

APOLLO INVESTMENT CORP
Form 10-Q
November 04, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2010

.. **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)

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Maryland
(State or other jurisdiction of
incorporation or organization)

52-2439556
(I.R.S. Employer
Identification No.)

9 West 57th Street

37th Floor

New York, N.Y.
(Address of principal executive office)

10019
(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 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 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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer 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

The number of shares of the registrant's Common Stock, \$.001 par value, outstanding as of November 4, 2010 was 195,044,683.

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FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2010
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In this Quarterly Report, Apollo Investment , Company , AIC , Fund , we , us and our refer to Apollo Investment Corporation unless the context otherwise states.

Item 1. Financial Statements**APOLLO INVESTMENT CORPORATION****STATEMENTS OF ASSETS AND LIABILITIES**

(in thousands, except per share amounts)

	September 30, 2010 (unaudited)	March 31, 2010
Assets		
Non-controlled/non-affiliated investments, at value (cost \$2,896,423 and \$2,782,880, respectively)	\$ 2,774,955	\$ 2,677,893
Non-controlled/affiliated investments, at value (cost \$103,178 and \$102,135, respectively)	102,771	83,136
Controlled investments, at value (cost \$359,290 and \$357,590, respectively)	74,244	92,551
Cash equivalents, at value (cost \$0 and \$449,852, respectively)		449,828
Cash	26,005	7,040
Foreign currency (cost \$1,695 and \$30,705, respectively)	1,699	30,717
Receivable for investments sold		49,643
Interest receivable	48,366	43,139
Dividends receivable	6,044	5,700
Miscellaneous income receivable	939	788
Receivable from investment adviser		611
Prepaid expenses and other assets	19,611	24,070
Total assets	\$ 3,054,634	\$ 3,465,116
Liabilities		
Credit facility payable (see note 7 & 12)	\$ 1,093,419	\$ 1,060,616
Payable for investments and cash equivalents purchased	13,012	549,009
Dividends payable	54,449	49,340
Management and performance-based incentive fees payable (see note 3)	27,575	26,363
Interest payable	1,972	2,132
Accrued administrative expenses	616	1,722
Other liabilities and accrued expenses	1,277	3,128
Total liabilities	\$ 1,192,320	\$ 1,692,310
Net Assets		
Common stock, par value \$.001 per share, 400,000 and 400,000 common shares authorized, respectively, and 194,460 and 176,214 issued and outstanding, respectively	\$ 194	\$ 176
Paid-in capital in excess of par (see note 2f)	2,860,047	2,645,687
Undistributed net investment income (see note 2f)	87,161	104,878
Accumulated net realized loss (see note 2f)	(668,781)	(583,270)
Net unrealized depreciation	(416,307)	(394,665)

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Total net assets	\$	1,862,314	\$	1,772,806
Total liabilities and net assets	\$	3,054,634	\$	3,465,116
Net Asset Value Per Share	\$	9.58	\$	10.06

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****STATEMENTS OF OPERATIONS (unaudited)**

(in thousands, except per share amounts)

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
INVESTMENT INCOME:				
From non-controlled/non-affiliated investments:				
Interest	\$ 76,841	\$ 71,875	\$ 149,346	\$ 147,172
Dividends	1,800	3,584	2,720	6,820
Other income	3,639	482	5,308	1,751
From non-controlled/affiliated investments:				
Interest	3,188		6,342	
From controlled investments:				
Dividends	6,031	8,462	6,031	11,221
Total Investment Income	91,499	84,403	169,747	166,964
EXPENSES:				
Management fees (see note 3)	\$ 15,030	\$ 13,214	\$ 29,584	\$ 25,936
Performance-based incentive fees (see note 3)	12,545	12,848	22,752	25,180
Interest and other credit facility expenses	10,752	4,409	20,646	9,477
Administrative services expense	1,412	1,198	2,808	2,507
Other general and administrative expenses	1,578	1,344	2,948	3,144
Total expenses	41,317	33,013	78,738	66,244
Net investment income	\$ 50,182	\$ 51,390	\$ 91,009	\$ 100,720
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS AND FOREIGN CURRENCIES:				
Net realized gain (loss):				
Investments and cash equivalents	\$ (87,907)	\$ (3,321)	\$ (87,127)	\$ (101,399)
Foreign currencies	(1,471)	224	1,616	67
Net realized loss	(89,378)	(3,097)	(85,511)	(101,332)
Net change in unrealized gain (loss):				
Investments and cash equivalents	120,011	69,386	(17,948)	221,221
Foreign currencies	(12,649)	(8,523)	(3,694)	(26,978)
Net change in unrealized gain (loss)	107,362	60,863	(21,642)	194,243
Net realized and unrealized gain (loss) from investments, cash equivalents and foreign currencies	17,984	57,766	(107,153)	92,911
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 68,166	\$ 109,156	\$ (16,144)	\$ 193,631

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EARNINGS (LOSS) PER SHARE (see note 5)	\$	0.35	\$	0.71	\$	(0.08)	\$	1.31
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See notes to financial statements.

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APOLLO INVESTMENT CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS
(in thousands, except shares)

	Six months ended September 30, 2010 (unaudited)	Year ended March 31, 2010
Increase (Decrease) in net assets from operations:		
Net investment income	\$ 91,009	\$ 199,410
Net realized loss	(85,511)	(473,027)
Net change in unrealized gain (loss)	(21,642)	536,907
Net increase (decrease) in net assets resulting from operations	(16,144)	263,290
Dividends and distributions to stockholders:	(108,726)	(181,356)
Capital share transactions:		
Net proceeds from shares sold	204,275	280,823
Less offering costs	(427)	(618)
Reinvestment of dividends	10,530	14,529
Net increase in net assets from capital share transactions	214,378	294,734
Total increase in net assets:	89,508	376,668
Net assets at beginning of period	1,772,806	1,396,138
Net assets at end of period	\$ 1,862,314	\$ 1,772,806
Capital share activity:		
Shares sold	17,250,000	32,200,000
Shares issued from reinvestment of dividends	996,410	1,792,583
Net increase in capital share activity	18,246,410	33,992,583

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION
STATEMENTS OF CASH FLOWS (unaudited)
(in thousands)

	Six months ended September 30,	
	2010	2009
Cash Flows from Operating Activities:		
Net Increase (Decrease) in Net Assets Resulting from Operations	\$ (16,144)	\$ 193,631
Adjustments to reconcile net increase (decrease):		
Purchase of investments (including net amortization and capitalized PIK)	(443,085)	(159,641)
Proceeds from disposition of investment securities and cash equivalents	239,620	120,085
Increase from foreign currency transactions	1,690	222
Increase in interest and dividends receivable	(5,571)	(2,235)
Decrease in prepaid expenses and other assets	4,919	2,000
Increase in management and performance-based incentive fees payable	1,212	748
Decrease in interest payable	(160)	(354)
Decrease in accrued expenses	(2,957)	(2,300)
Increase (decrease) in payable for investments and cash equivalents purchased	(535,997)	18,012
Decrease (increase) in receivables for investments sold	49,643	(800)
Net change in unrealized depreciation (appreciation) on investments, cash equivalents, foreign currencies and other assets and liabilities	21,642	(194,243)
Net realized loss on investments and cash equivalents	85,511	101,332
 Net Cash Provided (Used) by Operating Activities	 \$ (599,677)	 \$ 76,457
Cash Flows from Financing Activities:		
Net proceeds from the issuance of common stock	\$ 204,275	\$ 172,974
Offering costs from the issuance of common stock	(427)	(385)
Dividends paid in cash	(93,086)	(69,318)
Borrowings under credit facility	920,799	261,090
Payments under credit facility	(891,757)	(443,500)
 Net Cash Provided (Used) by Financing Activities	 \$ 139,804	 \$ (79,139)
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 \$ (459,873)	 \$ (2,682)
Effect of exchange rates on cash balances	(8)	(12)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	\$ 487,585	\$ 6,607
 CASH AND CASH EQUIVALENTS, END OF PERIOD	 \$ 27,704	 \$ 3,913

Non-cash financing activities consist of the reinvestment of dividends totaling \$10,530 and \$4,637, respectively (in thousands).

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (unaudited)

September 30, 2010

(in thousands)

INVESTMENTS IN NON-CONTROLLED/NON AFFILIATED PORTFOLIO COMPANIES 149.0%	Industry	Par Amount*	Cost	Fair Value(1)
CORPORATE DEBT 136.7%				
BANK DEBT/SENIOR SECURED LOANS 45.0%(2)				
1st Lien Bank Debt/Senior Secured Loans 3.7%				
Allied Security Holdings LLC, 2/20/15	Business Services	\$ 9,940	\$ 9,892	\$ 10,002
Altegrity, Inc., 2/21/15	Diversified Service	12,469	12,225	12,539
ATI Acquisition Company, 12/30/14	Education	13,374	12,903	12,103
Educate, Inc., 6/14/14	Education	9,950	9,950	9,702
	Broadcasting & Entertainment			
Fox Acquisition Sub LLC, 7/14/15	Entertainment	1,874	1,695	1,853
Multiplan, Inc., 8/26/17	Business Services	4,981	4,882	5,001
NBTY, Inc., 10/1/17	Consumer Products	8,000	7,920	8,110
Playpower, Inc., 6/30/12	Leisure Equipment	10,890	9,994	9,855
Total 1st Lien Bank Debt/Senior Secured Loans			\$ 69,461	\$ 69,165
2nd Lien Bank Debt/Senior Secured Loans 41.3%				
AB Acquisitions UK Topco 2 Limited (Alliance Boots), 7/9/16	Retail	£ 11,400	\$ 20,084	\$ 16,168
AB Acquisitions UK Topco 2 Limited (Alliance Boots), 7/9/16	Retail	3,961	5,530	4,867
Advantage Sales & Marketing, Inc., 5/5/17	Grocery	\$ 50,000	50,713	50,250
Asurion Corporation, 7/3/15	Insurance	121,300	120,320	115,614
BNY ConvergEx Group, LLC, 4/2/14	Business Services	83,229	80,987	81,398
Clean Earth, Inc., 13.00%, 8/1/14	Environmental	25,000	25,000	25,125
Datatel, Inc., 12/9/16	Education	20,000	19,927	20,450
Dresser, Inc., 5/4/15	Industrial	42,938	42,680	41,891
Garden Fresh Restaurant Corp., 12/11/13	Retail	46,600	46,600	48,883
Generics International, Inc., 4/30/15	Healthcare	20,000	19,937	20,000
Infor Enterprise Solutions Holdings, Inc., Tranche B-1, 3/2/14	Business Services	5,000	5,000	3,275
Infor Enterprise Solutions Holdings, Inc., 3/2/14	Business Services	15,000	14,897	9,891
Infor Global Solutions European Finance S.á.R.L., 3/2/14	Business Services	6,210	8,263	5,413
IPC Systems, Inc., 6/1/15	Telecommunications	\$ 44,250	41,394	37,253
Kronos, Inc., 6/11/15	Electronics	60,000	60,000	56,700
Ozburn-Hessey Holding Company LLC, 10/8/16	Logistics	38,000	37,964	37,620
Ranpak Corp., 12/27/14(3)	Packaging	43,550	38,031	41,808
Ranpak Corp., 12/27/14(4)	Packaging	21,970	27,398	28,794
Sedgwick Holdings, Inc., 5/26/17	Business Services	\$ 25,000	24,637	25,000

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)**

September 30, 2010

(in thousands)

INVESTMENTS IN NON-CONTROLLED/NON AFFILIATED PORTFOLIO COMPANIES 149.0%	Industry	Par Amount*	Cost	Fair Value(1)
2nd Lien Bank Debt/Senior Secured Loans (continued)				
Sheridan Holdings, Inc., 6/15/15	Healthcare	\$ 67,847	\$ 67,017	\$ 64,183
TransFirst Holdings, Inc., 6/15/15	Financial Services	37,512	36,641	34,286
Total 2nd Lien Bank Debt/Senior Secured Loans			\$ 793,020	\$ 768,869
TOTAL BANK DEBT/SENIOR SECURED LOANS			\$ 862,481	\$ 838,034
Subordinated Debt/Corporate Notes 91.7%				
AB Acquisitions UK Topco 2 Limited (Alliance Boots), GBP L+650, 7/9/17	Retail	£ 41,657	\$ 80,549	\$ 58,422
Allied Security Holdings LLC, 13.75%, 8/21/15	Business Services	\$ 20,000	19,683	20,513
Altegrity Inc., 0.00%, 8/2/16 "	Diversified Service	3,545	1,737	1,703
Altegrity Inc., 11.75%, 5/1/16 "	Diversified Service	14,639	10,046	14,346
Altegrity Inc., 12.00%, 11/1/15 "	Diversified Service	100,000	100,000	105,100
Altegrity Inc., 10.50%, 11/1/15 "	Diversified Service	13,475	11,981	13,441
American Tire Distributors, Inc., 11.50%, 6/1/18 "	Distribution	25,000	25,000	26,375
American Tire Distributors, Inc., 9.75%, 6/1/17 "	Distribution	10,000	9,880	10,625
Angelica Corporation, 15.00%, 2/4/14	Healthcare	60,000	60,000	64,500
ATI Acquisition Company, L+1100, 12/30/15	Education	38,500	37,795	36,960
BNY ConvergeX Group, LLC, 14.00%, 10/2/14	Business Services	43,160	36,801	45,145
Booz Allen Hamilton Inc., 13.00%, 7/31/16	Consulting Services	19,813	19,901	20,259
Catalina Marketing Corporation, 11.625%, 10/1/17 "	Grocery	42,175	41,694	46,815
Catalina Marketing Corporation, 10.50%, 10/1/15 "	Grocery	5,000	5,101	5,350
Ceridian Corp., 12.25%, 11/15/15	Diversified Service	55,950	55,768	52,593
Ceridian Corp., 11.25%, 11/15/15	Diversified Service	33,300	32,748	30,636
Delta Educational Systems, Inc., 14.20%, 5/12/13	Education	19,634	19,289	20,223
Dura-Line Merger Sub, Inc., 14.00%, 9/22/14	Telecommunications	42,654	42,130	43,081
First Data Corporation, 11.25%, 3/31/16	Financial Services	35,040	29,902	27,506
First Data Corporation, 9.875%, 9/24/15	Financial Services	20,500	18,155	16,769
FleetPride Corporation, 11.50%, 10/1/14 "	Transportation	47,500	47,500	45,600
Fox Acquisition Sub LLC, 13.375%, 7/15/16 "	Broadcasting & Entertainment	26,125	25,915	27,170
FPC Holdings, Inc. (FleetPride Corporation), 14.00%, 6/30/15 "	Transportation	37,846	38,047	38,413
General Nutrition Centers, Inc., 10.75%, 3/15/15	Retail	24,500	24,771	25,327
General Nutrition Centers, Inc., L+450, 3/15/14	Retail	12,275	12,242	12,122

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****September 30, 2010****(in thousands)**

INVESTMENTS IN NON-CONTROLLED/NON AFFILIATED PORTFOLIO COMPANIES 149.0%	Industry	Par Amount*	Cost	Fair Value(1)
Subordinated Debt/Corporate Notes (continued)				
Goodman Global Inc., 13.50%, 2/15/16	Manufacturing	\$ 25,000	\$ 25,665	\$ 27,500
Hub International Holdings, 10.25%, 6/15/15 "	Insurance	36,232	34,882	34,964
Intelsat Bermuda Ltd., 11.25%, 2/4/17	Broadcasting & Entertainment	90,000	91,996	97,013
Laureate Education, Inc., 11.75%, 8/15/17 "	Education	53,540	51,677	56,351
LVI Services, Inc., 17.25%, 11/16/12 ***	Environmental	55,560	53,263	5,419
MW Industries, Inc., 14.50%, 5/1/14	Manufacturing	61,876	61,141	65,650
NCO Group Inc., 11.875%, 11/15/14	Consumer Finance	16,630	14,264	15,133
N.E.W. Holdings I, LLC, L+750, 3/23/17	Consumer Services	40,000	40,000	39,700
Nielsen Finance LLC, 0% / 12.50%, 8/1/16	Market Research	61,000	58,029	61,114
Pacific Crane Maintenance Company, L.P., 15.00%, 2/15/14 ***	Machinery	54,070	36,825	703
Playpower Holdings Inc., 15.50%, 12/31/12 "	Leisure Equipment	104,716	104,716	78,013
Ranpak Holdings, Inc., 15.00%, 12/27/15	Packaging	72,753	72,753	72,935
Sorenson Communications, Inc., 10.50%, 2/1/15 "	Consumer Services	32,500	31,949	19,094
SquareTwo Financial Corp. (Collect America, Ltd.), 11.625%, 4/1/17 "	Consumer Finance	53,000	52,123	47,700
The Servicemaster Company, 10.75%, 7/15/15 "	Diversified Service	52,173	50,111	55,673
TL Acquisitions, Inc. (Thomson Learning), 13.25%, 7/15/15 "	Education	72,500	72,270	72,681
TL Acquisitions, Inc. (Thomson Learning), 10.50%, 1/15/15 "	Education	22,000	20,812	21,973
US Foodservice, 10.75%, 6/30/15 "	Beverage, Food & Tobacco	81,543	64,555	83,173
U.S. Renal Care, Inc., 13.25%, 5/24/17	Healthcare	20,132	20,132	20,132
Varietal Distribution, 10.75%, 6/30/17	Distribution	1,127	1,384	1,497
Varietal Distribution, 10.75%, 6/30/17	Distribution	\$ 22,204	21,689	21,605
Total Subordinated Debt/Corporate Notes			\$ 1,786,871	\$ 1,707,017
TOTAL CORPORATE DEBT			\$ 2,649,352	\$ 2,545,051

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)**

September 30, 2010

(in thousands, except shares)

INVESTMENTS IN NON-CONTROLLED/NON AFFILIATED PORTFOLIO COMPANIES	Industry	Par Amount*	Cost	Fair Value(1)
149.0%				
COLLATERALIZED LOAN OBLIGATIONS				
1.3%				
Babson CLO Ltd., Series 2008-2A Class E, L+975, 7/15/18 "	Asset Management	\$ 11,000	\$ 10,126	\$ 10,472
Babson CLO Ltd., Series 2008-1A Class E, L+550, 7/20/18 "	Asset Management	10,150	7,604	7,880
Westbrook CLO Ltd., Series 2006-1A, L+370, 12/20/20 "	Asset Management	11,000	6,779	7,014
TOTAL COLLATERALIZED LOAN OBLIGATIONS			\$ 24,509	\$ 25,366
PREFERRED EQUITY				
1.7%				
AHC Mezzanine LLC (Advanstar) **	Media		\$ 1,063	\$ 304
CA Holding, Inc. (Collect America, Ltd.) Series A **	Consumer Finance	7,961	788	1,592
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 13.50%, 5/12/14	Education	12,360	20,765	21,473
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 12.50% (Convertible)	Education	332,500	5,706	5,706
Varietal Distribution Holdings, LLC, 8.00%	Distribution	3,097	4,008	2,083
TOTAL PREFERRED EQUITY			\$ 32,330	\$ 31,158
EQUITY				
9.3%				
Common Equity/Interests				
8.9%				
AB Capital Holdings LLC (Allied Security)	Business Services	2,000,000	\$ 2,000	\$ 2,130
Accelerate Parent Corp. (American Tire)	Distribution	312,500	3,125	3,800
A-D Conduit Holdings, LLC (Duraline) **	Telecommunications	2,778	2,778	3,848
Altegrity Holding Corp.	Diversified Service	353,399	13,797	13,797
CA Holding, Inc. (Collect America, Ltd.) Series A **	Consumer Finance	25,000	2,500	396
CA Holding, Inc. (Collect America, Ltd.) Series AA **	Consumer Finance	4,294	429	859
Clothesline Holdings, Inc. (Angelica) **	Healthcare	6,000	6,000	7,515
Explorer Coinvest LLC (Booz Allen)	Consulting Services	430	4,300	9,963
FSC Holdings Inc. (Hanley Wood LLC) **	Media	10,000	10,000	
Garden Fresh Restaurant Holding, LLC **	Retail	50,000	5,000	9,588
Gryphon Colleges Corporation (Delta Educational Systems, Inc.) **	Education	17,500	175	1,705
GS Prysmian Co-Invest L.P. (Prysmian Cables & Systems)(5,6)	Industrial			256
LVI Acquisition Corp. (LVI Services, Inc.) **	Environmental	6,250	2,500	
MEG Energy Corp.(7)	Oil & Gas	2,176,722	55,006	76,069

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****September 30, 2010****(in thousands, except shares and warrants)**

INVESTMENTS IN NON-CONTROLLED/NON AFFILIATED PORTFOLIO COMPANIES 149.0%	Industry	Shares	Cost	Fair Value(1)
Common Equity/Interests (continued)				
New Omaha Holdings Co-Invest LP (First Data) **	Financial Services	13,000,000	\$ 65,000	\$ 18,555
PCMC Holdings, LLC (Pacific Crane) **	Machinery	50,000	4,000	
Penton Business Media Holdings, LLC	Media	124	4,950	4,950
Pro Mach Co-Investment, LLC **	Machinery	150,000	1,500	3,570
RC Coinvestment, LLC (Ranpak Corp.) **	Packaging	50,000	5,000	6,470
Sorenson Communications Holdings, LLC Class A	Consumer Services	454,828	45	2,010
Varietal Distribution Holdings, LLC Class A **	Distribution	28,028	28	
Total Common Equity/Interests			\$ 188,133	\$ 165,481
Warrants				
Warrants 0.4%				
CA Holding, Inc. (Collect America, Ltd.), Common **	Consumer Finance	7,961	\$ 8	
Fidji Luxco (BC) S.C.A., Common (FCI) (5) **	Electronics	48,769	491	\$ 4,366
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Common **	Education	9,820	98	957
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class A-1 Preferred **	Education	45,947	459	788
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class B-1 Preferred **	Education	104,314	1,043	1,788
Total Warrants			\$ 2,099	\$ 7,899
TOTAL EQUITY			\$ 190,232	\$ 173,380
Total Investments in Non-Controlled/ Non-Affiliated Portfolio Companies			\$ 2,896,423	\$ 2,774,955

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)**

September 30, 2010

(in thousands, except shares and warrants)

INVESTMENTS IN NON-CONTROLLED/AFFILIATED

	Industry	Par Amount*	Cost	Fair Value(1)
PORTFOLIO COMPANIES 5.5%(8)				
CORPORATE DEBT 4.4%				
BANK DEBT/SENIOR SECURED LOANS 3.8%(2)				
1st Lien Bank Debt/Senior Secured Loans 0.1%				
Gray Wireline Service, Inc., 10/22/12	Oil & Gas	\$ 1,000	\$ 1,000	\$ 1,000
2nd Lien Bank Debt/Senior Secured Loans 3.7%				
Gray Wireline Service, Inc., 14.00%, 10/22/12	Oil & Gas	\$ 78,039	\$ 78,039	\$ 69,455
TOTAL BANK DEBT/SENIOR SECURED LOANS			\$ 79,039	\$ 70,455
Subordinated Debt/Corporate Notes 0.6%				
DSI Renal Inc., 17.00%, 4/7/14	Healthcare	\$ 10,419	\$ 10,419	\$ 10,862
TOTAL CORPORATE DEBT			\$ 89,458	\$ 81,317
Shares				
EQUITY 1.1%				
Common Equity/Interests 0.8%				
CDSI I Holding Company, Inc. (DSI Renal Inc.)	Healthcare	9,303	\$ 9,300	\$ 16,286
Gray Energy Services, LLC Class H (Gray Wireline) **	Oil & Gas	1,081	2,000	
Total Common Equity/Interests			\$ 11,300	\$ 16,286
Warrants				
Warrants 0.3%				
CDSI I Holding Company, Inc. Series A (DSI Renal Inc.)	Healthcare	2,031	\$ 773	\$ 1,635
CDSI I Holding Company, Inc. Series B (DSI Renal Inc.)	Healthcare	2,031	645	1,421
CDSI I Holding Company, Inc. (DSI Renal Inc.) §	Healthcare	6,093,750	1,002	2,112
Gray Holdco, Inc. (Gray Wireline)	Oil & Gas	3,559		
Total Warrants			\$ 2,420	\$ 5,168
TOTAL EQUITY			\$ 13,720	\$ 21,454
Total Investments in Non-Controlled/Affiliated Portfolio Companies			\$ 103,178	\$ 102,771

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****September 30, 2010****(in thousands, except shares)****INVESTMENTS IN CONTROLLED**

PORTFOLIO COMPANIES	4.0%(9)	Industry	Shares	Cost	Fair Value(1)
Preferred Equity 0.0%					
Grand Prix Holdings, LLC Series A, 12.00% (Innkeepers USA)(10)		Hotels, Motels, Inns & Gaming	2,989,431	\$ 101,346	\$

EQUITY					
Common Equity/Interests 4.0%					
AIC Credit Opportunity Fund LLC(11)		Asset Management		\$ 71,741	\$ 67,587
Generation Brands Holdings, Inc. (Quality Home Brands)		Consumer Products	750		111
Generation Brands Holdings, Inc. Series H (Quality Home Brands)		Consumer Products	7,500	2,297	1,111
Generation Brands Holdings, Inc. Series 2L (Quality Home Brands)		Consumer Products	36,700	11,242	5,435
Grand Prix Holdings, LLC (Innkeepers USA)(10) **		Hotels, Motels, Inns & Gaming	17,335,834	172,664	
Total Common Equity/Interests				\$ 257,944	\$ 74,244
TOTAL EQUITY				\$ 257,944	\$ 74,244
Total Investments in Controlled Portfolio Companies				\$ 359,290	\$ 74,244
Total Investments 158.5%(12)				\$ 3,358,891	\$ 2,951,970
Liabilities in Excess of Other Assets (58.5%)					(1,089,656)
Net Assets 100.0%					\$ 1,862,314

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****September 30, 2010****(in thousands)**

- (1) Fair value is determined in good faith by or under the direction of the Board of Directors of the Company (see note 2).
- (2) Includes floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the LIBOR (London Inter-bank Offered Rate), EURIBOR (Euro Inter-bank Offered Rate), GBP LIBOR (London Inter-bank Offered Rate for British Pounds), or the prime rate. At September 30, 2010, the range of interest rates on floating rate bank debt was 4.77% to 11.75%.
- (3) Position is held across five US Dollar-denominated tranches with varying yields.
- (4) Position is held across three Euro-denominated tranches with varying yields.
- (5) Denominated in Euro ().
- (6) The Company is the sole Limited Partner in GS Prysmian Co-Invest L.P.
- (7) Denominated in Canadian dollars.
- (8) Denotes investments in which we are an Affiliated Person, as defined in the 1940 Act, due to owning, controlling, or holding the power to vote, 5% or more of the outstanding voting securities of the investment. Transactions during the six months ended September 30, 2010 in these Affiliated investments are as follows:

Name of Issuer	Fair Value at March 31, 2010	Gross Additions	Gross Reductions	Interest/Dividend Income	Fair Value at September 30, 2010
Gray Wireline Service, Inc. 1 st Out	\$ 1,000	\$	\$	\$ 41	\$ 1,000
Gray Wireline Service, Inc. 2 nd Out	59,251	485		5,437	69,455
DSI Renal, Inc., 17.00%	10,057	559		864	10,862
CDSI I Holding Company, Inc. Common Equity	10,206				16,286
Gray Energy Services, LLC Class H Common Equity					
CDSI I Holding Company, Inc. Series A Warrant	854				1,635
CDSI I Holding Company, Inc. Series B Warrant	693				1,421
CDSI I Holding Company, Inc. Contingent Payment Agreement	1,075				2,112
Gray Holdco, Inc. Warrant					
	\$ 83,136	\$ 1,044	\$	\$ 6,342	\$ 102,771

- (9) 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 controlled companies, more than 25% of the outstanding voting securities of the investment. Transactions during the six months ended September 30, 2010 in these Controlled investments are as follows:

Name of Issuer	Fair Value at March 31, 2010	Gross Additions	Gross Reductions	Interest/Dividend Income	Fair Value at September 30, 2010
Grand Prix Holdings, LLC Series A Preferred	\$ 5,268	\$	\$	\$	\$
AIC Credit Opportunity Fund LLC Common Equity (10)	73,514	1,700		6,031	67,587
Generation Brands Holdings, Inc. Common Equity	230				111
Generation Brands Holdings, Inc. Series H Common Equity	2,297				1,111
Generation Brands Holdings, Inc. Series 2L Common Equity	11,242				5,435
Grand Prix Holdings, LLC Common Equity					

\$	92,551	\$	1,700	\$	6,031	\$	74,244
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See notes to financial statements.

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APOLLO INVESTMENT CORPORATION
SCHEDULE OF INVESTMENTS (unaudited) (continued)
September 30, 2010
(in thousands)

The Company has a 99%, 100%, and 27% equity ownership interest in Grand Prix Holdings LLC, AIC Credit Opportunity Fund LLC, and Generation Brands Holdings, Inc., respectively.

(10) See note 14.

(11) See note 6.

(12) Aggregate gross unrealized appreciation for federal income tax purposes is \$154,231; aggregate gross unrealized depreciation for federal income tax purposes is \$531,489. Net unrealized depreciation is \$377,258 based on a tax cost of \$3,329,228.

.. 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.

* Denominated in USD unless otherwise noted.

** Non-income producing security

*** Non-accrual status (see note 2m)

Denote 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, differing interest rate characteristics, among other factors. Such factors are usually considered in the determination of fair values.

§ Position reflects a contingent payment agreement.

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)**

Industry Classification	Percentage of Total Investments (at fair value) as of September 30, 2010
Diversified Service	10.2%
Education	9.6%
Healthcare	7.1%
Business Services	7.0%
Retail	5.9%
Insurance	5.1%
Packaging	5.1%
Oil & Gas	5.0%
Broadcasting & Entertainment	4.3%
Grocery	3.5%
Financial Services	3.3%
Manufacturing	3.2%
Asset Management	3.1%
Leisure Equipment	3.0%
Telecommunications	2.8%
Transportation	2.8%
Beverage, Food & Tobacco	2.8%
Distribution	2.2%
Consumer Finance	2.2%
Market Research	2.1%
Electronics	2.1%
Consumer Services	2.1%
Industrial	1.4%
Logistics	1.3%
Environmental	1.0%
Consulting Services	1.0%
Consumer Products	0.5%
Media	0.2%
Machinery	0.1%
Hotels, Motels, Inns & Gaming	0.0%
Publishing	0.0%
Total Investments	100.0%

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS****March 31, 2010****(in thousands)**

INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED PORTFOLIO COMPANIES 151.1%	Industry	Par Amount*	Cost	Fair Value(1)
CORPORATE DEBT 137.2%				
Bank Debt/Senior Secured Loans 44.2%(2)				
1st Lien Bank Debt/Senior Secured Loans 1.2%				
ATI Acquisition Company, 12/30/14	Education	\$ 18,454	\$ 17,743	\$ 18,038
FoxCo Acquisition Sub LLC, 7/14/15	Broadcasting & Entertainment	3,905	3,493	3,788
Total 1st Lien Bank Debt/Senior Secured Loans			\$ 21,236	\$ 21,826
2nd Lien Bank Debt/Senior Secured Loans 43.0%				
AB Acquisitions UK Topco 2 Limited (Alliance Boots), 7/9/16	Retail	£ 11,400	\$ 19,983	\$ 15,321
AB Acquisitions UK Topco 2 Limited (Alliance Boots), 7/9/16	Retail	3,961	5,499	4,749
American Safety Razor Company, LLC, 1/30/14	Consumer Products	\$ 1,000	774	625
Asurion Corporation, 7/3/15	Insurance	148,300	147,019	147,605
BNY ConvergEx Group, LLC, 4/2/14	Business Services	83,229	80,722	83,229
C.H.I. Overhead Doors, Inc., 13.00%, 10/22/11	Building Products	15,000	15,012	15,000
Clean Earth, Inc., 13.00%, 8/1/14	Environmental	25,000	25,000	24,875
Datatel, Inc., 12/9/16	Education	20,000	19,923	20,350
Dresser, Inc., 5/4/15	Industrial	62,938	62,656	60,289
Educate, Inc., 6/14/14	Education	10,000	10,000	9,400
Garden Fresh Restaurant Corp., 12/22/11	Retail	33,600	32,880	33,600
Generics International, Inc., 4/30/15	Healthcare	20,000	19,931	20,000
Infor Enterprise Solutions Holdings, Inc., Tranche B-1, 3/2/14	Business Services	5,000	5,000	3,925
Infor Enterprise Solutions Holdings, Inc., 3/2/14	Business Services	15,000	14,883	12,581
Infor Global Solutions European Finance S.á.R.L., 3/2/14	Business Services	6,210	8,263	6,722
IPC Systems, Inc., 6/1/15	Telecommunications	\$ 44,250	41,165	37,613
Kronos, Inc., 6/11/15	Electronics	60,000	60,000	56,820
Ozburn-Hessey Holding Company LLC, 10/8/16	Logistics	35,000	35,000	35,000
Ranpak Corp., 12/27/14(3)	Packaging	43,550	37,564	43,165
Ranpak Corp., 12/27/14(4)	Packaging	21,970	27,074	29,464

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)**

March 31, 2010

(in thousands)

INVESTMENTS IN NON-CONTROLLED/NON-

AFFILIATED PORTFOLIO COMPANIES 151.1%	Industry	Par Amount*	Cost	Fair Value(1)
2nd Lien Bank Debt/Senior Secured Loans (continued)				
Sheridan Holdings, Inc., 6/15/15	Healthcare	\$ 67,847	\$ 66,948	\$ 67,169
TransFirst Holdings, Inc., 6/15/15	Financial Services	36,632	35,687	33,519
Total 2nd Lien Bank Debt/Senior Secured Loans			\$ 770,983	\$ 761,021
TOTAL BANK DEBT/SENIOR SECURED LOANS			\$ 792,219	\$ 782,847
Subordinated Debt/Corporate Notes 93.0%				
AB Acquisitions UK Topco 2 Limited (Alliance Boots), GBP L+650, 7/9/17	Retail	£ 40,847	\$ 79,172	\$ 56,817
Advantage Sales & Marketing, Inc., 12.00%, 3/29/14	Grocery	\$ 32,535	32,164	32,860
Allied Security Holdings LLC, 13.75%, 8/21/15	Business Services	20,000	19,661	20,500
Altegrity Inc., 11.75%, 5/1/16 "	Diversified Service	14,639	9,716	13,644
Altegrity Inc., 10.50%, 11/1/15 "	Diversified Service	13,475	11,852	12,693
Angelica Corporation, 15.00%, 2/4/14	Healthcare	60,000	60,000	64,260
ATI Acquisition Company, L+1100, 12/30/15	Education	38,500	37,750	38,115
BNY ConvergEx Group, LLC, 14.00%, 10/2/14	Business Services	42,730	35,913	44,140
Booz Allen Hamilton Inc., 13.00%, 7/31/16	Consulting Services	23,435	23,109	24,197
Catalina Marketing Corporation, 11.625%, 10/1/17 "	Grocery	42,175	40,997	45,549
Catalina Marketing Corporation, 10.50%, 10/1/15 "	Grocery	5,000	5,094	5,300
Ceridian Corp., 13.00%, 11/15/15	Diversified Service	53,250	53,250	52,185
Ceridian Corp., 11.25%, 11/15/15	Diversified Service	36,000	35,246	34,740
Cidron Healthcare C S.á.R.L. (Convatec) E+950, 8/1/17	Healthcare	8,033	12,547	10,923
Delta Educational Systems, Inc., 14.20%, 5/12/13	Education	\$ 19,517	19,120	19,713
Dura-Line Merger Sub, Inc., 14.00%, 9/22/14	Telecommunications	42,363	41,792	42,787
European Directories (DH5) B.V., 15.735%, 7/1/16 ***	Publishing	3,452	4,475	
European Directories (DH7) B.V., E+950, 7/1/15 ***	Publishing	17,454	21,846	5,810
First Data Corporation, 11.25%, 3/31/16	Financial Services	\$ 40,000	33,801	33,500
First Data Corporation, 9.875%, 9/24/15	Financial Services	45,500	40,129	39,244
FleetPride Corporation, 11.50%, 10/1/14 "	Transportation	47,500	47,500	46,075
FoxCo Acquisition Sub LLC, 13.375%, 7/15/16 "	Broadcasting & Entertainment	25,250	25,034	25,250
FPC Holdings, Inc. (FleetPride Corporation), 14.00%, 6/30/15 "	Transportation	37,846	37,429	35,575

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION
SCHEDULE OF INVESTMENTS (continued)
March 31, 2010
(in thousands)

INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED PORTFOLIO COMPANIES 151.1%	Industry	Par Amount*	Cost	Fair Value(1)
Subordinated Debt/Corporate Notes (continued)				
General Nutrition Centers, Inc., L+450, 3/15/14	Retail	\$ 12,275	\$ 12,149	\$ 11,630
General Nutrition Centers, Inc., 10.75%, 3/15/15	Retail	24,500	24,906	25,113
Goodman Global Inc., 13.50%, 2/15/16	Manufacturing	25,000	25,518	28,000
Hub International Holdings, 10.25%, 6/15/15 "	Insurance	33,732	32,498	32,214
Intelsat Bermuda Ltd., 11.25%, 2/4/17	Broadcasting & Entertainment	75,000	77,335	79,469
Laureate Education, Inc., 11.75%, 8/15/17 "	Education	53,540	51,133	56,217
LVI Services, Inc., 17.25%, 11/16/12	Environmental	51,061	51,061	15,000
MW Industries, Inc., 14.50%, 5/1/14	Manufacturing	61,186	60,375	62,471
NCO Group Inc., 11.875%, 11/15/14	Consumer Finance	22,630	18,974	21,758
N.E.W. Holdings I, LLC, L+750, 3/23/17	Consumer Services	40,000	40,000	39,600
Nielsen Finance LLC, 0% / 12.50%, 8/1/16 Pacific C	Market Research	61,000	54,275	58,255