Broker Quoted	Broker Quote	N/A	N/A	N/A
	—	Market Comparable Approach	Comparable Multiple	4.5x	4.5x	4.5x
	50,141	Recent Transaction	Recent Transaction	N/A	N/A	N/A
	26,939	Recovery Analysis	Commodity Price	\$51.00	\$64.00	\$60.31
	185,894	Yield Analysis	Discount Rate	10.4%	20.7%	11.9%
	Unsecured Debt	12,713	Recent Transaction	Recent Transaction	N/A	N/A
338		Recovery Analysis	Commodity Price	\$48.12	\$64.00	\$63.56
216,854		Yield Analysis	Discount Rate	9.8%	16.3%	10.3%
Structured Products and Other	4,324	Broker Quoted	Broker Quote	N/A	N/A	N/A
	202,780	Discounted Cash Flow	Discount Rate	9.4%	17.0%	12.4%
Preferred Equity	4,394	Discounted Cash Flow	Discount Rate	18.0%	18.0%	18.0%
	—	Market Comparable Approach	Comparable Multiple	4.9x	4.9x	4.9x
	26,391	Recent Transaction	Recent Transaction	N/A	N/A	N/A
	Common Equity/Interests	135	Broker Quoted	Broker Quote	N/A	N/A
213,944		Discounted Cash Flow	Discount Rate	5.8%	20.0%	11.8%
16,027		Market Comparable Approach	Comparable Multiple	4.5x	12.2x	7.9x
25,987		Proposed Transaction	Proposed Transaction	N/A	N/A	N/A
—		Recent Transaction	Recent Transaction	N/A	N/A	N/A

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	35,461	Recovery Analysis	Commodity Price	\$48.12	\$64.00	\$61.30
Warrants	—	Market Comparable Approach	Comparable Multiple	4.9x	4.9x	4.9x
	376	Options Pricing Model	Expected Volatility	75%	75%	75%
		Recovery Analysis	Commodity Price	\$48.12	\$64.00	\$63.56
Total Level 3 Investments	\$2,223,156					

(1) The weighted average information is generally derived by assigning each disclosed unobservable input a proportionate weight based on the fair value of the related investment. For the commodity price unobservable input, the weighted average price is an undiscounted price based upon the estimated production level from the underlying reserves.

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## APOLLO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

The unobservable inputs used in the fair value measurement of our Level 3 investments as of March 31, 2016 were as follows:

Asset Category	Fair Value	Quantitative Information about Level 3 Fair Value Measurements				
		Valuation Techniques/Methodologies	Unobservable Input	Range		Weighted Average (1)
First Lien Secured Debt	\$6,784	Market Comparable Approach	Comparable Multiple	6.7x	6.7x	6.7x
	534,475	Yield Analysis	Discount Rate	7.7%	20.5%	13.1%
	403,082	Discounted Cash Flow	Discount Rate	2.3%	12.0%	12.0%
	81,571	Recovery Analysis	Commodity Price	\$36.50	\$62.50	\$60.96
	7,461	Recovery Analysis	N/A	N/A	N/A	N/A
	32,566	Recovery Analysis	Commodity Price	\$36.00	\$65.00	\$64.21
		Recovery Analysis	Probability Factor	50%	50%	50%
		Yield Analysis	Discount Rate	34.4%	34.4%	34.4%
	23,217	Broker Quoted	Broker Quote	N/A	N/A	N/A
Second Lien Secured Debt	60,757	Market Comparable Approach	Comparable Multiple	0.5x	6.7x	3.1x
	268,794	Yield Analysis	Discount Rate	9.6%	16.2%	11.2%
	25,000	Recovery Analysis	Commodity Price	\$37.75	\$65.00	\$58.21
	20,766	Recovery Analysis	Commodity Price	\$36.00	\$65.00	\$64.21
		Recovery Analysis	Probability Factor	50%	50%	50%
		Yield Analysis	Discount Rate	50.9%	50.9%	50.9%
	116,171	Broker Quoted	Broker Quote	N/A	N/A	N/A
Unsecured Debt	12,110	Market Comparable Approach	Comparable Multiple	6.7x	6.7x	6.7x
	215,112	Yield Analysis	Discount Rate	10.6%	16.8%	11.0%
Structured Products and Other	315,630	Discounted Cash Flow	Discount Rate	6.0%	20.0%	12.6%
	3,900	Broker Quoted	Broker Quote	N/A	N/A	N/A
Preferred Equity	4,092	Market Comparable Approach	Comparable Multiple	6.7x	11.9x	11.9x
	34,328	Yield Analysis	Discount Rate	10.8%	10.8%	10.8%
	3,750	Discounted Cash Flow	Discount Rate	41.0%	41.0%	41.0%
	26,392	Recent Transaction	Recent Transaction	N/A	N/A	N/A
Common Equity/Interests	90,186	Market Comparable Approach	Comparable Multiple	1.0x	12.5x	8.3x
	232,781	Discounted Cash Flow	Discount Rate	8.8%	16.4%	12.1%
	3,755	Other	Illiquidity/Restrictive Discount	7.0%	7.0%	7.0%
	30,078	Recovery Analysis	Commodity Price	\$36.50	\$65.00	\$58.21
	140	Broker Quoted	Broker Quote	N/A	N/A	N/A
Warrants	—	Market Comparable Approach	Comparable Multiple	6.7x	6.7x	6.7x
	—	Recovery Analysis	Commodity Price	\$36.50	\$62.50	\$60.96
	—	Recovery Analysis	N/A	N/A	N/A	N/A
Total Level 3 Investments	\$2,552,898					



The weighted average information is generally derived by assigning each disclosed unobservable input a proportionate weight based on the fair value of the related investment. For the commodity price unobservable (1) input, the weighted average price is an undiscounted price based upon the estimated production level from the underlying reserves.

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## APOLLO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

The significant unobservable inputs used in the fair value measurement of the Company's debt and equity securities are primarily earnings before interest, taxes, depreciation and amortization ("EBITDA") comparable multiples and market discount rates. The Company typically uses EBITDA comparable multiples on its equity securities to determine the fair value of investments. The Company uses market discount rates for debt securities to determine if the effective yield on a debt security is commensurate with the market yields for that type of debt security. If a debt security's effective yield is significantly less than the market yield for a similar debt security with a similar credit profile, the resulting fair value of the debt security may be lower. For certain investments in and relating to the energy sector where fair value is derived based on a recovery analysis, the Company uses underlying commodity prices from third party market pricing services to determine the fair value. Further, for certain investments, the Company also considered the probability of future events which are not in management's control. Significant increases or decreases in any of these inputs in isolation would result in a significantly lower or higher fair value measurement. The significant unobservable inputs used in the fair value measurement of the structured products include the discount rate applied in the valuation models in addition to default and recovery rates applied to projected cash flows in the valuation models. Specifically, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. Increases in the discount rate can significantly lower the fair value of an investment; conversely decreases in the discount rate can significantly increase the fair value of an investment. The discount rate is determined based on the market rates an investor would expect for a similar investment with similar risks. For certain investments such as warrants, the Company uses an option pricing approach, of which the applicable method is the Black-Scholes Option Pricing Method ("BSM"). The BSM is a model of price variation over time of financial instruments, such as equity, that is used to determine the price of call or put options. Various inputs are required but the primary unobservable input into the BSM model is the underlying asset volatility.

**Investment Transactions**

For the three months ended December 31, 2016 and December 31, 2015, purchases of investments on a trade date basis were \$201,309 and \$204,585, respectively. For the nine months ended December 31, 2016 and December 31, 2015, purchases of investments on a trade date basis were \$451,657 and \$918,169, respectively.

For the three months ended December 31, 2016 and December 31, 2015, sales and repayments of investments on a trade date basis were \$195,322 and \$261,594, respectively. For the nine months ended December 31, 2016 and December 31, 2015, sales and repayments of investments on a trade date basis were \$749,792 and \$1,074,057, respectively.

**PIK Income**

The Company holds loans and other investments, including certain preferred equity investments, that have contractual PIK income. PIK income computed at the contractual rate is accrued into income and reflected as receivable up to the capitalization date. During the three and nine months ended December 31, 2016, PIK income earned was \$8,603 and \$22,047, respectively. During the three and nine months ended December 31, 2015, PIK income earned was \$10,238 and \$31,607, respectively.

The following table shows the change in capitalized PIK balance for the three and nine months ended December 31, 2016 and December 31, 2015:

	Three Months Ended December 31, 2016		Nine Months Ended December 31, 2015	
PIK balance at beginning of period	\$93,273	\$56,791	\$73,409	\$86,903
PIK income capitalized	1,639	12,358	22,787	34,090
Adjustments due to exited investments	(6,192 )	(109 )	(6,192 )	(3,505 )

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PIK income received in cash	(1,606 )	(726 )	(2,890 )	(49,174 )
PIK balance at end of period	\$87,114	\$68,314	\$87,114	\$68,314

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## APOLLO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

**Dividend Income**

The Company holds structured products and other investments. The CLO equity investments are entitled to recurring distributions which are generally equal to the excess cash flow generated from the underlying investments after payment of the contractual payments to debt holders and fund expenses. The Company records as dividend income the accretable yield from its beneficial interests in structured products such as CLOs based upon a number of cash flow assumptions that are subject to uncertainties and contingencies. During the three and nine months ended December 31, 2016, dividend income from structured products was \$3,593 and \$9,292, respectively. During the three and nine months ended December 31, 2015, dividend income from structured products was \$6,806 and \$19,983, respectively.

**Investments on Non-Accrual Status**

As of December 31, 2016, 8.2% of total investments at amortized cost, or 2.6% of total investments at fair value, were on non-accrual status. As of March 31, 2016, 8.4% of total investments at amortized cost, or 4.2% of total investments at fair value, were on non-accrual status.

**Unconsolidated Significant Subsidiaries**

The following unconsolidated subsidiaries are considered significant subsidiaries under SEC Regulation S-X Rule 10-01(b)(1) and Regulation S-X Rule 4-08(g) as of December 31, 2016. Accordingly, summarized, unaudited, comparative financial information is presented below for the unconsolidated significant subsidiaries.

**Merx Aviation Finance, LLC**

Merx Aviation Finance, LLC and its subsidiaries (“Merx Aviation”) are principally engaged in acquiring and leasing commercial aircraft to airlines. Its focus is on current generation aircraft, held either domestically or internationally. Merx Aviation may acquire fleets of aircraft primarily through securitized, non-recourse debt or individual aircraft. Merx Aviation may outsource its aircraft servicing requirements to third parties that have the global staff and expertise necessary to complete such tasks. The following table shows unaudited summarized financial information for Merx Aviation:

	Nine Months Ended December 31,	
	2016	2015
Net revenue	\$95,839	\$89,535
Net operating income	56,700	56,050
Earnings before taxes	8,040	7,718
Net profit	7,551	5,545

**MSEA Tankers, LLC**

MSEA Tankers, LLC and its subsidiaries (“MSEA”) are engaged in acquiring and leasing tanker vessels to oil majors, commodity traders and shipping companies. Its focus is on tankers transporting refined products for its charterers through long-term charters. MSEA engages in a variety of income-generating structured equity transactions, ranging from bridge loans to sale-leaseback structures either on individual vessels or vessel packages sourced from bank balance sheets and other sources. MSEA may also outsource its technical management requirements through engaging in bareboat charters. The following table shows unaudited summarized financial information for MSEA:

	Nine Months Ended December 31,	
	2016	2015
Net revenue	\$17,451	\$9,869
Net operating income	9,425	5,915
Earnings before taxes	8,756	5,258

Net profit	8,756	5,170
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## APOLLO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

## Dynamic Product Tankers, LLC

Dynamic Product Tankers, LLC and its subsidiaries (“DPT”) are principally engaged in acquiring and operating LR1 Product Tankers. Its focus is on long-range product tankers transporting refined products for various customers. Vessels owned by DPT are operated primarily in the spot markets but also on opportunistic long-term time charters. The following table shows unaudited summarized financial information for DPT:

	Nine Months Ended December 31, 2016	For period from April 7, 2015 (commencement of operations) to December 31, 2015
Net revenue	\$ 25,547	\$ 24,786
Net operating income	5,268	5,794
Earnings before taxes	2,380	3,875
Net profit	2,380	3,875

## Note 6. Derivative Instruments

In the normal course of business, the Investment Adviser enters into derivative instruments which serve as components of the Company’s investment strategies and are utilized primarily to structure the portfolio to economically match the investment strategies of the Company. These instruments are subject to various risks, similar to non-derivative instruments, including market, credit and liquidity risks. The Investment Adviser manages these risks on an aggregate basis along with the risks associated with the Company’s investing activities as part of its overall risk management policy.

## Purchased Put Options

Purchased put option contracts give the Company the right, but not the obligation, to sell within a limited time, a financial instrument, commodity or currency at a contracted price that may also be settled in cash, based on differentials between specified indices or prices. Purchasing put options tends to decrease exposure to the underlying instrument. The Company pays a premium, which is recorded as an asset and subsequently marked-to-market to reflect the current value of the option. Premiums paid for purchasing options which expire unexercised are treated as realized losses. Premiums paid for purchasing options which are exercised are added to the amounts paid for, or offset against the proceeds received on, the underlying security or reference investment. Purchased options are included in the Statement of Assets and Liabilities in derivative assets. The risk associated with purchasing put options is limited to the premium paid.

## Written Call Options

Written call options obligate the Company to buy within a limited time, a financial instrument, commodity or currency at a contracted price that may also be settled in cash, based on differentials between specified indices or prices. When the Company writes a call option, an amount equal to the premium received by the Company is included on the Company’s Statement of Assets and Liabilities as a liability. The amount of the liability is subsequently marked-to-market to reflect the current market value of the written call option. If an option which the Company has written either expires unexercised on its stipulated expiration date or the Company enters into a closing purchase transaction, the Company realizes a gain or loss (if the cost of a closing purchase transaction is less than or exceeds, respectively, the premium received when the option was written) without regard to any unrealized gain or loss on the underlying security or derivative instrument, and the liability related to such option is extinguished. If a call option which the Company has written is exercised, the Company recognizes a realized gain or loss from the sale of the underlying security or derivative instrument and the proceeds from the sale are increased by the premium originally received. Written options are included in the Statements of Assets and Liabilities in derivative liabilities. In writing a

call option, the Company bears the market risk of an unfavorable change in the price, potentially unlimited in amount, of the derivative instrument or security underlying the written call option.

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## APOLLO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

## Credit Default Swaps

Credit default swap contracts (“CDS”) represent agreements in which one party, the protection buyer, pays a fixed fee, the premium, in return for a payment by the other party, the protection seller, contingent upon a specified default event relating to the underlying reference asset or pool of assets. The valuation of the swaps for the approximate net amount to be received or paid (i.e., the fair value) is marked to market either by using pricing vendor quotations, counterparty prices or model prices, and such valuations are based on the fair value of the underlying security, current credit spreads for the referenced obligation of the underlying issuer relative to the terms of the contract, current interest rates, interest accrual through the valuation date and certain other factors. Credit default swaps are included in the Statements of Assets and Liabilities in derivative assets.

The net amount received/paid during the life of the swap is included in net realized gain (loss) from derivatives, and changes in unrealized gain (loss) of these swaps, including accrual of periodic interest payments, are reflected in net change in unrealized gain (loss) on derivatives in the Statements of Operations. Entering into swaps involves varying degrees of risk, including the possibility that there is no liquid market for the contracts, the counterparty to the swap may default on its obligation to perform and there may be unfavorable changes in the credit spreads of the underlying financial instruments.

The following table sets forth the gross fair value of derivative contracts, by major risk type, as of December 31, 2016. The fair values of these derivatives are presented on a gross basis, even when derivatives are subject to master netting agreements. In addition, if there are any cash collateral payables and receivables associated with the derivatives, they are not added or netted against the fair value amounts. The table also includes information on the volume of derivative based on the base notional value of the credit default swaps and number of options contracts open at December 31, 2016. We held no derivative instruments as of March 31, 2016.

Underlying Risk Type	December 31, 2016			
	Base Notional Assets	Derivative Assets Fair Value	Base Notional Liabilities	Derivative Liabilities Fair Value

## Commodity:

Purchased Put Options	\$84,870	\$ 1,820	\$ —	\$ —
Written Call Options	\$ —	\$ —	\$ 118,080	\$ 5,117

## Credit:

Credit Default Swaps	€45,000	\$ 90	\$ —	\$ —
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The volume of derivatives that is presented is representative of activities from October 4, 2016, when the Company started entering into the derivatives, through December 31, 2016.

The effect of transactions in derivative instruments to the statement of operations during the three and nine months ended December 31, 2016 and December 31, 2015 was as follows:

	Three Months Ended December 31, 2016		Nine Months Ended December 31, 2015	
	2016	2015	2016	2015
Net Change in Unrealized Losses on Derivatives				
Purchased Put Options	\$(1,696)	\$ —	—\$(1,696)	\$ —
Written Call Options	(1,562)	) —	(1,562)	) —
Credit Default Swaps	(788)	) —	(788)	) —
Net Change in Unrealized Losses on Derivatives	\$(4,046)	\$ —	—\$(4,046)	\$ —



The Company's CDS are entered into on an over-the-counter basis pursuant to a master agreement in the form promulgated by the International Swaps and Derivatives Association, Inc. (together with related documentation, including a schedule thereto and one or more trade confirmations thereunder, the "ISDA"). In very limited circumstances, the Company's CDS counterparty has the right to early terminate all (but not fewer than all) transactions governed by the ISDA and close out all such transactions on a net basis at their then-current market value. The CDS would be included in those transactions subject to such a termination right.

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## APOLLO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

The Investment Adviser is exempt from registration with the U.S. Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator (“CPO”) with respect to the Company. To the extent such exemption is no longer available and the Investment Adviser is required to register with the CFTC as a CPO, compliance with the CFTC’s disclosure, reporting and recordkeeping requirements may increase the Company’s expenses and may affect the ability of the Company to use commodity interests (including futures, options on futures, commodities, and swaps) to the extent or in the manner desired.

## Note 7. Offsetting Assets and Liabilities

The Company has elected not to offset assets and liabilities in the Statement of Assets and Liabilities that may be received or paid as part of collateral arrangements, even when an enforceable master netting arrangement or other agreement is in place that provides the Company, in the event of counterparty default, the right to liquidate collateral and the right to offset a counterparty’s rights and obligations. The following table presents both gross and net information about derivative instruments eligible for offset in the Statements of Assets and Liabilities as of December 31, 2016.

Counterparty	Account in the Statement of Assets and Liabilities	Gross Amounts Presented in the Statement of Assets and Liabilities	Financial Instruments not offset in the Statement of Assets and Liabilities	Cash Collateral Paid (1)	Net Amounts
CME Group:					
Purchased Put Options	Derivative Assets	\$ 1,820	\$ (1,820 )	\$ —	\$ —
Written Call Options	Derivative Liabilities	\$ (5,117 )	\$ 1,820	\$ 3,297	\$ —
JPMorgan Chase Bank, N.A.:					
Credit Default Swaps	Derivative Assets	\$ 90	\$ —	\$ —	\$ 90

(1) Per GAAP disclosure requirements, the table above does not include excess cash collateral paid in the amount of \$3,783.

## Note 8. Debt and Foreign Currency Transactions and Translations

The Company’s outstanding debt obligations as of December 31, 2016 were as follows:

	Date Issued/Amended	Total Aggregate Principal Amount Committed	Principal Amount Outstanding	Fair Value	Final Maturity Date
Senior Secured Facility	12/22/2016	\$ 1,140,000	\$ 386,778	* \$ 384,616	(1) 12/22/2021
Senior Secured Notes (Series B)	9/29/2011	16,000	16,000	16,525	(1) 9/29/2018
2042 Notes	10/9/2012	150,000	150,000	151,020	(2) 10/15/2042
2043 Notes	6/17/2013	150,000	150,000	151,758	(2) 7/15/2043
2025 Notes	3/3/2015	350,000	350,000	360,770	(1) 3/3/2025
Total Debt Obligations		\$ 1,806,000	\$ 1,052,778	\$ 1,064,689	
Deferred Financing Cost and Debt Discount			\$ (18,820 )		
Total Debt Obligations, net of Deferred Financing Cost and Debt Discount			\$ 1,033,958		

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\* Includes foreign currency debt obligations as outlined in Foreign Currency Transactions and Translations within this note.

The fair value of these debt obligations are categorized as Level 3 under ASC 820 as of December 31, 2016. The (1) valuation is based on a yield analysis and discount rate commensurate with the market yields for similar types of debt.

(2) The fair value of these debt obligations are categorized as Level 1 under ASC 820 as of December 31, 2016. The valuation is based on quoted prices of identical liabilities in active markets.

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## APOLLO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

The Company's outstanding debt obligations as of March 31, 2016 were as follows:

	Date Issued/Amended	Total Aggregate Principal Amount Committed	Principal Amount Outstanding (3)	Fair Value	Final Maturity Date
Senior Secured Facility	4/24/2015	\$ 1,310,000	\$ 637,904	* \$ 641,157	(1)4/24/2020
Senior Secured Notes (Series A)	9/29/2011	29,000	29,000	29,220	(1)9/29/2016
Senior Secured Notes (Series B)	9/29/2011	16,000	16,000	16,661	(1)9/29/2018
2042 Notes	10/9/2012	150,000	150,000	150,060	(2)10/15/2042
2043 Notes	6/17/2013	150,000	150,000	151,740	(2)7/15/2043
2025 Notes	3/3/2015	350,000	350,000	352,485	(1)3/3/2025
Total Debt Obligations		\$ 2,005,000	\$ 1,332,904	\$ 1,341,323	
Deferred Financing Cost and Debt Discount			\$ (19,944)		
Total Debt Obligations, net of Deferred Financing Cost and Debt Discount			\$ 1,312,960		

\* Includes foreign currency debt obligations as outlined in Foreign Currency Transactions and Translations within this note.

The fair value of these debt obligations are categorized as Level 3 under ASC 820 as of March 31, 2016. The (1) valuation is based on a yield analysis and discount rate commensurate with the market yields for similar types of debt.

(2) The fair value of these debt obligations are categorized as Level 1 under ASC 820 as of March 31, 2016. The valuation is based on quoted prices of identical liabilities in active markets.

(3) Numbers were updated due to the retrospective application of the new accounting pronouncements (ASU 2015-03 and ASU 2015-15) adopted as of April 1, 2016.

Senior Secured Facility

On December 22, 2016, the Company amended and restated its senior secured, multi-currency, revolving credit facility (the "Senior Secured Facility") from the previous April 24, 2015 amendment. The amended and restated agreement decreased the lenders' commitments from \$1,310,000 to \$1,140,000, extended the final maturity date through December 22, 2021, and allows the Company to seek additional commitments from new and existing lenders in the future, up to an aggregate facility size not to exceed \$1,965,000. The Senior Secured Facility is secured by substantially all of the assets in the Company's portfolio, including cash and cash equivalents. Commencing January 31, 2020, the Company is required to repay, in twelve consecutive monthly installments of equal size, the outstanding amount under the Senior Secured Facility as of December 22, 2021. In addition, the stated interest rate on the facility remains as a formula-based calculation based on a minimum borrowing base, resulting in a stated interest rate, depending on the type of borrowing, of (a) either LIBOR plus 1.75% per annum or LIBOR plus 2.00% per annum, or (b) either Alternate Base Rate plus 0.75% per annum or Alternate Base Rate plus 1% per annum. As of December 31, 2016, the stated interest rate on the facility was LIBOR plus 2.00%. The Company is required to pay a commitment fee of 0.375% per annum on any unused portion of the Senior Secured Facility and participation fees and fronting fees of up to 2.25% per annum on the letters of credit issued.

The Senior Secured Facility contains affirmative and restrictive covenants, events of default and other customary provisions for similar debt facilities, including: (a) periodic financial reporting requirements, (b) maintaining minimum shareholders' equity of the greater of (i) 40% of the total assets of the Company and its consolidated

subsidiaries as at the last day of any fiscal quarter and (ii) the sum of (A) \$870,000 plus (B) 25% of the net proceeds from the sale of equity interests in the Company after the closing date of the Senior Secured Facility, (c) maintaining a ratio of total assets, less total liabilities (other than indebtedness) to total indebtedness, in each case of the Company and its consolidated subsidiaries, of not less than 2.0:1.0, (d) limitations on the incurrence of additional indebtedness, including a requirement to meet a certain minimum liquidity threshold before the Company can incur such additional debt, (e) limitations on liens, (f) limitations on investments (other than in the ordinary course of the Company's business), (g) limitations on mergers and disposition of assets (other than in the normal course of the Company's business activities), (h) limitations on the creation or existence of agreements that permit liens on properties of the Company's consolidated subsidiaries and (i) limitations on the repurchase or redemption of certain unsecured debt and debt securities. In addition to the asset coverage ratio described in clause (c) of the preceding sentence, borrowings under the Senior Secured Facility (and the incurrence of certain

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## APOLLO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

other permitted debt) are subject to compliance with a borrowing base that applies different advance rates to different types of assets in the Company's portfolio.

The Senior Secured Facility also provides for the issuance of letters of credit up to an aggregate amount of \$150,000. As of December 31, 2016 and March 31, 2016, the Company had \$18,540 and \$16,290, respectively, in standby letters of credit issued through the Senior Secured Facility. The amount available for borrowing under the Senior Secured Facility is reduced by any standby letters of credit issued through the Senior Secured Facility. Under GAAP, these letters of credit are considered commitments because no funding has been made and as such are not considered a liability. These letters of credit are not senior securities because they are not in the form of a typical financial guarantee and the portfolio companies are obligated to refund any drawn amounts. The available remaining capacity under the Senior Secured Facility was \$734,682 and \$655,806 as of December 31, 2016 and March 31, 2016, respectively. Terms used in this disclosure have the meanings set forth in the Senior Secured Facility agreement.

**Senior Secured Notes**

On September 30, 2010, the Company entered into a note purchase agreement with certain institutional accredited investors providing for a private placement issuance of \$225,000 aggregate principal amount of five-year, senior secured notes with an annual fixed interest rate of 6.25% and a maturity date of October 4, 2015 (the "Senior Secured Notes"). On October 4, 2010, the Senior Secured Notes issued by the Company were sold to certain institutional accredited investors pursuant to an exemption from registration under the Securities Act of 1933, as amended. Interest on the Senior Secured Notes was due semi-annually on April 4 and October 4, commencing on April 4, 2011.

On October 4, 2015, the Senior Secured Notes, which had an outstanding principal balance of \$225,000, matured and were repaid in full.

**Senior Secured Notes — Series A and Series B**

On September 29, 2011, the Company closed a private offering of \$45,000 aggregate principal amount of senior secured notes consisting of two series: \$29,000 aggregate principal amount of 5.875% Senior Secured Notes, Series A, due September 29, 2016 (the "Series A Notes"); and \$16,000 aggregate principal amount of 6.250% Senior Secured Notes, Series B, due September 29, 2018 (the "Series B Notes," and together with the Series A Notes, the "Series A and B Notes"). The Series A and B Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. Interest on the Series A and B Notes is due semi-annually on March 29 and September 29, commencing on March 29, 2012.

On September 29, 2016, the Series A Notes, which had an outstanding principal balance of \$29,000, matured and were repaid in full.

**Senior Unsecured Notes****2042 Notes**

On October 9, 2012, the Company issued \$150,000 aggregate principal amount of senior unsecured notes for net proceeds of \$145,275 (the "2042 Notes"). The 2042 Notes will mature on October 15, 2042. Interest on the 2042 Notes is paid quarterly on January 15, April 15, July 15 and October 15, at an annual rate of 6.625%, commencing on January 15, 2013. The Company may redeem the 2042 Notes in whole or in part at any time or from time to time on or after October 15, 2017. The 2042 Notes are general, unsecured obligations and rank equal in right of payment with all of our existing and future senior, unsecured indebtedness. The 2042 Notes are listed on the New York Stock Exchange under the ticker symbol "AIB."

**2043 Notes**

On June 17, 2013, the Company issued \$135,000 aggregate principal amount of senior unsecured notes and on June 24, 2013, an additional \$15,000 in aggregate principal amount of such notes was issued pursuant to the underwriters' over-allotment option exercise. In total, \$150,000 of aggregate principal was issued for net proceeds of \$145,275 (the "2043 Notes"). The 2043 Notes will mature on July 15, 2043. Interest on the 2043 Notes is paid quarterly on January 15, April 15, July 15 and October 15, at an annual rate of 6.875%, commencing on October 15, 2013. The

Company may redeem the 2043 Notes in whole or in part at any time or from time to time on or after July 15, 2018. The 2043 Notes are general, unsecured obligations and rank equal in right of payment with all of our existing and future senior, unsecured indebtedness. The 2043 Notes are listed on the New York Stock Exchange under the ticker symbol "AIY."

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## APOLLO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

## 2025 Notes

On March 3, 2015, the Company issued \$350,000 aggregate principal amount of senior unsecured notes for net proceeds of \$343,650 (the "2025 Notes"). The 2025 Notes will mature on March 3, 2025. Interest on the 2025 Notes is due semi-annually on March 3 and September 3, at an annual rate of 5.25%, commencing on September 3, 2015. The 2025 Notes are general, unsecured obligations and rank equal in right of payment with all of our existing and future senior unsecured indebtedness.

## Convertible Notes

On January 25, 2011, the Company closed a private offering of \$200,000 aggregate principal amount of senior unsecured convertible notes (the "Convertible Notes"). The Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The Convertible Notes bore interest at an annual rate of 5.75%, payable semi-annually in arrears on January 15 and July 15 of each year, commencing on July 15, 2011. The Convertible Notes were convertible by the holders into shares of common stock, initially at a conversion rate of 72.7405 shares of the Company's common stock per \$1 principal amount of Convertible Notes (14,548,100 common shares) corresponding to an initial conversion price per share of approximately \$13.75, which represented a premium of 17.5% to the \$11.70 per share closing price of the Company's common stock on the NASDAQ Global Select Market on January 19, 2011. The conversion rate was subject to adjustment upon certain events, such as stock splits and combinations, mergers, spin-offs, increases in distributions in excess of \$0.28 per share per quarter and certain changes in control. Certain of these adjustments, including adjustments for increases in dividends, were subject to a conversion price floor of \$11.70 per share. As more fully reflected in Note 4, the issuance was considered as part of the if-converted method for calculation of diluted EPS. On January 15, 2016, the Convertible Notes, which had an outstanding principal balance of \$200,000, matured and were repaid in full.

The following table summarizes the average and maximum debt outstanding, and the interest and debt issuance cost for the three and nine months ended December 31, 2016 and December 31, 2015:

	Three Months Ended		Nine Months Ended		
	December 31,		December 31,		
	2016	2015 (2)	2016	2015 (2)	
Average debt outstanding	\$988,106	\$1,465,689	\$1,083,307	\$1,465,675	
Maximum amount of debt outstanding	1,040,698	1,522,310	1,363,533	1,640,135	
Weighted average annualized interest cost (1)	5.21	% 4.78	% 5.04	% 5.22	%
Annualized amortized debt issuance cost	0.61	% 0.44	% 0.59	% 0.52	%
Total annualized interest cost	5.82	% 5.22	% 5.63	% 5.74	%

Includes the stated interest expense and commitment fees on the unused portion of the Senior Secured Facility.

(1) Commitment fees for the three months ended December 31, 2016 and December 31, 2015 were \$891 and \$676, respectively. Commitment fees for the nine months ended December 31, 2016 and December 31, 2015 were \$2,488 and \$2,417, respectively.

(2) Numbers were updated due to the retrospective application of the new accounting pronouncements (ASU 2015-03 and ASU 2015-15) adopted as of April 1, 2016.



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## APOLLO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

## Foreign Currency Transactions and Translations

The Company had the following foreign-denominated debt outstanding on the Senior Secured Facility as of December 31, 2016:

	Original Principal Amount (Local)	Original Principal Amount (USD)	Principal Amount Outstanding	Unrealized Gain	Reset Date
Canadian Dollar	C\$51,600	\$46,957	\$ 38,477	\$ 8,480	1/30/2017
Euro	€ 13,000	14,046	13,712	334	1/17/2017
British Pound	£ 8,000	10,648	9,885	763	1/5/2017
British Pound	£ 16,000	22,947	19,770	3,177	1/17/2017
British Pound	£ 8,700	13,319	10,750	2,569	1/19/2017
British Pound	£ 100,500	152,658	124,183	28,475	1/30/2017
		\$260,575	\$ 216,777	\$ 43,798	

The Company had the following foreign-denominated debt outstanding on the Senior Secured Facility as of March 31, 2016:

	Original Principal Amount (Local)	Original Principal Amount (USD)	Principal Amount Outstanding	Unrealized Gain (Loss)	Reset Date
Canadian Dollar	C\$55,100	\$50,366	\$ 42,599	\$ 7,767	4/29/2016
Euro	€ 14,000	15,126	15,954	(828 )	4/4/2016
British Pound	£ 14,000	20,354	20,122	232	4/8/2016
British Pound	£ 14,500	22,199	20,841	1,358	4/11/2016
British Pound	£ 14,500	22,209	20,841	1,368	4/18/2016
British Pound	£ 24,400	37,283	35,070	2,213	4/22/2016
British Pound	£ 54,600	83,095	78,477	4,618	4/29/2016
		\$250,632	\$ 233,904	\$ 16,728	

As of December 31, 2016 and March 31, 2016, the Company was in compliance with all debt covenants.

## Note 9. Shareholders' Equity

There were no equity offerings of common stock during the three and nine months ended December 31, 2016 and fiscal year ended March 31, 2016.

The Company adopted the following plans, approved by the Board of Directors, for the purpose of repurchasing its common stock in accordance with applicable rules specified in the Securities Exchange Act of 1934 (the "1934 Act") (the "Repurchase Plans"):

Date of Adoption	Maximum Cost of Shares That May Be Repurchased	Cost of Shares Repurchased	Remaining Cost of Shares That May Be Repurchased
August 6, 2015	\$ 50,000	\$ 50,000	\$ —
December 14, 2015	50,000	50,000	—
September 14, 2016	50,000	356	49,644
Total as of December 31, 2016	\$ 150,000	\$ 100,356	\$ 49,644

The Repurchase Plans were designed to allow the Company to repurchase its shares both during its open window periods and at times when it otherwise might be prevented from doing so under applicable insider trading laws or because of self-imposed trading blackout periods. A broker selected by the Company will have the authority under the terms and limitations specified in an agreement with the Company to repurchase shares on the Company's behalf in accordance with the terms of the Repurchase Plans. Repurchases are subject to SEC regulations as well as certain price, market volume and timing constraints specified in the Repurchase Plans. Pursuant to the Repurchase Plans, the Company may from time to time repurchase a portion of its shares of common stock and the Company is hereby notifying shareholders of its intention as required by applicable securities laws.

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## APOLLO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

Under the Repurchase Plans described above, the Company allocated the following amounts to be repurchased in accordance with SEC Rule 10b5-1 (the “10b5-1 Repurchase Plans”):

Effective Date	Termination Date	Amount Allocated to 10b5-1 Repurchase Plans
September 15, 2015	November 5, 2015	\$ 5,000
January 1, 2016	February 5, 2016	10,000
April 1, 2016	May 19, 2016	5,000
July 1, 2016	August 5, 2016	15,000
September 30, 2016	November 8, 2016	20,000
January 4, 2017	February 6, 2017	10,000

During the nine months ended December 31, 2016, the Company repurchased 6,461,842 shares at a weighted average price per share of \$5.87, inclusive of commissions, for a total cost of \$37,917. This represents a discount of approximately 16.11% of the average net asset value per share for the nine months ended December 31, 2016.

During the year ended March 31, 2016, the Company repurchased 10,584,855 shares at a weighted average price per share of \$5.90, inclusive of commissions, for a total cost of \$62,437. This represents a discount of approximately 23.09% of the average net asset value per share for the year ended March 31, 2016.

Since the inception of the Repurchase Plans through December 31, 2016, the Company repurchased 17,046,697 shares at a weighted average price per share of \$5.89, inclusive of commissions, for a total cost of \$100,356.

On September 12, 2014, the Company announced an at-the-market offering program (the “ATM Program”) through which we can sell up to 16 million shares of its common stock from time to time. As of December 31, 2016, no shares had been sold through the Company’s ATM Program.

## Note 10. Commitments and Contingencies

The Company has various commitments to fund various revolving and delayed draw senior secured and subordinated loans, including commitments to issue letters of credit through a financial intermediary on behalf of certain portfolio companies. As of December 31, 2016 and March 31, 2016, the Company had the following unfunded commitments to its portfolio companies:

	December 31, 2016	March 31, 2016
Unfunded revolver obligations and bridge loan commitments (1)	\$ 135,382	\$ 291,424
Standby letters of credit issued and outstanding (2)	17,082	14,723
Unfunded delayed draw loan commitments (3)	7,651	13,234
Unfunded delayed draw loan commitments (performance thresholds not met) (4)	17,679	25,000
Total Unfunded Commitments	\$ 177,794	\$ 344,381

The unfunded revolver obligations may or may not be funded to the borrowing party in the future. The amounts relate to loans with various maturity dates, but the entire amount was eligible for funding to the borrowers as of (1) December 31, 2016 and March 31, 2016, subject to the terms of each loan’s respective credit agreements which includes borrowing covenants that needs to be met prior to funding. As of December 31, 2016 and March 31, 2016, the bridge loan commitments included in the balances were \$51,272 and \$253,413, respectively.

(2) For all these letters of credit issued and outstanding, the Company would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. None of the letters of credit issued and outstanding are recorded as a liability on the Company’s Statements of Assets and Liabilities as such

letters of credit are considered in the valuation of the investments in the portfolio company.

(3) The Company's commitment to fund delayed draw loans is triggered upon the satisfaction of certain pre-negotiated terms and conditions which can include covenants to maintain specified leverage levels and other related borrowing base covenants.

(4) The borrowers are required to meet certain performance thresholds before the Company is obligated to fulfill the commitments and those performance thresholds were not met as of December 31, 2016 and March 31, 2016.

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## APOLLO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

Of the unfunded commitments which existed as of December 31, 2016, \$126,522 were outstanding as of February 3, 2017.

## Note 11. Financial Highlights

The following is a schedule of financial highlights for the nine months ended December 31, 2016 and fiscal year ended March 31, 2016.

	Nine Months Ended December 31, 2016 (Unaudited)	Year Ended March 31, 2016	
Per Share Data*			
Net asset value at beginning of period	\$ 7.28	\$ 8.18	
Net investment income (1)	0.50	0.83	
Net realized and change in unrealized losses (1)	(0.46 )	(1.02 )	
Net increase (decrease) in net assets resulting from operations	0.05	(0.19 )	
Distributions of net investment income (2)	(0.50 )	(0.48 )	
Distributions of return of capital (2)	—	(0.32 )	
Accretion due to share repurchases	0.04	0.09	
Net asset value at end of period	\$ 6.86	\$ 7.28	
Per share market value at end of period	\$ 5.86	\$ 5.55	
Total return (3)	14.82 %	(17.53 )%	
Shares outstanding at end of period	219,694,654	226,156,496	
Weighted average shares outstanding	223,305,392	232,555,815	
Ratio/Supplemental Data			
Net assets at end of period (in millions)	\$ 1,506.7	\$ 1,645.6	
Annualized ratio of operating expenses to average net assets (4)(5)	4.76 %	5.85 %	
Annualized ratio of interest and other debt expenses to average net assets (5)	3.88 %	4.47 %	
Annualized ratio of total expenses to average net assets (4)(5)	8.64 %	10.32 %	
Annualized ratio of net investment income to average net assets (5)	9.51 %	10.70 %	
Average debt outstanding (in millions) (6)	\$ 1,083.3	\$ 1,456.4	
Average debt per share (6)	\$ 4.85	\$ 6.26	
Annualized portfolio turnover rate (5)	9.06 %	34.35 %	
Asset coverage per unit (7)	\$ 2,431	\$ 2,253	

\*Totals may not foot due to rounding.

(1) Financial highlights are based on the weighted average number of shares outstanding for the period presented.

The tax character of distributions are determined based on taxable income calculated in accordance with income tax regulations which may differ from amounts determined under GAAP. Although the tax character of

(2) distributions paid to shareholders through December 31, 2016 may include return of capital, the exact amount cannot be determined at this point. Per share amounts are based on actual rate per share.

(3) Total return is based on the change in market price per share during the respective periods. Total return also takes into account distributions, if any, reinvested in accordance with the Company's dividend reinvestment plan.

The ratio of operating expenses to average net assets and the ratio of total expenses to average net assets are shown inclusive of all voluntary management and incentive fee waivers (Note 3). For the nine months ended December 31, 2016, the annualized ratio of operating expenses to average net assets and the annualized ratio of total expenses to average net assets would be 6.16% and 10.04%, respectively, without the voluntary fee waivers. For the fiscal year ended March 31, 2016, the ratio of operating expenses to average net assets and the ratio of total expenses to average net assets would be 6.94% and 11.41%, respectively, without the voluntary fee waivers.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

(In thousands except share and per share data)

(5) Annualized for the nine months ended December 31, 2016.

(6) Numbers as of March 31, 2016 were updated due to the retrospective application of the new accounting pronouncements (ASU 2015-03 and ASU 2015-15) adopted as of April 1, 2016.

(7) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our total assets, less all liabilities and indebtedness not represented by senior securities, divided by senior securities representing indebtedness. This asset coverage ratio is multiplied by one thousand to determine the Asset Coverage Per Unit.

The asset coverage ratio for the fiscal year ended March 31, 2016 is unaudited.

Note 12. Subsequent Events

On February 3, 2017, the Board of Directors declared a distribution of \$0.15 per share payable on April 6, 2017 to shareholders of record as of March 21, 2017.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Apollo Investment Corporation:

We have reviewed the accompanying statement of assets and liabilities of Apollo Investment Corporation (the “Company”), including the schedule of investments, as of December 31, 2016, the related statements of operations for the three and nine month periods ended December 31, 2016 and December 31, 2015, the statement of changes in net assets for the nine month period ended December 31, 2016 and the statements of cash flows for the nine month periods ended December 31, 2016 and December 31, 2015. These interim financial statements are the responsibility of the Company’s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole.

Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of assets and liabilities, including the schedule of investments, as of March 31, 2016, and the related statements of operations (not presented herein), of changes in net assets and of cash flows (not presented herein) for the year then ended, and in our report dated May 19, 2016, we expressed an unqualified opinion on those financial statements. As discussed in Note 2 to the accompanying interim financial statements, the Company changed its method of accounting for the presentation of deferred financing costs in accordance with Accounting Standards Update 2015-03 and 2015-15. The accompanying March 31, 2016 statement of assets and liabilities reflects this change.

/s/ PricewaterhouseCoopers LLP

New York, New York

February 6, 2017



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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the notes thereto contained elsewhere in this report. Some of the statements in this report constitute forward-looking statements, which relate to future events or our future performance or financial condition. The forward-looking statements contained herein involve risks and uncertainties, including 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;
- our contractual arrangements and relationships with third parties;
- 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.

We generally use words such as “anticipates,” “believes,” “expects,” “intends” and similar expressions to identify forward-looking statements. Our actual results could differ materially from those projected in the forward-looking statements for any reason, including any factors set forth in “Risk Factors” and elsewhere in this report.

We have based the forward-looking statements included in this report on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the Securities and Exchange Commission (“SEC”), including any annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Overview

Apollo Investment Corporation (the “Company,” “Apollo Investment,” “AIC,” “we,” “us,” or “our”) was incorporated under the Maryland General Corporation Law in February 2004. We have elected to be treated as a business development company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”). As such, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in “qualifying assets,” including securities of private or thinly traded public U.S. companies, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. In addition, for federal income tax purposes we have elected to be treated as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). Pursuant to this election and assuming we qualify as a RIC, we generally do not have to pay corporate-level federal income taxes on any income we distribute to our shareholders. We commenced operations on April 8, 2004 upon completion of our initial public offering that raised \$870 million in net proceeds from selling 62 million shares of common stock at a price of \$15.00 per share. Since then, and through December 31, 2016, we have raised approximately \$2.21 billion in net proceeds from additional offerings of common stock and we have repurchased common stock for \$100.4 million.

Apollo Investment Management, L.P. (the “Investment Adviser” or “AIM”) is our investment adviser and an affiliate of Apollo Global Management, LLC and its consolidated subsidiaries (“AGM”). The Investment Adviser, subject to the overall supervision of our Board of Directors, manages the day-to-day operations of, and provides investment advisory services to the Company. AGM and other affiliates manage other funds that may have investment mandates that are similar, in whole or in part, with ours. AIM and its affiliates may determine that an investment is appropriate both for us and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, AIM may determine that we should invest on a side-by-side basis with one or more other funds. We make all such investments subject to compliance with applicable regulations and interpretations, and our allocation procedures. Certain types of negotiated co-investments may be made only in accordance with the terms of the exemptive order we received from the SEC permitting us to do so.



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Apollo Investment Administration, LLC (the “Administrator” or “AIA”), an affiliate of AGM, provides, among other things, administrative services and facilities for the Company. In addition to furnishing us with office facilities, equipment, and clerical, bookkeeping and recordkeeping services, AIA also oversees our financial records as well as prepares our reports to shareholders and reports filed with the SEC. AIA also performs the calculation and publication of our net asset value, the payment of our expenses and oversees the performance of various third-party service providers and the preparation and filing of our tax returns. Furthermore, AIA provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance.

### Investments

Our investment objective is to generate current income and capital appreciation. We invest primarily in various forms of debt investments, including secured and unsecured debt, loan investments, and/or equity in private middle-market companies. We may also invest in the securities of public companies and in structured products and other investments such as collateralized loan obligations (“CLOs”) and credit-linked notes (“CLNs”). Our portfolio is comprised primarily of investments in debt, including secured and unsecured debt of private middle-market companies that, in the case of senior secured loans, generally are not broadly syndicated and whose aggregate tranche size is typically less than \$250 million. Our portfolio also includes equity interests such as common stock, preferred stock, warrants or options.

Our level of investment activity can and does vary substantially from period to period depending on many factors, including the amount of debt and equity capital available to middle-market companies, the level of merger and acquisition activity for such companies, the general economic environment, and the competitive environment for the types of investments we make. As a BDC, we must not acquire any assets other than “qualifying assets” specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). As of December 31, 2016, non-qualifying assets represented approximately 27.4% of the total assets of the Company.

### Revenue

We generate revenue primarily in the form of interest and dividend income from the securities we hold and capital gains, if any, on investment securities that we may acquire in portfolio companies. Our debt investments, whether in the form of mezzanine or senior secured loans, generally have a stated term of five to ten years and bear interest at a fixed rate or a floating rate usually determined on the basis of a benchmark, such as the London Interbank Offered Rate (“LIBOR”), the Euro Interbank Offered Rate, the federal funds rate, or the prime rate. Interest on debt securities is generally payable quarterly or semiannually and while U.S. subordinated debt and corporate notes typically accrue interest at fixed rates, some of our investments may include zero coupon and/or step-up bonds that accrue income on a constant yield to call or maturity basis. In addition, some of our investments provide for payment-in-kind (“PIK”) interest or dividends. Such amounts of accrued PIK interest or dividends are added to the cost of the investment on the respective capitalization dates and generally become due at maturity of the investment or upon the investment being called by the issuer. We may also generate revenue in the form of commitment, origination, structuring fees, fees for providing managerial assistance and, if applicable, consulting fees, etc.

### Expenses

For all investment professionals of AIM and their staff, when and to the extent engaged in providing investment advisory and management services to us, the compensation and routine overhead expenses of that personnel which is allocable to those services are provided and paid for by AIM. We bear all other costs and expenses of our operations and transactions, including those relating to:

- investment advisory and management fees;
- expenses incurred by AIM payable to third parties, including agents, consultants or other advisors, in monitoring our financial and legal affairs and in monitoring our investments and performing due diligence on our prospective portfolio companies;
- calculation of our net asset value (including the cost and expenses of any independent valuation firm);
- direct costs and expenses of administration, including independent registered public accounting and legal costs;
- costs of preparing and filing reports or other documents with the SEC;
- interest payable on debt, if any, incurred to finance our investments;
- offerings of our common stock and other securities;



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registration and listing fees;  
 fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments;  
 transfer agent and custodial fees;  
 taxes;  
 independent directors' fees and expenses;  
 marketing and distribution-related expenses;  
 the costs of any reports, proxy statements or other notices to shareholders, including printing and postage costs;  
 our allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums;  
 organizational costs; and

all other expenses incurred by us or the Administrator in connection with administering our business, such as our allocable portion of overhead under the administration agreement, including rent and our allocable portion of the cost of our Chief Financial Officer, Chief Compliance Officer, Chief Legal Officer, and their respective staffs.

We expect our general and administrative operating expenses related to our ongoing operations to increase moderately in dollar terms. During periods of asset growth, we generally expect our general and administrative operating expenses to decline as a percentage of our total assets and increase during periods of asset declines. Incentive fees, interest expense and costs relating to future offerings of securities, among others, may also increase or reduce overall operating expenses based on portfolio performance, interest rate benchmarks, and offerings of our securities relative to comparative periods, among other factors.

#### Portfolio and Investment Activity

Our portfolio and investment activity during the three and nine months ended December 31, 2016 and December 31, 2015 was as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
(in millions)*	2016	2015	2016	2015
Investments made in portfolio companies	\$201.3	\$204.6	\$451.7	\$918.2
Investments sold	(17.1 )	(139.7 )	(181.1 )	(554.5 )
Net activity before repaid investments	184.2	64.9	270.6	363.6
Investments repaid	(178.2 )	(121.9 )	(568.7 )	(519.5 )
Net investment activity	\$6.0	\$(57.0 )	\$(298.1 )	\$(155.9 )
Portfolio companies at beginning of period	82	98	89	105
Number of new portfolio companies	13	4	24	18
Number of exited portfolio companies	(10 )	(7 )	(28 )	(28 )
Portfolio companies at end of period	85	95	85	95
Number of investments made in existing portfolio companies	8	19	21	48

\*Totals may not foot due to rounding.

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Our portfolio composition and weighted average yields as of December 31, 2016 and March 31, 2016 were as follows:

	December 31, 2016	March 31, 2016
Portfolio composition, at fair value:		
Secured debt	69 %	65 %
Unsecured debt	10 %	9 %
Structured products and other	9 %	11 %
Preferred equity	1 %	3 %
Common equity/interests and warrants	11 %	12 %
Weighted average yields, at amortized cost, exclusive of securities on non-accrual status (1):		
Secured debt portfolio	10.9 %	11.0 %
Unsecured debt portfolio	10.7 %	10.7 %
Total debt portfolio	10.9 %	11.0 %
Income-bearing investment portfolio composition, at fair value:		
Fixed rate amount	\$ 0.9 billion	\$ 1.1 billion
Floating rate amount	\$ 1.2 billion	\$ 1.2 billion
Fixed rate, as percentage of total	43 %	47 %
Floating rate, as percentage of total	57 %	53 %
Income-bearing investment portfolio composition, at amortized cost:		
Fixed rate amount	\$ 1.1 billion	\$ 1.1 billion
Floating rate amount	\$ 1.3 billion	\$ 1.3 billion
Fixed rate, as percentage of total	46 %	47 %
Floating rate, as percentage of total	54 %	53 %

(1) An investor's yield may be lower than the portfolio yield due to sales loads and other expenses.

Since the initial public offering of Apollo Investment in April 2004 and through December 31, 2016, invested capital totaled \$16.9 billion in 391 portfolio companies. Over the same period, Apollo Investment completed transactions with more than 100 different financial sponsors.

**Recent Developments**

On January 4, 2017, Hilary E. Ackermann, a member of the Board of Directors (the "Board") of the Company, tendered a letter of resignation from the Board effective immediately. Ms. Ackermann's decision was not a result of any disagreement with the Company on any matter relating to the Company's operations, policies or practices.

As a result of Ms. Ackermann's resignation, on February 3, 2017, the Board unanimously acted, pursuant to authority in the Company's by-laws, to reduce the size of the Board from nine to eight Directors to reflect the Board's current composition.

**Critical Accounting Policies**

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, gains and losses. Changes in the economic environment, financial markets, credit worthiness of portfolio companies and any other parameters used in determining such estimates could cause actual results to differ materially. In addition to the discussion below, our critical accounting policies are further described in the notes to the financial statements.

**Fair Value Measurements**

The Company follows guidance in ASC 820, Fair Value Measurement ("ASC 820"), where fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are determined within a framework that establishes a three-tier hierarchy which



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maximizes the use of observable market data and minimizes the use of unobservable inputs to establish a classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, such as the risk inherent in a particular valuation technique used to measure fair value using a pricing model and/or the risk inherent in the inputs for the valuation technique. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the information available. The inputs or methodology used for valuing assets or liabilities may not be an indication of the risks associated with investing in those assets or liabilities. ASC 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, accessible by us at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment. The level assigned to the investment valuations may not be indicative of the risk or liquidity associated with investing in such investments. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may differ materially from the values that would be received upon an actual disposition of such investments.

As of December 31, 2016, \$2.22 billion or 88% of the Company's investments were classified as Level 3. The high proportion of Level 3 investments relative to our total investments is directly related to our investment philosophy and target portfolio, which consists primarily of long-term secured debt, as well as unsecured and mezzanine positions of private middle-market companies. A fundamental difference exists between our investments and those of comparable publicly traded fixed income investments, namely high-yield bonds, and this difference affects the valuation of our private investments relative to comparable publicly traded instruments.

Senior secured loans, or senior loans, are higher in the capital structure than high-yield bonds, and are typically secured by assets of the borrowing company. This improves their recovery prospects in the event of default and affords senior loans a structural advantage over high-yield bonds. Many of the Company's investments are also privately negotiated and contain covenant protections that limit the issuer to take actions that could harm us as a creditor. High-yield bonds typically do not contain such covenants.

Given the structural advantages of capital seniority and covenant protection, the valuation of our private debt portfolio is driven more by investment specific credit factors than movements in the broader debt capital markets. Each security is evaluated individually and as indicated below, we value our private investments based upon a multi-step valuation process, including valuation recommendations from independent valuation firms.



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## Investment Valuation Process

Under procedures established by our Board of Directors, we value investments, including certain secured debt, unsecured debt, and other debt securities with maturities greater than 60 days, for which market quotations are readily available, at such market quotations (unless they are deemed not to represent fair value). We attempt to obtain market quotations from at least two brokers or dealers (if available, otherwise from a principal market maker, primary market dealer or other independent pricing service). We utilize mid-market pricing as a practical expedient for fair value unless a different point within the range is more representative. If and when market quotations are deemed not to represent fair value, we typically utilize independent third party valuation firms to assist us in determining fair value. Accordingly, such investments go through our multi-step valuation process as described below. In each case, our independent valuation firms consider observable market inputs together with significant unobservable inputs in arriving at their valuation recommendations for such investments. Investments purchased within 15 business days before the valuation date and debt investments with remaining maturities of 60 days or less may each be valued at cost with interest accrued or discount amortized to the date of maturity (although they are typically valued at available market quotations), unless such valuation, in the judgment of our Investment Adviser, does not represent fair value. In this case, such investments shall be valued at fair value as determined in good faith by or under the direction of our Board of Directors, including using market quotations where available. Investments that are not publicly traded or whose market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of our Board of Directors. Such determination of fair values may involve subjective judgments and estimates.

With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our Board of Directors has approved a multi-step valuation process each quarter, as described below:

1. Our quarterly valuation process begins with each investment being initially valued by the investment professionals of our Investment Adviser who are responsible for the portfolio company.
2. Preliminary valuation conclusions are then documented and discussed with senior management of our Investment Adviser.
3. Independent valuation firms are engaged by our Board of Directors to conduct independent appraisals by reviewing our Investment Adviser's preliminary valuations and then making their own independent assessment. The Audit Committee of the Board of Directors reviews the preliminary valuation of our Investment Adviser and
4. the valuation prepared by the independent valuation firms and responds, if warranted, to the valuation recommendation of the independent valuation firms.
5. The Board of Directors discusses valuations and determines in good faith the fair value of each investment in our portfolio based on the input of our Investment Adviser, the applicable independent valuation firm, and the Audit Committee of the Board of Directors.

Investments in all asset classes are valued utilizing a market approach, an income approach, or both approaches, as appropriate. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, seniority of investment in the investee company's capital structure, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, our principal market (as the reporting entity) and enterprise values, among other factors. When readily available, broker quotations and/or quotations provided by pricing services are considered in the valuation process of independent valuation firms. During the nine months ended December 31, 2016, there were no significant changes to the Company's valuation techniques and related inputs considered in the valuation process.



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## Investment Income Recognition

The Company records interest and dividend income, adjusted for amortization of premium and accretion of discount, on an accrual basis. Some of our loans and other investments, including certain preferred equity investments, may have contractual PIK interest or dividends. PIK income computed at the contractual rate is accrued into income and reflected as receivable up to the capitalization date. Certain PIK investments offer issuers the option at each payment date of making payments in cash or in additional securities. When additional securities are received, they typically have the same terms, including maturity dates and interest rates as the original securities issued. On these payment dates, the Company capitalizes the accrued interest or dividends receivable (reflecting such amounts as the basis in the additional securities received). PIK generally becomes due at maturity of the investment or upon the investment being called by the issuer. At the point the Company believes PIK is not expected to be realized, the PIK investment will be placed on non-accrual status. When a PIK investment is placed on non-accrual status, the accrued, uncapitalized interest or dividends are reversed from the related receivable through interest or dividend income, respectively. The Company does not reverse previously capitalized PIK interest or dividends. Upon capitalization, PIK is subject to the fair value estimates associated with their related investments. PIK investments on non-accrual status are restored to accrual status if the Company believes that PIK is expected to be realized.

Investments that are expected to pay regularly scheduled interest and/or dividends in cash are generally placed on non-accrual status when principal or interest/dividend cash payments are past due 30 days or more and/or when it is no longer probable that principal or interest/dividend cash payments will be collected. Such non-accrual investments are restored to accrual status if past due principal and interest or dividends are paid in cash, and in management's judgment, are likely to continue timely payment of their remaining interest or dividend obligations. Interest or dividend cash payments received on non-accrual designated investments may be recognized as income or applied to principal depending upon management's judgment.

Loan origination fees, original issue discount ("OID"), and market discounts are capitalized and accreted into interest income over the respective terms of the applicable loans using the effective interest method or straight-line, as applicable. Upon the prepayment of a loan, prepayment premiums, any unamortized loan origination fees, OID, or market discounts are recorded as interest income. Other income generally includes amendment fees, administrative fees, management fees, bridge fees, and structuring fees which are recorded when earned.

The Company records as dividend income the accretable yield from its beneficial interests in structured products such as CLOs based upon a number of cash flow assumptions that are subject to uncertainties and contingencies. Such assumptions include the rate and timing of principal and interest receipts (which may be subject to prepayments and defaults) of the underlying pools of assets. These assumptions are updated on at least a quarterly basis to reflect changes related to a particular security, actual historical data, and market changes. A structured product investment typically has an underlying pool of assets. Payments on structured product investments are payable solely from the cash flows from such assets. As such any unforeseen event in these underlying pools of assets might impact the expected recovery and future accrual of income.

## Expenses

Expenses include management fees, performance-based incentive fees, insurance expenses, administrative service fees, legal fees, directors' fees, audit and tax service expenses, third-party valuation fees and other general and administrative expenses. Expenses are recognized on an accrual basis.

## Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses)

We measure realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, without regard to unrealized gains or losses previously recognized, but considering unamortized upfront fees and prepayment penalties. Net change in unrealized gain (loss) reflects the net change in portfolio investment values during the reporting period, including the reversal of previously recorded unrealized gains or losses.

Within the context of these critical accounting policies, we are not currently aware of any reasonably likely events or circumstances that would result in materially different amounts being reported.

## Accounting Standards Adopted in Fiscal Year 2017 and Recent Accounting Pronouncements

See Note 2 within the notes to the financial statements.



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## Results of Operations

Operating results for the three and nine months ended December 31, 2016 and December 31, 2015 were as follows:

(in millions)*	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
Investment income				
Interest income	\$55.8	\$75.3	\$181.8	\$240.8
Dividend income	11.4	18.3	28.7	46.4
Other income	0.9	0.7	3.1	7.2
Total investment income	\$68.1	\$94.3	\$213.6	\$294.4
Expenses				
Management and performance-based incentive fees, net of amounts waived	\$13.4	\$22.6	\$40.5	\$70.1
Interest and other debt expenses, net of reimbursements	14.5	19.3	45.6	63.5
Administrative services expense, net of reimbursements	1.5	1.5	5.6	4.5
Other general and administrative expenses	2.3	2.8	9.9	7.7
Net expenses	\$31.7	\$46.2	\$101.6	\$145.8
Net investment income	\$36.4	\$48.1	\$112.0	\$148.6
Net realized and change in unrealized gains (losses)				
Net realized gains (losses)	\$39.2	\$(9.3 )	\$44.7	\$(120.4)
Net change in unrealized losses	(64.2 )	(64.6 )	(146.3 )	(49.4 )
Net realized and change in unrealized losses	(25.0 )	(73.9 )	(101.6 )	(169.8 )
Net increase (decrease) in net assets resulting from operations	\$11.3	\$(25.8)	\$10.3	\$(21.1 )
Net investment income on per average share basis	\$0.17	\$0.21	\$0.50	\$0.63
Earnings gain (loss) per share — basic	\$0.05	\$(0.11)	\$0.05	\$(0.09 )
Earnings gain (loss) per share — diluted (1)	N/A	\$(0.11)	N/A	\$(0.09 )

\*Totals may not foot due to rounding.

Diluted earnings (loss) per share is calculated using the if-converted method. In applying the if-converted method, conversion is not assumed for purposes of computing diluted EPS if the effect would be anti-dilutive. For the three (1) and nine months ended December 31, 2016, the Company did not have any convertible notes. As such, diluted EPS was not applicable. For the three and nine months ended December 31, 2015, anti-dilution would total \$0.02 and \$0.04, respectively.

**Total Investment Income**

For the three months ended December 31, 2016 as compared to the three months ended December 31, 2015

The decrease in total investment income for the three months ended December 31, 2016 compared to the three months ended December 31, 2015 was driven by the decrease in interest income of \$19.5 million and the decrease in dividend income of \$6.9 million. The decrease in interest income is due to a lower income-bearing investment portfolio, an increase in investments on non-accrual status, and offset by a slight increase in prepayment fees and other related fee income. The decrease in the dividend income is due to exit of Golden Hill CLO I, LLC and restructuring of AMP Solar (UK) Limited to Solarplicity Group Limited, which were dividend yielding investments, and also due to a decrease in dividends from Dynamic Product Tankers, LLC and other structured products. The decrease in dividend income is partially offset by an increase in dividends received from Merx Aviation Finance, LLC.

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For the nine months ended December 31, 2016 as compared to the nine months ended December 31, 2015

The decrease in total investment income for the nine months ended December 31, 2016 compared to the nine months ended December 31, 2015 was driven by the decrease in interest income of \$59.0 million and the decrease in dividend income of \$17.7 million. The decrease in interest income is due to a lower income-bearing investment portfolio, an increase in investments on non-accrual status, and a decrease in prepayment fees and other related fee income which totaled \$9.1 million and \$12.8 million for the nine months ended December 31, 2016 and December 31, 2015, respectively. The decrease in the dividend income is due to exit of Golden Hill CLO I, LLC and PlayPower Holdings, Inc. and restructuring of AMP Solar (UK) Limited to Solarplicity Group Limited, which were dividend yielding investments, and also due to a decrease in distributions from Dynamic Product Tankers, LLC, MCF CLO I, LLC and MCF CLO III, LLC and other structured products. The decrease in dividend income is partially offset by an increase in distributions received from Golden Bear Warehouse LLC and Merx Aviation Finance, LLC.

#### Net Expenses

For the three months ended December 31, 2016 as compared to the three months ended December 31, 2015

The decrease in expenses for the three months ended December 31, 2016 compared to the three months ended December 31, 2015 was primarily driven by the decrease of \$9.2 million in management and performance-based incentive fees (net of amounts waived) due to lower average gross assets, lower investment income, and the reversal of \$2.3 million of the deferred incentive fee payable related to PIK income deemed to be no longer realizable. In addition, there is a decrease of \$4.9 million in interest and other debt expenses primarily due to the repayment of Convertible Notes in January 2016 and reduction in the average debt outstanding from \$1.47 billion during the three months ended December 31, 2015 to \$0.99 billion during the three months ended December 31, 2016.

For the nine months ended December 31, 2016 as compared to the nine months ended December 31, 2015

The decrease in expenses for the nine months ended December 31, 2016 compared to the nine months ended December 31, 2015 was primarily driven by the decrease of \$29.6 million in management and performance-based incentive fees (net of amounts waived) due to lower average gross assets, lower investment income and the reversal of \$8.3 million of the deferred incentive fee payable related to PIK income deemed to be no longer realizable. In addition, there is a decrease of \$17.8 million in interest and other debt expenses due to the repayment of the Senior Secured Notes in October 2015, repayment of Convertible Notes in January 2016 and reduction in the average debt outstanding from \$1.47 billion during the nine months ended December 31, 2015 to \$1.08 billion during the nine months ended December 31, 2016. The decrease in expenses is partially offset by the \$2.7 million of non-recurring expenses related to a strategic transaction that was considered but did not occur.

#### Net Realized Gains (Losses)

For the three months ended December 31, 2016 as compared to the three months ended December 31, 2015

During the three months ended December 31, 2016, we recognized gross realized gains of \$42.1 million and gross realized losses of \$2.9 million, resulting in net realized gains of \$39.2 million. Significant realized gains (losses) for the three months ended December 31, 2016 are summarized below:

(in millions)	Net Realized Gain (Loss)
Golden Bear Warehouse LLC	\$ 34.2
Dark Castle Holdings, LLC	2.5
Explorer Coinvest, LLC	2.2
MCF CLO I, LLC	2.1
Solarplicity Group Limited	(2.0 )

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During the three months ended December 31, 2015, we recognized gross realized gains of \$5.4 million and gross realized losses of \$14.7 million, resulting in net realized losses of \$9.3 million. Significant realized gains (losses) for the three months ended December 31, 2015 are summarized below:

(in millions)	Net Realized Gain (Loss)
Fidji Luxco (BC) S.C.A.	\$ 3.6
Explorer Coinvest, LLC	1.2
AMP Solar (UK) Limited	(1.6 )
American Energy - Woodford LLC/AEW Finance Corp	(2.2 )
CA Holding, Inc. (Collect America, Ltd.)	(3.7 )
Caza Petroleum Inc.	(4.8 )

For the nine months ended December 31, 2016 as compared to the nine months ended December 31, 2015

During the nine months ended December 31, 2016, we recognized gross realized gains of \$91.3 million and gross realized losses of \$46.6 million, resulting in net realized gains of \$44.7 million. Significant realized gains (losses) for the nine months ended December 31, 2016 are summarized below:

(in millions)	Net Realized Gain (Loss)
Generation Brands Holdings, Inc.	\$ 46.2
Golden Bear Warehouse LLC	34.2
Explorer Coinvest, LLC	3.3
Dark Castle Holdings, LLC	2.5
MCF CLO I, LLC	2.1
Solarplicity Group Limited	(2.2 )
Radio One, Inc.	(2.3 )
Energy & Exploration Partners, Inc.	(2.4 )
Aventine Renewable Energy Holdings, Inc.	(3.6 )
Aveta, Inc.	(11.9 )
Osage Exploration & Development, Inc.	(19.4 )

During the nine months ended December 31, 2015, we recognized gross realized gains of \$14.4 million and gross realized losses of \$134.8 million, resulting in net realized losses of \$120.4 million. Significant realized losses for the nine months ended December 31, 2015 are summarized below:

(in millions)	Net Realized Gain (Loss)
Venoco, Inc.	\$ (7.1 )
BCA Osprey II Limited (British Car Auctions)	(7.4 )
PetroBakken Energy Ltd.	(9.0 )
Denver Parent Corp. (Venoco)	(9.1 )
Artsonig Pty Ltd	(21.7 )
Molycorp, Inc.	(22.1 )
PlayPower Holdings, Inc.	(39.7 )

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## Net Change in Unrealized Gains (Losses)

For the three months ended December 31, 2016 as compared to the three months ended December 31, 2015

During the three months ended December 31, 2016, we recognized gross unrealized gains of \$37.2 million and gross unrealized losses of \$101.4 million, including the impact of transferring unrealized to realized gains (losses), resulting in net change in unrealized loss of \$64.2 million. Significant changes in unrealized gains (losses) for the three months ended December 31, 2016 are summarized below:

(in millions)	Net Change in Unrealized Gain (Loss)
SHD Oil & Gas, LLC	\$ 4.7
MCF CLO III, LLC	3.9
AMP Solar Group, Inc.	3.8
Maxus Capital Carbon SPE I, LLC	(2.3 )
Solarplicity Group Limited	(21.1 )
Venoco, Inc.	(27.6 )
Golden Bear Warehouse LLC	(33.0 )

During the three months ended December 31, 2015, we recognized gross unrealized gains of \$43.9 million and gross unrealized losses of \$108.5 million, including the impact of transferring unrealized to realized gains (losses), resulting in net change in net unrealized losses of \$64.6 million. Significant changes in unrealized gains (losses) for the three months ended December 31, 2015 are summarized below:

(in millions)	Net Change in Unrealized Gain (Loss)
Renewable Funding Group, Inc.	\$ 8.4
Golden Bear Warehouse LLC	6.4
Venoco, Inc.	(5.8 )
Aveta, Inc.	(7.6 )
Magnetation, LLC	(9.8 )
Osage Exploration & Development, Inc.	(10.0 )
Spotted Hawk Development, LLC	(13.1 )

For the nine months ended December 31, 2016 as compared to the nine months ended December 31, 2015

During the nine months ended December 31, 2016, we recognized gross unrealized gains of \$127.3 million and gross unrealized losses of \$273.6 million, including the impact of transferring unrealized to realized gains (losses), resulting in net change in unrealized losses of \$146.3 million. Significant changes in unrealized gains (losses) for the nine months ended December 31, 2016 are summarized below:

(in millions)	Net Change in Unrealized Gain (Loss)
Osage Exploration & Development, Inc.	\$ 19.3
Aveta, Inc.	13.2
MCF CLO III, LLC	8.3
Radio One, Inc.	4.7
SHD Oil & Gas, LLC	4.3



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LVI Group Investments, LLC	(11.2	)
Golden Bear Warehouse LLC	(16.7	)
Delta Career Education Corporation	(22.4	)
Garden Fresh Restaurant Corp.	(33.9	)
Solarplicity Group Limited	(42.1	)
Venoco, Inc.	(42.2	)
Generation Brands Holdings, Inc.	(43.8	)

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During the nine months ended December 31, 2015, we recognized gross unrealized gains of \$156.0 million and gross unrealized losses of \$205.4 million, including the impact of transferring unrealized to realized gains (losses), resulting in net change in unrealized losses of \$49.4 million. Significant changes in unrealized gains (losses) for the nine months ended December 31, 2015 are summarized below:

(in millions)	Net Change in Unrealized Gain (Loss)
PlayPower Holdings Inc.	\$ 21.8
Molycorp, Inc.	20.4
Renewable Funding Group, Inc.	17.7
Merx Aviation Finance, LLC	16.0
Spotted Hawk Development, LLC	(16.7 )
SquareTwo Financial Corp.	(17.8 )
Magnetation, LLC	(17.9 )
Miller Energy Resources, Inc.	(19.2 )
Osage Exploration & Development, Inc.	(19.4 )
Liquidity and Capital Resources	

The Company's liquidity and capital resources are generated and generally available through periodic follow-on equity and debt offerings, our senior secured, multi-currency Senior Secured Facility (as defined in Note 8 within the notes to financial statements), our senior secured notes, our senior unsecured notes, investments in special purpose entities in which we hold and finance particular investments on a non-recourse basis, as well as from cash flows from operations, investment sales of liquid assets and repayments of senior and subordinated loans and income earned from investments.

**Cash Equivalents**

We deem certain U.S. Treasury bills, repurchase agreements and other high-quality, short-term debt securities as cash equivalents. (See Note 2 within the notes to financial statements.) At the end of each fiscal quarter, we consider taking proactive steps utilizing cash equivalents with the objective of enhancing our investment flexibility during the following quarter, pursuant to Section 55 of the 1940 Act. More specifically, we may purchase U.S. Treasury bills from time-to-time on the last business day of the quarter and typically close out that position on the following business day, settling the sale transaction on a net cash basis with the purchase, subsequent to quarter end. Apollo Investment may also utilize repurchase agreements or other balance sheet transactions, including drawing down on our Senior Secured Facility, as we deem appropriate. The amount of these transactions or such drawn cash for this purpose is excluded from total assets for purposes of computing the asset base upon which the management fee is determined. There were no cash equivalents held as of December 31, 2016.

**Debt**

See Note 8 within the notes to financial statements for information on the Company's debt.

The following table shows the contractual maturities of our debt obligations as of December 31, 2016:

(in millions)	Total	Payments Due by Period			
		Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
Senior Secured Facility (1)	\$386.8	\$ —	\$ —	\$386.8	\$ —
Senior Secured Notes (Series B)	16.0	—	16.0	—	—
2042 Notes	150.0	—	—	—	150.0
2043 Notes	150.0	—	—	—	150.0
2025 Notes	350.0	—	—	—	350.0

Total Debt Obligations                    \$1,052.8    \$    —\$ 16.0    \$386.8    \$650.0

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(1) As of December 31, 2016, aggregate lender commitments under the Senior Secured Facility totaled \$1.14 billion and \$734.7 million of unused capacity. As of December 31, 2016, there were \$18.5 million of letters of credit issued under the Senior Secured Facility that were not recorded as liabilities on the Company's Statement of Assets and Liabilities.

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### Shareholders' Equity

See Note 9 within the notes to financial statements for information on the Company's public offerings and share repurchase plans.

### Distributions

Distributions paid to shareholders for the three and nine months ended December 31, 2016 totaled \$33.3 million (\$0.15 per share) and \$123.6 million (\$0.50 per share), respectively. Distributions paid to shareholders for the three and nine months ended December 31, 2015 totaled \$46.9 million (\$0.20 per share) and \$141.5 million (\$0.60 per share), respectively. For income tax purposes, distributions made to shareholders are reported as ordinary income, capital gains, non-taxable return of capital, or a combination thereof. Although the tax character of distributions paid to shareholders through December 31, 2016 may include return of capital, the exact amount cannot be determined at this point. The final determination of the tax character of distributions will not be made until we file our tax return for the tax year ending March 31, 2017. Tax characteristics of all distributions will be reported to shareholders on Form 1099 after the end of the calendar year. Our quarterly distributions, if any, will be determined by our Board of Directors.

To maintain our RIC status, we must distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of the assets legally available for distribution. Although we currently intend to distribute realized net capital gains (i.e., net long-term capital gains in excess of short-term capital losses), if any, at least annually, out of the assets legally available for such distributions, we may in the future decide to retain such capital gains for investment. Currently, we have substantial net capital loss carryforwards and consequently do not expect to generate cumulative net capital gains in the foreseeable future. We maintain an "opt out" dividend reinvestment plan for our common shareholders. As a result, if we declare a dividend, then shareholders' cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash dividends.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, due to the asset coverage test applicable to us as a BDC, we may in the future be limited in our ability to make distributions. Also, our revolving credit facility may limit our ability to declare dividends if we default under certain provisions or fail to satisfy certain other conditions. If we do not distribute a certain percentage of our income annually, we may suffer adverse tax consequences, including possible loss of the tax benefits available to us as a RIC. In addition, in accordance with GAAP and tax regulations, we include in income certain amounts that we have not yet received in cash, such as contractual PIK, which represents contractual interest added to the loan balance that becomes due at the end of the loan term, or the accrual of original issue or market discount. Since we may recognize income before or without receiving cash representing such income, we may not be able to meet the requirement to distribute at least 90% of our investment company taxable income to obtain tax benefits as a RIC.

With respect to the distributions to shareholders, income from origination, structuring, closing, commitment and other upfront fees associated with investments in portfolio companies is treated as taxable income and accordingly, distributed to shareholders.

### PIK Income

For the three and nine months ended December 31, 2016, PIK income totaled \$8.6 million on total investment income of \$68.1 million and \$22.0 million on total investment income of \$213.6 million, respectively. In order to maintain the Company's status as a RIC, this non-cash source of income must be paid out to shareholders annually in the form of distributions, even though the Company has not yet collected the cash. See Note 5 within the notes to the financial statements for more information on the Company's PIK income.

### Related Party Transactions

See Note 3 within the notes to the financial statements for information on the Company's related party transactions.

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## Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. During the three and nine months ended December 31, 2016, many of the loans in our portfolio had floating interest rates. These loans are usually based on floating LIBOR and typically have durations of one to six months after which they reset to current market interest rates. The Company also has a Senior Secured Facility that is based on floating LIBOR rates.

The following table shows the estimated annual impact on net investment income of base rate changes in interest rates (considering interest rate flows for variable rate instruments) to our loan portfolio and outstanding debt as of December 31, 2016, assuming no changes in our investment and borrowing structure:

Basis Point Change	Net Investment	
	Income	Income Per Share
Up 400 basis points	\$ 27.2 million	\$ 0.124
Up 300 basis points	\$ 20.3 million	\$ 0.092
Up 200 basis points	\$ 13.4 million	\$ 0.061
Up 100 basis points	\$ 6.5 million	\$ 0.030

We may hedge against interest rate fluctuations from time-to-time by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act and applicable commodities laws. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to our portfolio of investments.

## Item 4. Controls and Procedures

## Evaluation of Disclosure Controls and Procedures

As of December 31, 2016 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the 1934 Act). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

## Changes in Internal Controls Over Financial Reporting

Management has not identified any change in the Company's internal control over financial reporting that occurred during the third fiscal quarter of 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. Furthermore, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. While we do not expect that the resolution of these matters if they arise would materially affect our business, financial condition or results of operations, resolution will be subject to various uncertainties and could result in the expenditure of significant financial and managerial resources.

On May 20, 2013, the Company was named as a defendant in a complaint by the bankruptcy trustee of DSI Renal Holdings and related companies (“DSI”). The complaint alleges, among other things, that the Company participated in a “fraudulent conveyance” involving a restructuring and subsequent sale of DSI in 2010 and 2011. The complaint seeks, jointly and severally from all defendants, (1) damages of approximately \$425 million, of which the Company’s share would be approximately \$41 million, and the return of 9,000 shares of common stock of DSI obtained by the Company in the restructuring and sale and (2) punitive damages. At this point in time, the Company is unable to assess whether it may have any liability in this action. The Company has not made any determination that this action is or may be material to the Company and intends to vigorously defend itself. The Company has filed a motion to dismiss this litigation. The motion is pending.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended March 31, 2016, which could materially affect our business, financial condition and/or operating results. These risks are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

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## Issuer Purchases of Equity Securities

The Company adopted the following plans, approved by the Board of Directors, for the purpose of repurchasing its common stock in accordance with applicable rules specified in the Securities Exchange Act of 1934 (the “1934 Act”) (the “Repurchase Plans”):

Date of Adoption	Maximum Cost of Shares That May Be Repurchased	Cost of Shares Repurchased	Remaining Cost of Shares That May Be Repurchased
August 6, 2015	\$50.0 million	\$50.0 million	\$—
December 14, 2015	50.0 million	50.0 million	—
September 14, 2016	50.0 million	0.4 million	49.6 million
Total as of December 31, 2016	\$150.0 million	\$100.4 million	\$49.6 million

The Repurchase Plans were designed to allow the Company to repurchase its shares both during its open window periods and at times when it otherwise might be prevented from doing so under applicable insider trading laws or because of self-imposed trading blackout periods. A broker selected by the Company will have the authority under the terms and limitations specified in an agreement with the Company to repurchase shares on the Company’s behalf in accordance with the terms of the Repurchase Plans. Repurchases are subject to SEC regulations as well as certain price, market volume and timing constraints specified in the Repurchase Plans. Pursuant to the Repurchase Plans, the Company may from time to time repurchase a portion of its shares of common stock and the Company is hereby notifying shareholders of its intention as required by applicable securities laws.

Under the Repurchase Plans described above, the Company allocated the following amounts to be repurchased in accordance with SEC Rule 10b5-1 (the “10b5-1 Repurchase Plans”):

Effective Date	Termination Date	Amount Allocated to 10b5-1 Repurchase Plans
September 15, 2015	November 5, 2015	\$5.0 million
January 1, 2016	February 5, 2016	10.0 million
April 1, 2016	May 19, 2016	5.0 million
July 1, 2016	August 5, 2016	15.0 million
September 30, 2016	November 8, 2016	20.0 million
January 4, 2017	February 6, 2017	10.0 million

The following table presents information with respect to the Company’s purchases of its common stock since adoption of the Repurchase Plans through December 31, 2016:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased Publicly Announced Plans	Maximum Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans
August 1, 2015 through August 31, 2015	1,530,000	\$ 6.57	1,530,000	\$40.0 million
September 1, 2015 through September 30, 2015	1,810,400	6.15	1,810,400	28.8 million
November 1, 2015 through November 30, 2015	3,350,000	6.03	3,350,000	8.6 million
December 1, 2015 through December 31, 2015	1,882,329	5.86	1,882,329	47.6 million

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January 1, 2016 through January 31, 2016	2,012,126	4.97	2,012,126	37.6	million
June 1, 2016 through June 30, 2016	1,088,800	5.58	1,088,800	31.5	million
July 1, 2016 through July 31, 2016	49,475	5.51	49,475	31.2	million
August 1, 2016 through August 31, 2016	1,788,882	5.89	1,788,882	20.7	million
September 1, 2016 through September 30, 2016	1,234,569	6.04	1,234,569	63.2	million
October 1, 2016 through October 31, 2016	1,582,250	5.94	1,582,250	53.8	million
November 1, 2016 through November 30, 2016	717,866	5.82	717,866	49.6	million
Total	17,046,697	\$ 5.89	17,046,697		

Item 3. Defaults Upon Senior Securities

None.

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Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

3.1 Articles of Amendment and Restatement, as amended (1)

3.2 Fourth Amended and Restated Bylaws (2)

Amended and Restated Senior Secured Revolving Credit Agreement, dated as of December 22, 2016, between Apollo Investment Corporation, the lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, and Suntrust Bank and Bank of America, N.A., as Syndication Agents\* (3)

31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934\*

31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934\*

32.1 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)\*

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\*Filed herewith.

(1) Incorporated by reference from the Registrant's post-effective Amendment No. 1 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-2, filed on August 14, 2006.

(2) Incorporated by reference from the Registrant's Form 10-K, filed on May 19, 2015.

(3) Incorporated by reference from the Registrant's Form 8-K, filed on December 27, 2016.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 6, 2017.

APOLLO INVESTMENT  
CORPORATION

By: /s/ JAMES C. ZELTER  
James C. Zelter  
Chief Executive Officer

By: /s/ GREGORY W. HUNT  
Gregory W. Hunt  
Chief Financial Officer and  
Treasurer