APOLLO INVESTMENT CORP
Form 497
January 04, 2007
Table of Contents

The information in this prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. This prospectus supplement is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 497(e)

File No. 333-124007

Subject to completion, dated January 4, 2007

Prospectus Supplement

To the Prospectus dated September 20, 2006

16,000,000 shares

Common stock

$ per share

Apollo Investment Corporation is an externally managed closed-end, non-diversified management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940, or 1940 Act. Our investment objective is to generate both current income and capital appreciation through debt and equity investments.

We are offering for sale 16,000,000 shares of our common stock. We have granted the underwriters a 30-day option to purchase up to 2,400,000 additional shares of our common stock at the public offering price, less the underwriting discounts and commissions, to cover over-allotments.

Our common stock is traded on the Nasdaq Global Select Market under the symbol AINV . The last reported closing price for our common stock on January 3, 2007 was $22.71 per share.

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in our securities. Please read it before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission. This information is available free of charge by contacting us at 9 West 57th Street, New York, New York 10019, or by calling us at (212) 515-3450. The Securities and Exchange Commission maintains a website at www.sec.gov where such information is available without charge upon written or oral request. Our Internet website address is *www.apolloic.com.* Information contained on our website is not incorporated by reference into this prospectus and you should not consider information contained on our website to be part of this prospectus.

Investing in our securities involves a high degree of risk, including the risk of the use of leverage. Before buying any securities, you should read the discussion of the material risks of investing in our securities in Risk Factors beginning on page 4 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission, nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per share	Total
Public Offering Price	$	$
Sales Load (Underwriting Discounts and Commissions)		
Proceeds to Apollo Investment Corporation (before estimated expenses of $650,000)		

The underwriters expect to deliver the shares to purchasers on or about , 2007.

JPMorgan	**Citigroup**	**Banc of America Securities LLC**	**Bear, Stearns & Co. Inc.**
Wachovia Securities	**SunTrust Robinson Humphrey**	**RBC Capital Markets**	**BMO Capital Markets**
UBS Investment Bank	**Merrill Lynch & Co.**	**Stifel Nicolaus**	**Keefe, Bruyette & Woods**

Table of Contents

You should rely only on the information contained in this prospectus supplement and the accompanying base prospectus, which we refer to collectively as the prospectus. We have not authorized anyone to provide you with additional information, or information different from that contained in this prospectus. If anyone provides you with different or additional information, you should not rely on it. We are offering to sell, and seeking offers to buy, securities only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the date of this prospectus supplement or such prospectus. Our business, financial condition, results of operations and prospects may have changed since then.

PROSPECTUS SUPPLEMENT

TABLE OF CONTENTS

Fees and Expenses	S-1
The Company	S-3
Recent Developments	S-6
Use of Proceeds	S-7
Price Range of Common Stock	S-8
Selected Condensed Financial and Other Data	S-9
Capitalization	S-10
Forward-looking Statements	S-11
Interim Management s Discussion and Analysis of Financial Condition and Results of Operations	S-12
Underwriting	S-20
Legal Matters	S-23
Independent Registered Public Accountants	S-23
Interim Financial Statements	S-24
Review Report of Independent Registered Public Accounting Firm	S-42
Notice Regarding Independent Registered Public Accounting Firm s Review Report	S-43

Table of Contents

PROSPECTUS

TABLE OF CONTENTS

Prospectus Summary	ii
Fees and Expenses	1
Risk Factors	4
Use of Proceeds	17
Dividends	18
Selected Condensed Consolidated Financial Data	19
Forward-looking Statements	21
Management s Discussion and Analysis of Financial Condition and Results of Operations	22
Price Range of Common Stock	31
Business	32
Management	43
Compensation of Directors and Officers	46
Certain Relationships	55
Control Persons and Principal Stockholders	56
Portfolio Companies	57
Determination of Net Asset Value	64
Dividend Reinvestment Plan	65
Material U.S. Federal Income Tax Considerations	66
Description of Our Capital Stock	72
Description of Our Preferred Stock	79
Description of Our Warrants	80
Description of Our Debt Securities	81
Regulation	94
Custodian, Transfer and Dividend Paying Agent, Registrar and Trustee	99
Brokerage Allocation and Other Practices	99
Plan of Distribution	100
Legal Matters	101
Independent Registered Public Accountants	101
Available Information	101
Index to Financial Statements	F-1

Table of Contents

FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that an investor in shares of our common stock will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by you, us or Apollo Investment, or that we will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in Apollo Investment.

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	4.25%(1)
Offering expenses borne by us (as a percentage of offering price)	0.18%(2)
Total stockholder transaction expenses (as a percentage of offering price)	4.43%(3)
Estimated annual expenses (as percentage of net assets attributable to common shares) (4):	
Management fees	2.44%(5)
Incentive fees payable under investment advisory and management agreement (20% of pre-incentive fee net investment income and 20% of net realized capital gains, net of gross unrealized capital losses)	2.19%(6)
Other expenses	0.39%(7)
Total annual expenses as a percentage of net assets excluding interest (estimated)	5.02%
Interest and other credit facility related expenses on borrowed funds	2.34%(8)
Total annual expenses as a percentage of net assets including interest (estimated)	7.36%(5)(6)(7)(8)

(1) *Represents the underwriting discounts and commissions with respect to the shares to be sold by us in this offering. We have agreed to pay the underwriters additional underwriting discounts and commissions, at our discretion, of up to 0.25% of the offering price. If we were to pay this incentive underwriting discount and commission in full, total underwriting discounts and commissions would increase by $908,400 and the sales load and total stockholder transaction expenses as a percentage of the offering price would be equal to 4.5% and 4.68%, respectively.*

(2) *Assumes a public offering price of $22.71, which was the last reported sales price for our common stock on January 3, 2007.*

(3) *The expenses of the dividend reinvestment plan are included in Other expenses.*

(4) *Net assets attributable to common shares equals net assets as of September 30, 2006 plus the anticipated net proceeds from this offering.*

The SEC requires that Total Annual Expenses be calculated as a percentage of net assets in the above chart rather than as a percentage of total assets. Total assets includes net assets as of September 30, 2006, anticipated net proceeds from this offering and assets that have been funded with borrowed monies (leverage). For reference, the below chart illustrates our Total annual expenses as a percentage of total assets:

Estimated annual expenses (as percentage of total assets):	
Management fees	2.00%(5)
Incentive fees payable under investment advisory and management agreement (20% of pre-incentive fee net investment income and 20% of net realized capital gains, net of gross unrealized capital losses)	1.19%(6)
Other expenses	0.21%(7)
Total annual expenses as a percentage of total assets excluding interest (estimated)	3.40%
Interest and other credit facility related expenses on borrowed funds	1.27%(8)
Total annual expenses as a percentage of total assets including interest (estimated)	4.67%(5)(6)(7)(8)

Table of Contents

(5) *The contractual management fee is calculated at an annual rate of 2.00% of our average total assets. Annual expenses are based on current fiscal year estimates. For more detailed information about our computation of average total assets, please see Note 9 of our interim financial statements dated September 30, 2006 included in this prospectus supplement.*

(6) *These performance-based incentive fees are based on current fiscal year estimates. These fees are subject to change as they are based on our performance and will not be earned unless we achieve certain goals. For more detailed information about incentive fees previously incurred by us, please see Note 3 of our interim financial statements dated September 30, 2006 included in this prospectus supplement. For a more detailed discussion of the calculation of these fees, see Compensation of Directors and Officers Investment Advisory and Management Agreement in the accompanying prospectus.*

(7) *Includes our estimated overhead expenses, including payments under the administration agreement based on our estimated allocable portion of overhead and other expenses incurred by Apollo Administration in performing its obligations under the administration agreement. See Compensation of Directors and Officers Administration Agreement in the accompanying prospectus.*

(8) *Our interest and other credit facility expenses are based on current fiscal year estimates. We currently have $1.25 billion available under our credit facility, of which we had $660 million in borrowings outstanding as of September 30, 2006. For more information, see Risk Factors We fund a portion of our investments with borrowed money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us in the accompanying prospectus and Interim Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in this prospectus supplement.*

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. These dollar amounts are based upon payment by an investor of a 4.25% sales load (underwriting discounts and commissions) and the assumption that our annual operating expenses and leverage would remain at the levels set forth in the table above (other than performance-based incentive fees).

	1 year	3 years	5 years	10 years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$94	$192	$290	$534

While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. Assuming a 5% annual return, the incentive fee under the investment advisory and management agreement would not be earned or payable and is not included in the example. This illustration assumes that we will not realize any capital gains computed net of all realized capital losses and gross unrealized capital depreciation in any of the indicated time periods. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses, and returns to our investors, would be higher. In addition, while the example assumes reinvestment of all dividends and distributions at net asset value, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the dividend. See Dividend Reinvestment Plan in the accompanying prospectus for additional information regarding our dividend reinvestment plan.

This example and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses may be greater or less than those shown.

Table of Contents

THE COMPANY

This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read carefully the more detailed information set forth under Risk Factors and the other information included in this prospectus supplement and the accompanying prospectus. In this prospectus supplement and the accompanying prospectus, except where the context suggests otherwise, the terms we, us, our, Apollo Investment and the Company refer to Apollo Investment Corporation; Apollo Investment Management or investment adviser refers to Apollo Investment Management, L.P.; Apollo Administration or AIA refers to Apollo Investment Administration, LLC; and Apollo refers to the affiliated companies of Apollo Investment Management, L.P.

Apollo Investment

Apollo Investment Corporation, a Maryland corporation, is a closed-end, non-diversified management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940. In addition, for tax purposes we have elected to be treated as a regulated investment company, or RIC, under the Internal Revenue Code of 1986.

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We intend to invest primarily in middle-market companies in the form of mezzanine and senior secured loans, as well as by making direct equity investments in such companies. From time to time, we may also invest in public companies whose securities are thinly traded.

Our portfolio is comprised primarily of investments in long-term subordinated loans, referred to as mezzanine loans, and senior secured loans of private middle-market companies, and from time to time include equity interests such as common stock, warrants or options. Our targeted investment typically ranges between $20 million and $150 million, although this investment size may vary proportionately as the size of our capital base changes. In this prospectus, we typically use the term middle-market to refer to companies with annual revenues between $50 million and $1 billion.

We believe that the size of the middle-market, coupled with the demands of these companies for flexible sources of capital, continue to create an attractive investment environment for Apollo Investment. We believe that traditional financing sources have de-emphasized their service and product offerings to middle-market businesses in recent years in favor of lending to large corporate clients and managing capital markets transactions. In addition, while many middle-market companies were formerly able to raise funds by issuing high-yield bonds, we believe this approach to financing has become more difficult as institutional investors have sought to invest in larger, more liquid offerings. As evidence of this trend, the average deal size in the high-yield market (including public and 144A debt (including add-ons)) has grown from approximately $164 million in 1997 to almost $452 million in the nine-month period ended September 30, 2006 and, in the nine-month period ended September 30, 2006, approximately 2% of the high-yield issues raised less than $100 million. Therefore, we believe that there is a continued opportunity to invest in mezzanine and senior secured loans of middle-market companies and that we are well positioned to serve this market.

Apollo Investment Management and its affiliates manage other funds that may have investment mandates that are similar, in whole or in part, with ours. Apollo Investment Management 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, Apollo Investment Management may determine that we should invest on a side-by-side basis with one or more other funds. We do not anticipate making an initial investment in any portfolio company in which Apollo or any affiliate has a pre-existing investment. We may 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 if we receive an order from the SEC permitting us to do so. There can be no assurance that any such order will be obtained.

Table of Contents

At September 30, 2006, our net portfolio consisted of 51 portfolio companies with a fair value of $2.0 billion and was invested 64% in subordinated debt, 3% in preferred equity, 8% in common equity and 25% in senior secured loans versus 39 portfolio companies invested 57% in subordinated debt, 5% in common equity and 38% in senior secured loans at September 30, 2005. As of September 30, 2006, our average investment size was approximately $40 million.

The weighted average yields on our subordinated debt portfolio, senior secured loan portfolio and total debt portfolio were 13.5%, 12.8% and 13.3%, respectively, at September 30, 2006. Yields are computed using interest rates as of the balance sheet date and include amortization of loan origination fees, original issue discount and market premium or discount, weighted by their respective costs when averaged.

While our primary focus is to generate both current income and capital appreciation through investments in loans, we may invest a portion of the portfolio in opportunistic investments in order to seek to enhance returns to stockholders. Such investments may include investments in high-yield bonds, distressed debt, foreign securities, private equity or securities of public companies that are not thinly traded. We expect that these public companies generally will have debt securities that are not investment grade.

About Apollo

Founded in 1990, Apollo is a recognized leader in private equity investing, having invested more than $13 billion in over 150 companies since its founding. Since its inception, Apollo has raised in excess of $25 billion in capital, primarily from institutional investors. Apollo traditionally has focused on companies that it believes are undervalued yet have successful business models, strong cash flows and prospects for value creation. The Apollo investment professionals disciplined, value-oriented strategy has sought to identify opportunities in all investment environments, selecting from a range of approaches, such as traditional or corporate partner buyouts, distressed debt buyouts or more liquid, non-control distressed debt investments. The Apollo investment professionals have sought through this strategy to provide investors with attractive returns while minimizing the risk of capital loss throughout economic cycles.

Apollo s active private investment funds focus on making either control-oriented equity investments of $200 million or more or distressed debt investments, either for control or non-control positions. In contrast, we seek to capitalize on the significant investment opportunities emerging in the mezzanine segment of the lending market for middle-market companies, which we believe offers the potential for attractive risk-adjusted returns.

About Apollo Investment Management

Apollo Investment Management, our investment adviser, is led by a dedicated team of 13 investment professionals and is further supported by Apollo s team of over 60 investment professionals. This team has invested approximately $2.8 billion in 73 companies in transactions with 54 different financial sponsors since commencement of operations in April 2004. In addition, Apollo Investment Management expects to hire additional investment professionals in the future. Apollo Investment Management s investment committee currently consists of John J. Hannan, our Chairman and Chief Executive Officer and a managing partner of Apollo Investment Management; James Zelter, our President and Chief Operating Officer and a managing partner of Apollo s capital markets business, which includes Apollo Investment Management; Patrick J. Dalton, our Executive Vice President and a partner of Apollo Investment Management; Edward Tam, our Executive Vice President and a partner of Apollo Investment Management and Jose Briones, a partner of Apollo Investment Management. The composition of the investment committee of Apollo Investment Management may change from time to time.

Apollo Investment Management draws upon Apollo s 16-year history and benefits from the Apollo investment professionals significant capital markets, trading and research expertise developed through investments in 23 different industries and over 150 companies in the United States and Western Europe.

Table of Contents

About Apollo Investment Administration

In addition to furnishing us with office facilities, equipment, and clerical, bookkeeping and record keeping services, Apollo Investment Administration also oversees our financial records as well as the preparation of our reports to stockholders and reports filed with the SEC. AIA oversees the determination and publication of our net asset value, oversees the preparation and filing of our tax returns, and generally monitors the payment of our expenses and the performance of administrative and professional services rendered to us by others. Furthermore, AIA provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance.

Our Corporate Information

Our administrative and principal executive offices are located at 9 West 57th Street, New York, NY 10019. Our common stock is quoted on The Nasdaq Global Select Market under the symbol AINV. Our Internet website address is *www.apolloic.com*. Information contained on our website is not incorporated by reference into this prospectus and you should not consider information contained on our website to be part of this prospectus.

Table of Contents

RECENT DEVELOPMENTS

On October 25, 2006, the SEC adopted certain changes to the definition of eligible portfolio companies under the Investment Company Act of 1940, as amended. In light of the SEC s rule change, the risk factor included in the accompanying prospectus entitled Our ability to invest in private companies may be limited in certain circumstances no longer applies to the Company.

On November 2, 2006, John J. Suydam was elected Chief Legal Officer and Vice President of the Company.

On November 30, 2006, we announced that James Zelter, a member of the investment committee of Apollo Investment Management, was elected President and Chief Operating Officer of the Company, succeeding Arthur Penn. Arthur Penn, our former President and Chief Operating Officer, resigned from the Company, effective on November 30, 2006. Also, on November 30, 2006, we announced that Patrick Dalton and Edward Tam were elected Executive Vice Presidents of the Company.

On December 7, 2006, we announced that our Board of Directors had declared its third fiscal quarter dividend of $0.50 per share, which was payable on December 28, 2006 to shareholders of record as of December 21, 2006.

On December 29, 2006, we announced that Martin E. Franklin resigned from our Board of Directors as a result of the conflict created by his recent election as Chairman of the Board of Directors of Freedom Acquisitions Holding, Inc., a special purpose acquisition company. Mr. Franklin served as chairman of the Audit Committee of our Board and as a member of our Board s Nominating and Corporate Governance Committee prior to his resignation.

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the 16,000,000 shares of our common stock that we are offering, after deducting the underwriting discounts and commissions and estimated expenses of this offering payable by us, will be approximately $347.3 million (or $399.5 million, if the over-allotment is exercised in full), based upon a public offering price of $22.71 per share based on the closing price of our stock as of January 3, 2007. An increase (or decrease) in the public offering price from the assumed public offering price of $1.00 would increase (or decrease) net proceeds from this offering, after deducting underwriting discounts and commissions, by approximately $15.3 million. We have agreed to pay the underwriters additional underwriting discounts and commissions, at our discretion, of up to 0.25% of the offering price. If we were to pay this incentive underwriting discount and commission in full, the net proceeds of the offering to us will be approximately $346.4 million (or $398.4 million, if the over-allotment option is exercised in full). We may change the size of this offering based on demand and market conditions. We expect to use the net proceeds from selling shares of our common stock to repay indebtedness owed under our senior credit facility, to make investments in portfolio companies in accordance with our investment objective and for general corporate purposes.

At September 30, 2006, we had approximately $660 million outstanding under our senior credit facility. Our senior credit facility matures on April 13, 2011 and bears interest at an annual rate of LIBOR plus 100 basis points on the outstanding balance. Borrowings under our senior credit facility were used to fund investments in portfolio companies and for general corporate purposes. Amounts repaid under our senior credit facility will remain available for future borrowings.

Table of Contents

PRICE RANGE OF COMMON STOCK

Our common stock is quoted on The Nasdaq Global Select Market under the symbol AINV . The following table lists the high and low closing prices for our common stock, the closing price as a percentage of net asset value, or NAV, and quarterly dividends per share since our initial public offering in April 2004. On January 3, 2007, the last reported closing price of our common stock was $22.71 per share.

		Closing Price				
	NAV (1)	High	Low	Premium of High Sales Price to NAV (2)	Premium or Discount of Low Sales Price to NAV (2)	Declared Dividends
Fiscal Year Ending March 31, 2007						
First Fiscal Quarter	$15.59	$19.39	$17.74	124%	114%	$0.450
Second Fiscal Quarter	$16.14	$20.81	$17.96	129%	111%	$0.470
Third Fiscal Quarter	*	$23.27	$20.56	*	*	$0.500
Fourth Fiscal Quarter (through January 3, 2007)	*	$22.71	$22.71	*	*	
Fiscal Year Ending March 31, 2006						
First Fiscal Quarter	$14.19	$18.75	$15.66	132%	110%	$0.310
Second Fiscal Quarter	$14.29	$20.40	$17.63	143%	123%	$0.430
Third Fiscal Quarter	$14.41	$19.97	$17.92	139%	124%	$0.440
Fourth Fiscal Quarter	$15.15	$19.51	$17.81	129%	118%	$0.450
Fiscal Year Ending March 31, 2005						
First Fiscal Quarter (period from April 8, 2004 (3) to June 30, 2004)	$14.05	$15.25	$12.83	109%	91%	
Second Fiscal Quarter	$14.10	$14.57	$13.06	103%	93%	$0.045
Third Fiscal Quarter	$14.32	$15.13	$13.43	106%	94%	$0.180
Fourth Fiscal Quarter	$14.27	$17.62	$14.93	123%	105%	$0.260

(1) NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low sales prices. The NAVs shown are based on outstanding shares at the end of each period.
(2) Calculated as of the respective high or low closing sales price divided by the quarter end NAV.
(3) Commencement of operations.
* Net asset value has not yet been calculated for this period.

Our common stock continues to trade in excess of our net asset value. There can be no assurance, however, that our shares will continue to trade above, below or at our net asset value.

We intend to pay quarterly dividends to our common stockholders. The amount of our quarterly dividend is determined by our Board of Directors. There can be no assurance that we will achieve investment results or maintain a tax status that will permit any particular level of dividend payment. Our senior credit facility limits our ability to declare dividends if we default under certain provisions. For a description of the senior credit facility, see Interim Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in this prospectus supplement.

Table of Contents

SELECTED CONDENSED FINANCIAL AND OTHER DATA

The Statement of Operations, Per Share and Balance Sheet data for the period ended March 31, 2006 and March 31, 2005 are derived from our financial statements which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. Quarterly financial information is derived from unaudited financial data, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results at and for the six months ended September 30, 2006, are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2007. This data should be read in conjunction with our Interim Management s Discussion and Analysis of Financial Condition and Results of Operations set forth in this prospectus supplement and our financial statements and notes thereto, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto included in the accompanying prospectus.

All amounts in thousands, except per share data

	For the Six Months Ended September 30, 2006		For the Year Ended March 31, 2006		For the Period April 8, 2004* through March 31, 2005	
Statement of Operations Data:						
Total Investment Income	$	119,775	$	152,827	$	47,833
Total Expenses	$	54,219	$	63,684	$	22,380
Net Investment Income	$	65,556	$	89,143	$	25,453
Net Realized and Unrealized Gains	$	86,866	$	31,244	$	18,692
Net Increase in Net Assets Resulting from Operations	$	152,422	$	120,387	$	44,145
Per Share Data:						
Net Asset Value	$	16.14	$	15.15	$	14.27
Net Increase in Net Assets Resulting from Operations	$	1.87	$	1.90	$	0.71
Distributions Declared	$	0.92	$	1.630	$	0.485
Balance Sheet Data:						
Total Assets	$	2,732,565	$	2,511,074	$	1,733,384
Borrowings Outstanding	$	659,932	$	323,852		$0
Total Net Assets	$	1,323,359	$	1,229,855	$	892,886
Other Data:						
Total Return (1)		20.6%		12.9%		15.3%
Number of Portfolio Companies at Period End		51		46		35
Total Portfolio Investments for the Period	$	780,599	$	1,110,371	$	894,335
Investment Sales and Prepayments for the Period	$	411,444	$	452,325	$	71,730
Weighted Average Yield on Debt Portfolio at Period End (2)		13.3%		13.1%		10.5%

(1) Total return is based on the change in market price per share and takes into account dividends and distributions, if any, reinvested in accordance with Apollo Investment s dividend reinvestment plan. Total return is not annualized.

(2) Computed using interest rates as of the balance sheet date and including amortization of loan origination and commitment fees, original issue discount and market premium or discount, weighted by their respective costs when averaged.

* Commencement of operations.

Table of Contents

CAPITALIZATION

The following table sets forth our cash and capitalization as of September 30, 2006 (1) on an actual basis and (2) as adjusted to reflect the effects of the sale of 16,000,000 shares of our common stock in this offering at an assumed offering price of $22.71 per share, which was the last reported closing price of our common stock on January 3, 2007, and our receipt of the estimated net proceeds from that sale. You should read this table together with Use of Proceeds and Interim Management s Discussion and Analysis of Financial Condition and Results of Operations set forth in this prospectus supplement and our financial statements and notes thereto, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto included in the accompanying prospectus. The adjusted information below is illustrative only and our capitalization following the completion of this offering is subject to adjustment based on the actual public offering price of our common stock and the actual number of shares of common stock we sell in this offering, both of which will be determined at pricing.

All amounts in thousands, except per share data

	As of September 30, 2006	
	Actual	As Adjusted for January 2007 Offering (1)
Cash and cash equivalents	$ 651,983	$ 999,250
Total assets	$ 2,732,565	$ 3,079,832
Borrowings under senior credit facility	$ 659,932	$ 659,932(3)
Common stock, par value $0.001 per share; 400,000 shares authorized, 82,005 shares issued and outstanding, 98,005 shares issued and outstanding, as adjusted, respectively	$ 82	$ 98
Capital in excess of par value	$ 1,214,110	$ 1,561,361
Distributable earnings (2)	$ 109,167	$ 109,167
Total stockholders equity	$ 1,323,359	$ 1,670,626
Total capitalization	$ 1,983,291	$ 2,330,558

(1) Does not include the underwriters over-allotment option of 2,400,000 shares.

(2) Includes cumulative net investment income or loss, cumulative amounts of gains and losses realized from investment and foreign currency transactions and net unrealized appreciation or depreciation of investments and foreign currencies, and distributions paid to stockholders other than tax return of capital distributions. Distributable earnings is not intended to represent amounts we may or will distribute to our stockholders.

(3) As described under Use of Proceeds, we intend to use a part of the net proceeds from this offering to repay a portion of the borrowings outstanding under our senior credit facility. We have not yet determined how much of the net proceeds of this offering will be used for this purpose and, as a result, we have not reflected the consequences of such repayment in this table.

Table of Contents

FORWARD-LOOKING STATEMENTS

Some of the statements in this prospectus supplement constitute forward-looking statements, which relate to future events or our future performance or financial condition. The forward-looking statements contained in this prospectus supplement 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 or have made;
- 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 actu results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in Risk Factors and elsewhere in this prospectus.

We have based the forward-looking statements included in this prospectus supplement on information available to us on the date of this prospectus supplement, 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 SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

INTERIM MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

OVERVIEW

Apollo Investment was incorporated under the Maryland General Corporation Law in February 2004. We have elected to be treated as a business development company under 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 RIC under Subchapter M of the Internal Revenue Code of 1986, as amended. 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 stockholders. On April 8, 2004, we completed our initial public offering and commenced operations on April 8, 2004 upon receipt of $870 million in net proceeds from our initial public offering of common stock. On March 22, 2006, the Company closed on its second public offering and sold 17,250,000 shares of its common stock at a price of $17.85 per share, receiving $294 million in total net proceeds from the offering.

Investments

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. Over the last twenty-four months, we believe that the availability of senior debt capital from banks for middle-market companies has generally increased and has put downward pressure on interest rate spreads at the same time that base interest rates have risen. We do not expect this increased availability of capital to impair our ability to make longer-term investment allocations with our capital.

As a business development company, 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). Qualifying assets include investments in eligible portfolio companies. The SEC recently adopted new rules under the 1940 Act to expand the definition of eligible portfolio company to include all private companies and companies whose securities are not listed on a national securities exchange. The new rules also will permit us to include as qualifying assets certain follow-on investments in companies that were eligible portfolio companies at the time of initial investment but that no longer meet the definition. The new rules became effective November 30, 2006. We are no longer required to determine the eligibility of a portfolio company by reference to whether or not it has outstanding margin securities.

In addition to the adoption of the rules described above, the SEC also proposed for comment a rule that would include as eligible portfolio companies certain public companies that have listed their securities on a national securities exchange, as long as their public float and/or market capitalization are below a specified level. We will continue to monitor closely any developments with respect to the definition of eligible portfolio company, and intend to adjust our investment focus as needed to comply with and/or take advantage of the new rules as well as any other regulatory, legislative, administrative or judicial actions in this area.

Revenue

We generate revenue primarily in the form of interest income from the debt 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: LIBOR, EURIBOR, GBP LIBOR, or the prime rate. While U.S. subordinated debt and corporate notes typically accrue interest at

fixed rates, some of these investments may include zero coupon, payment-in-kind (PIK) and/or step bonds that accrue income on a constant yield to call or maturity basis. Interest on debt securities is generally payable quarterly or semiannually. In some cases, some of our investments provide for deferred interest payments or PIK. The principal amount of the debt securities and any accrued but unpaid interest generally becomes due at the maturity date. In addition, we may generate revenue in the form of dividends paid to us on equity investments as well as revenue in the form of commitment, origination, structuring and/or diligence fees, fees for providing managerial assistance and, if applicable, consulting fees, etc.

Expenses

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

- investment advisory and management fees;
- expenses incurred by Apollo Investment Management 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 auditor 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;
- 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 stockholders, 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;
- organization and offering; and
- all other expenses incurred by us or Apollo Administration 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 and chief compliance officer and their respective staffs.

We expect our general and administrative operating expenses related to our ongoing operations to remain generally stable or decline slightly as a percentage of our total assets in future periods. Incentive fees, interest expense and costs relating to future offerings of securities, among others, would be additive.

Table of Contents

Portfolio and Investment Activity

During the quarter ended September 30, 2006, middle market activity remained robust as we continued to identify investment opportunities that met or exceeded our risk-reward standards. Strong originations and refinancings on some of our existing portfolio companies drove an active investment quarter. Investments totaled $493.8 million across 6 new and 6 existing portfolio companies during the three months ended September 30, 2006. This compares to investing $332.9 million in 8 new and 3 existing portfolio companies for the three months ended September 30, 2005. Investment sales and pre-payment proceeds totaled $287.3 million during the quarter versus $134.2 million for the three months ended September 30, 2005. The prepayment of N.E.W. Customer Service Companies in August generated an additional $28.1 million of gains on this investment. In addition, we also received a 19.1 million distribution on our 20 million investment from the recapitalization of Prysmian Cables & Systems (through our investment in GS Prysmian Co-Invest LP).

At September 30, 2006, our net portfolio consisted of 51 portfolio companies and was invested 64% in subordinated debt, 3% in preferred equity, 8% in common equity and 25% in senior secured loans versus 39 portfolio companies invested 57% in subordinated debt, 5% in common equity and 38% in senior secured loans at September 30, 2005. Our targeted investment size typically ranges between $20 million and $150 million, although this investment size may vary proportionately as the size of our capital base changes.

The weighted average yields on our subordinated debt portfolio, senior secured loan portfolio and total debt portfolio were 13.5%, 12.8% and 13.3%, respectively, at September 30, 2006 versus 13.4%, 10.4% and 12.2%, respectively, at September 30, 2005.

Senior secured loans and European mezzanine loans typically accrue interest at variable rates determined on the basis of a benchmark: LIBOR, EURIBOR, GBP LIBOR, or the prime rate, with stated maturities at origination that typically range from 5 to 10 years. While subordinated debt issued within the United States will typically accrue interest at fixed rates, some of these investments may include zero-coupon, PIK and/or step bonds that accrue income on a constant yield to call or maturity basis. At September 30, 2006, 57% or $1,071.6 million of our interest-bearing portfolio is fixed rate debt and 43% or $808.1 million is floating rate debt.

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, or GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets 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.

Valuation of Portfolio Investments

As a business development company, we generally invest in illiquid securities including debt and equity securities of middle-market companies. Under procedures established by our board of directors, we value investments, including certain subordinated debt, senior secured debt and other debt securities with maturities greater than 60 days, for which market quotations are readily available, at such market quotations. We obtain these market values from an independent pricing service or at the mean between the bid and ask prices obtained from at least two brokers or dealers (if available, otherwise by a principal market maker or a primary market dealer). Debt and equity securities that are not publicly traded or whose market prices 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. Investments purchased within 60 days of maturity are valued at cost plus accreted discount, or minus amortized premium, which approximates

Table of Contents

value. With respect to unquoted securities, our board of directors, together with our independent valuation adviser, values each investment considering, among other measures, discounted cash flow models, comparisons of financial ratios of peer companies that are public and other factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, our board will use the pricing indicated by the external event to corroborate and/or assist us in our valuation. Because we expect that there will not be a readily available market for many of the investments in our portfolio, we expect to value many of our portfolio investments at fair value as determined in good faith by or under the direction of our board of directors using a documented valuation policy and a consistently applied valuation process. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

With respect to investments for which market quotations are not readily available, our board of directors has approved a multi-step valuation process each quarter, as described below:

- our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment;

- preliminary valuation conclusions are then documented and discussed with our senior management;

- independent valuation firms engaged by our board of directors conduct independent appraisals and review management s preliminary valuations and their own independent assessment;

- the audit committee of our board of directors reviews the preliminary valuation of our investment adviser and that of the independent valuation firms and responds and supplements the valuation recommendation of the independent valuation firm to reflect any comments; and

- the board of directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of our investment adviser, the respective independent valuation firms and the audit committee.

In September, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) 157, Fair Value Measurements, which clarifies the definition of fair value and requires companies to expand their disclosure about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. Adoption of SFAS 157 requires the use of 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. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. At this time, the Company is in the process of reviewing the Standard against its current valuation policies to determine future applicability.

Revenue Recognition

We record interest income on an accrual basis to the extent that we expect to collect such amounts. For loans and debt securities with contractual PIK interest, which represents contractual interest accrued and added to the loan balance that generally becomes due at maturity, we will not accrue PIK interest if the portfolio company valuation indicates that the PIK interest is not collectible. We do not accrue as a receivable interest on loans and debt securities if we have reason to doubt our ability to collect such interest. Loan origination fees, original issue discount, and market discount are capitalized and then we amortize such amounts as interest income. Upon the prepayment of a loan or debt security, any unamortized loan origination fees are recorded as interest income. We record prepayment premiums on loans and debt securities as interest income when we receive such amounts.

Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation

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 appreciation or depreciation

Table of Contents

previously recognized, but considering unamortized upfront fees and prepayment penalties. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

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.

Results of Operations

Results comparisons are for the three and six months ended September 2006 and September 2005.

Investment Income

Gross investment income totaled $63.9 million and $119.8 million, respectively, for the three and six months ended September 30, 2006 compared to $35.0 million and $72.8 million, respectively, for the three and six months ended September 30, 2005. The increase in investment income for the three and six months ended September 30, 2006 was primarily due to the continued growth and asset mix of our investment portfolio as compared to the year-ago period. Notable events impacting investment income in the current period include dividend income of $2.7 million from GS Prysmian Co-Invest L.P. and $1.4 million from Sorenson Communications, Inc. Origination, closing and/or commitment fees associated with investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans.

Expenses

Net expenses totaled $30.1 million and $54.2 million, respectively, for the three and six months ended September 30, 2006 versus $14.3 million and $26.9 million, respectively, for the three and six months ended September 30, 2005. Of these totals, for the three and six months ended September 30, 2006, $10.8 million and $18.7 million, respectively, were performance-based incentive fees and $8.2 million and $13.8 million, respectively, were interest and other credit facility expenses. This compares to $5.2 million and $11.5 million in performance-based incentive fees and $2.3 million and $2.8 million in interest and other credit facility expenses for the three and six months ended September 30, 2005. Expenses net of performance-based incentive fees, interest, and other credit facility expenses for the three months and six months ended September 30, 2006 were $11.1 million and $21.7 million, respectively, versus $6.8 million and $12.6 million for the three and six months ended September 30, 2005. These net expenses consist of base investment advisory and management fees, insurance expenses, administrative services expenses, professional fees, directors fees, audit and tax services expenses, and other general and administrative expenses. The increase in expenses was driven primarily by an increase in base investment advisory and management fees resulting from the growth of our investment portfolio as well as from an accrual of $1.9 million in net realized gain incentive fees.

Net Investment Income

The Company s net investment income totaled $33.8 million and $65.6 million or $0.41 per share and $0.81 per share, respectively, for the three and six months ended September 30, 2006. For the three and six months ended September 30, 2005, the Company s net investment income totaled $20.7 million and $45.9 million or $0.33 per share and $0.73 per share, respectively.

Net Realized Gains/Losses

The Company had investment sales totaling $287.3 million and $411.4 million, respectively, for the three and six months ended September 30, 2006 versus $134.2 million and $258.7 million, respectively, for the three and six months ended September 30, 2005. Total net realized gains for the three and six months ended September 30, 2006 were $29.7 million and $26.7 million, respectively, versus total net realized losses and gains, respectively, for the three and six months ended September 30, 2005 of $0.6 million and $6.2 million. Realized gains were derived primarily from the prepayment of our investment in N.E.W. Customer Service Companies

which contributed $28.1 million to net realized gains for the quarter ended September 30, 2006. Included in the

total net realized gains are currency losses of $0.3 million and $3.6 million, respectively, for the three and six months ended September 30, 2006 versus a currency loss and gain, respectively, of $0.7 million and $2.7 million for the three and six months ended September 30, 2005.

Net Unrealized Appreciation (Depreciation) on Investments and Foreign Currencies

For the three and six months ended September 30, 2006, the Company s investments, foreign currencies and other assets and liabilities had a net increase in appreciation of $17.7 million and $60.1 million, respectively, versus a net increase and decrease in appreciation, respectively, of $10.9 million and $7.6 million for the three and six months ended September 30, 2005. At September 30, 2006, net unrealized appreciation totaled $98.4 million, of which $107.6 million was attributable to net unrealized appreciation on our subordinated debt and private equity (after considering the effects of foreign currency borrowing/hedging for our non-U.S. investments) and $9.2 million was attributable to net unrealized depreciation on our bank debt/senior secured debt.

Net Increase in Net Assets from Operations

For the three and six months ended September 30, 2006, the Company had a net increase in net assets resulting from operations of $81.3 million and $152.4 million, respectively, versus an increase of $31.0 million and $44.6 million for the three and six months ended September 30, 2005, respectively. The net change in net assets from operations per share was $1.00 and $1.87, respectively, for the three and six months ended September 30, 2006 versus $0.49 and $0.71 for the three and six months ended September 30, 2005, respectively.

Liquidity and Capital Resources

The Company s liquidity and capital resources are generated primarily through its senior secured, multi-currency $1.25 billion, five-year credit facility maturing in April 2011 as well as from cash flows from operations, including investment sales and prepayments of senior and subordinated loans and income earned from investments and cash equivalents (which normally comprise of U.S. government securities and other high-quality debt investments that mature in one year or less). At September 30, 2006, the Company had $660 million in borrowings outstanding and $590 million available for its use. In the future, the Company may raise additional equity or debt capital off its shelf registration or may securitize a portion of its investments. It may also further access $750 million of additional credit commitments available under the terms of its current credit facility as the Company s equity capital base grows. The primary use of funds will be investments in portfolio companies, cash distributions to holders of common stock and for other general corporate purposes.

The following table shows our significant contractual obligations for the repayment of outstanding borrowings under our senior secured revolving credit facility as of September 30, 2006:

	Payments due by Period (dollars in millions)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Senior Secured Revolving Credit Facility (1)	$ 660	$	$	$ 660	$

(1) At September 30, 2006, $590 million remained unused under our senior secured revolving credit facility.

Contractual Obligations

We have entered into two contracts under which we have future commitments: the investment advisory and management agreement, pursuant to which Apollo Investment Management has agreed to serve as our investment adviser, and the administration agreement, pursuant to which Apollo Administration has agreed to furnish us with the facilities and administrative services necessary to conduct our day-to-day operations and provide on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance. Payments under the investment advisory and management agreement are equal to (1) a percentage of the value of our gross assets and (2) a two-part incentive fee. Payments under the administration agreement are equal to an amount based upon our allocable portion of Apollo Administration s overhead in

performing its obligations under the administration agreement, including rent, technology systems, insurance and our allocable portion of the costs of our chief financial officer and chief compliance officer and their respective

staffs. Either party may terminate each of the investment advisory and management agreement and administration agreement without penalty upon not more than 60 days written notice to the other. Please see Note 3 within our financial statements included in this prospectus supplement for more information.

Off-balance Sheet Arrangements

At September 30, 2006, we did not have any off-balance sheet liabilities or other contractual obligations that are reasonably likely to have a current or future material effect on our financial condition, other than the investment advisory and management agreement and the administration agreement.

Dividends

Dividends paid to stockholders for the three and six months ended September 30, 2006 totaled $38.4 million or $0.47 per share and $74.9 million or $0.92 per share, respectively. For the three and six months ended September 30, 2005, dividends paid totaled $27.0 million or $0.43 per share and $46.4 million or $0.74 per share, respectively. Tax characteristics of all dividends will be reported to shareholders on Form 1099 after the end of the calendar year.

We have elected to be taxed as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986. In order to maintain our status as a regulated investment company, we are required to distribute at least 90% of our investment company taxable income. We also intend to make distributions of net realized capital gains, if any, at least annually.

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, we may be limited in our ability to make distributions due to the asset coverage test for borrowings when applicable to us as a business development company under the Investment Company Act of 1940 and due to provisions in our credit facilities. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of our status as a regulated investment company. We cannot assure stockholders that they will receive any distributions or distributions at a particular level.

With respect to the dividends paid 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. For the three and six months ended September 30, 2006, upfront fees totaling $0.8 million and $3.5 million, respectively, are being amortized into income over the lives of their respective loans. For the three and six months ended September 30, 2005, upfront fees totaled $2.0 million and $2.4 million, respectively.

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. (FIN) 48, Accounting for Uncertainty in Income Taxes. FIN 48 is effective for financial statements issued for fiscal years beginning after December 15, 2006. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. We do not expect the FASB s issuance of FIN 48 to materially impact the Company s financial condition or results of operations.

Quantitative and Qualitative Disclosures about Market Risk

We are subject to financial market risks, including changes in interest rates. During the three and six months ended September 30, 2006, many of the loans in our portfolio had floating interest rates. These loans are usually based on a floating LIBO rate and typically have durations of one to six months after which they reset to current market interest rates. As the percentage of our mezzanine and other subordinated loans increase as a percentage of our total investments, we expect that more of the loans in our portfolio will have fixed rates. Accordingly, we

Table of Contents

may hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. 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. During the three and six months ended September 30, 2006, we did not engage in interest rate hedging activities.

Beginning in December 2004 and concomitant with our investment in WDAC Intermediate Corp., we entered into a three-month forward foreign currency contract to hedge our exposure to the currency risk associated with this investment. Our hedging contract continues to roll forward every three months and remains outstanding at September 30, 2006. Realized and unrealized gains on these contracts are represented on our balance sheet and statement of operations, respectively, as of and for the three and six months ended September 30, 2006. The open contract is further described in footnote 7 within our financial statements included in this prospectus supplement.

Additionally, we currently have, and may continue to have, outstanding borrowings denominated in foreign currencies. These borrowings are primarily used to fund foreign investments. As a result of borrowing and subsequently investing in the same foreign currency denominated investments, we are able to effectively hedge our exposure to currency risk resulting from these foreign investments. Unrealized appreciation on these borrowings is reflected in the value of the outstanding liability for credit facility payable on our statement of assets and liabilities as of September 30, 2006 and described further in footnote 7 to the financial statements included in this prospectus supplement.

The following table is designed to illustrate the effect on return to a holder of our common stock of the leverage created by our use of borrowing, at the weighted average annual interest rate of 5.12% for the six months ended September 30, 2006 and assuming hypothetical annual returns on our portfolio of minus 10 to plus 10 percent. As can be seen, leverage generally increases the return to stockholders when the portfolio return is positive and decreases the return when the portfolio return is negative. Actual returns may be greater or less than those appearing in the table.

Assumed return on portfolio (net of expenses) (1)	**-10.0%**	**-5.0%**	**0%**	**5.0%**	**10.0%**
Corresponding Return to Common Stockholders (2)	-21.00%	-11.78%	-2.56%	6.66%	15.88%

(1) The assumed portfolio return is required by regulation of the SEC and is not a prediction of, and does not represent, our projected or actual performance.

(2) In order to compute the Corresponding Return to Common Stockholders, the Assumed Return on Portfolio is multiplied by the total value of our assets at the beginning of the period to obtain an assumed return to us. From this amount, all interest expense accrued during the period is subtracted to determine the return available to stockholders. The return available to stockholders is then divided by the total value of our net assets as of the beginning of the period to determine the Corresponding Return to Common Stockholders.

Table of Contents

UNDERWRITING

J.P. Morgan Securities Inc., Citigroup Global Markets Inc., Banc of America Securities LLC and Bear, Stearns & Co. Inc. are acting as joint bookrunning managers of the offering and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter, the number of shares set forth opposite the underwriter s name.

Underwriter	Number of shares
J.P. Morgan Securities Inc.	
Citigroup Global Markets Inc.	
Banc of America Securities LLC	
Bear, Stearns & Co. Inc.	
Wachovia Capital Markets, LLC	
SunTrust Capital Markets, Inc.	
RBC Capital Markets Corporation	
BMO Capital Markets Corp.	
UBS Securities LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Stifel, Nicolaus & Company, Incorporated	
Keefe, Bruyette & Woods, Inc.	
Total	16,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to certain conditions precedent, including the absence of any material adverse change in our business and the receipt of certain certificates, opinions and letters from us, our counsel and our independent registered public accounting firm. The underwriters are committed to purchase all shares included in this offering, other than those shares covered by the over-allotment option described below, if they purchase any of the shares.

The underwriters propose to offer some of the shares directly to the public at the public offering price set forth on the cover page of this prospectus and some of the shares to dealers at the public offering price less a concession not to exceed $ per share. The underwriters may allow, and dealers may reallow, a concession not to exceed $ per share on sales to other dealers. If all of the shares are not sold at the initial offering price, the representatives may change the public offering price and the other selling terms.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to 2,400,000 additional shares of common stock at the public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a number of additional shares approximately proportionate to that underwriter s initial purchase commitment.

We, our officers and directors, Apollo Investment Management and certain of the partners and officers of Apollo Investment Management Company (or any entities through which such partners and officers may invest in our shares) have agreed that, for a period of 90 days from the date of this prospectus, we and they will not, without the prior written consent of the representatives, dispose of or hedge any shares of our common stock or any securities convertible into or exchangeable for our common stock. J.P. Morgan Securities Inc. in its sole discretion may release any of the securities subject to these lock-up agreements at any time without notice. Notwithstanding the foregoing, for the purpose of allowing the underwriters to comply with NASD Rule 2711(f)(4), if (1) during the last 17 days of the initial 90-day lock-up period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the initial 90-day lock-up

period, we announce that we will release earnings results during the 16 day period beginning on the last day of the initial 90-day lock-up period, then in each case the initial 90-day lock-up period will be extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the occurrence of the material news or material event, as applicable.

The common stock is quoted on the Nasdaq Global Select Market under the symbol AINV .

Each underwriter has represented, warranted and agreed that:

It has not offered or sold and, prior to the expiry of a period of six months from the closing date, will not offer or sell any shares included in this offering to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which has not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
it has only communicated and caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (FSMA)) received by it in connection with the issue or sale of any shares included in this offering in circumstances in which section 21(1) of the FSMA does not apply to us;

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares included in this offering in, from or otherwise involving the United Kingdom; and

the offer in The Netherlands of the shares included in this offering is exclusively limited to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises.

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional shares of common stock.

	No Exercise(1)	Full Exercise(1)
Per share	$ 0.97	$ 0.97
Total	$ 15,442,800	$ 17,759,220

(1) We have agreed to pay the underwriters additional underwriting discounts and commissions, at our discretion, of up to 0.25% of the offering price. If we were to pay this incentive underwriting discount and commission in full, total underwriting discounts and commissions would be $1.02 per share, or $16,351,200 in total ($1.02 per share or $18,803,880 in total if the over-allotment option is exercised in full).

In connection with the offering, the underwriters, may purchase and sell shares of common stock in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales of common stock in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position. Covered short sales are sales of shares made in an amount up to the number of shares represented by the underwriters over-allotment option. In determining the source of shares to close out the covered syndicate short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. Transactions to close out the covered syndicate short involve either purchases of the common stock in the open market after the distribution has been completed or the exercise of the over-allotment option. The underwriters may also make naked short sales of shares in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares of common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of bids for or purchases of shares in the open market while the offering is in progress.

Table of Contents

The underwriters may also impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when an underwriter repurchases shares originally sold by that syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the common stock. They may also cause the price of the common stock to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the Nasdaq Global Select Market or in the over-the-counter market, or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

In addition, in connection with this offering, some of the underwriters may engage in passive market making transactions in the common stock on the Nasdaq Global Select Market, prior to the pricing and completion of the offering. Passive market making consists of displaying bids on the Nasdaq Global Select Market no higher than the bid prices of independent market makers and making purchases at prices no higher than those independent bids and effected in response to order flow. Net purchases by a passive market maker on each day are limited to a specified percentage of the passive market maker s average daily trading volume in the common stock during a specified period and must be discontinued when that limit is reached. Passive market making may cause the price of the common stock to be higher than the price that otherwise would exist in the open market in the absence of those transactions. If the underwriters commence passive market making transactions, they may discontinue them at any time.

We estimate that our portion of the total expenses of this offering will be $650,000.

As described under Use of Proceeds, we intend to use a part of the net proceeds from this offering to repay a portion of the borrowings outstanding under our senior credit facility. Affiliates of each of J.P. Morgan Securities Inc., Banc of America Securities LLC, Citigroup Global Markets Inc. and Bear, Stearns & Co., Inc., and certain of the other underwriters are lenders under such credit facility and therefore will receive a portion of the net proceeds from this offering through the repayment of those borrowings. Accordingly, this offering is being made pursuant to NASD Rule 2710(h).

The underwriters have performed investment banking and advisory services for us from time to time for which they have received customary fees and expenses. The underwriters may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business.

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters. The representatives may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. The representatives will allocate shares to underwriters that may make Internet distributions on the same basis as other allocations. In addition, shares may be sold by the underwriters to securities dealers who resell shares to online brokerage account holders.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

This offering is being conducted pursuant to Rule 2710 of the NASD Rules of Conduct.

The principal business address of J.P. Morgan Securities Inc. is 277 Park Avenue, 2nd Floor, New York, NY 10172. The principal business address of Citigroup Global Markets Inc. is 390 Greenwich Street, New York, NY 10013. The principal business address of Banc of America Securities LLC is 9 West 57th Street, 21st Floor, New York, NY 10019. The principal business address of Bear, Stearns & Co. Inc. is 383 Madison Avenue, New York, NY 10179.

Table of Contents

LEGAL MATTERS

Certain legal matters regarding the securities offered by this prospectus will be passed upon for Apollo Investment by Willkie Farr & Gallagher LLP, New York, NY, and Venable LLP, Baltimore, MD. Certain legal matters will be passed upon for the underwriters by Sutherland Asbill & Brennan LLP, Washington, D.C.

INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The consolidated financial statements as of March 31, 2006 and for period ended March 31, 2006, have been included in the base prospectus in reliance upon the report of PricewaterhouseCoopers LLP, independent registered public accounting firm, located at PWC Center, 300 Madison Avenue, New York, New York 10017, appearing in the base prospectus, and upon the authority of said firm as experts in accounting and auditing.

Table of Contents

INTERIM FINANCIAL STATEMENTS

APOLLO INVESTMENT CORPORATION

STATEMENTS OF ASSETS AND LIABILITIES

(in thousands, except per share amounts)

	September 30, 2006 (unaudited)	March 31, 2006
Assets		
Investments, at fair value (cost $1,932,797 and $1,520,025, respectively) (1)	$ 2,039,165	$ 1,556,698
Cash equivalents, at fair value (cost $648,072 and $898,374, respectively)	648,072	898,374
Cash	1,661	5,506
Foreign currency	2,250	1,079
Interest receivable*	32,438	24,827
Receivable for investments sold		17,261
Receivable for commitment fee		812
Dividends receivable	3,071	173
Unrealized appreciation on forward foreign currency contract (see note 7)	425	
Prepaid expenses and other assets	5,483	6,344
Total assets	**$ 2,732,565**	**$ 2,511,074**
Liabilities		
Payable for investments and cash equivalents purchased	$ 724,657	$ 940,874
Credit facility payable*	659,932	323,852
Management and performance-based net investment income incentive fees payable (see note 3)	18,584	12,850
Interest payable	3,007	1,300
Accrued performance-based net realized gain incentive fee (see note 3)	1,852	
Accrued administrative expenses	412	453
Unrealized depreciation on forward foreign currency contract		363
Other accrued expenses	762	1,527
Total liabilities	**$ 1,409,206**	**$ 1,281,219**
Net Assets		
Common stock, par value $.001 per share, 400,000 and 400,000 common shares authorized, respectively, and 82,005 and 81,192 issued and outstanding, respectively	$ 82	$ 81
Paid-in capital in excess of par	1,214,110	1,198,137
Distributions in excess of net investment income (see note 2f)	(16,988)	(7,653)
Accumulated net realized gain	27,753	1,014
Net unrealized appreciation	98,402	38,276
Total Net Assets	**$ 1,323,359**	**$ 1,229,855**
Total liabilities and net assets	**$ 2,732,565**	**$ 2,511,074**
Net Asset Value Per Share	**$ 16.14**	**$ 15.15**

(1) None of our portfolio companies are controlled by or affiliated with the Company as defined by the Investment Company Act of 1940.

* Interest receivable includes net unrealized depreciation of $54 (in 000 s) at September 30, 2006 and net unrealized appreciation at March 31, 2006 of $17 (in 000 s). Credit facility payable includes net unrealized depreciation totaling $8,334 at September 30, 2006 and net unrealized appreciation totaling $1,949 at March 31, 2006 (in 000 s).

See note 7.

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, 2006	Three Months Ended September 30, 2005*	Six Months Ended September 30, 2006	Six Months Ended September 30, 2005*
INVESTMENT INCOME:				
Interest	$ 57,473	$ 33,594	$ 106,496	$ 60,328
Dividends	5,945		12,301	3,484
Other income	496	1,419	978	8,995
Total investment income	63,914	35,013	119,775	72,807
EXPENSES:				
Management fees	$ 9,668	$ 5,310	$ 18,144	$ 9,801
Performance-based incentive fees (see note 3)	10,768	5,173	18,704	11,484
Interest and other credit facility expenses	8,185	2,277	13,816	2,775
Administrative services expenses	533	403	1,501	715
Other general and administrative expenses	998	1,157	2,119	2,095
Total expenses	30,152	14,320	54,284	26,870
Expense offset arrangement (see note 8)	(50)		(65)	
Net expenses	30,102	14,320	54,219	26,870
Net investment income	$ 33,812	$ 20,693	$ 65,556	$ 45,937
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS AND FOREIGN CURRENCIES:				
Net realized gain (loss):				
Investments and cash equivalents	30,095	156	30,290	3,508
Foreign currencies	(348)	(716)	(3,551)	2,723
Net realized gain (loss)	29,747	(560)	26,739	6,231
Net change in unrealized gain (loss):				
Investments and cash equivalents	14,206	7,456	69,696	(10,589)
Foreign currencies	3,501	3,420	(9,569)	2,991
Net change in unrealized gain (loss)	17,707	10,876	60,127	(7,598)
Net realized and unrealized gain (loss) from investments, cash equivalents and foreign currencies	47,454	10,316	86,866	(1,367)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 81,266**	**$ 31,009**	**$ 152,422**	**$ 44,570**
EARNINGS PER COMMON SHARE (see note 5)	**$ 1.00**	**$ 0.49**	**$ 1.87**	**$ 0.71**

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* Certain amounts have been reclassified to conform to the current period s presentation.

See notes to financial statements.

Table of Contents

APOLLO INVESTMENT CORPORATION

STATEMENTS OF CHANGES IN NET ASSETS

(in thousands, except per share amounts)

	Six Months Ended September 30, 2006 (unaudited)	Year Ended March 31, 2006
Increase in net assets from operations:		
Net investment income	$ 65,556	$ 89,143
Net realized gains	26,739	11,165
Net change in unrealized gain	60,127	20,079
Net increase in net assets resulting from operations	**152,422**	**120,387**
Dividends and distributions to shareholders	**(74,891)**	**(102,735)**
Capital share transactions:		
Net proceeds from shares sold		294,056
Less offering costs related to public share offerings	(139)	(396)
Reinvestment of dividends	16,112	25,657
Net increase in net assets resulting from capital share transactions	**15,973**	**319,317**
Total increase in net assets:	**93,504**	**336,969**
Net assets at beginning of period	1,229,855	892,886
Net assets at end of period	$ 1,323,359	$ 1,229,855
Capital share activity:		
Shares sold		17,250,000
Shares issued from reinvestment of dividends	812,549	1,386,978
Net increase in capital share activity	**812,549**	**18,636,978**

See notes to financial statements.

Table of Contents

APOLLO INVESTMENT CORPORATION

STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	Six Months Ended	
	September 30, 2006	**September 30, 2005**
Cash Flows from Operating Activities:		
Net Increase in Net Assets Resulting from Operations	$ 152,422	$ 44,570
Adjustments to reconcile net increase:		
Purchase of investment securities	(807,004)	(598,063)
Proceeds from disposition of investment securities	424,585	255,727
Decrease (increase) from foreign currency transactions	(3,551)	2,722
Increase in interest and dividends receivable	(10,580)	(5,189)
Decrease (increase) in prepaid expenses and other assets	1,674	(3,370)
Increase in management and performance-based incentive fees payable	5,734	5,991
Increase in interest payable	1,707	1,490
Increase in accrued expenses	1,046	590
Decrease in payable for investments and cash equivalents purchased	(216,280)	(336,207)
Decrease in receivables for securities sold	17,261	
Net change in unrealized (appreciation)/depreciation on investments, cash equivalents, foreign currencies and other assets and liabilities	(60,126)	7,591
Net realized gain on investments and cash equivalents	(26,739)	(6,231)
Net Cash Used by Operating Activities	(519,851)	(630,379)
Cash Flows from Financing Activities:		
Offering costs from the issuance of common stock	(139)	
Dividends paid in cash	(58,779)	(36,149)
Borrowings under credit facility	690,213	377,207
Repayments under credit facility	(364,416)	(86,000)
Net Cash Provided by Financing Activities	$ 266,879	$ 255,058
NET DECREASE IN CASH AND CASH EQUIVALENTS	**$ (252,972)**	**$ (375,321)**
Effect of exchange rates on cash balances	(4)	
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**904,959**	**878,264**
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 651,983**	**$ 502,943**

Non-cash financing activities consist of the reinvestment of dividends totaling $16,112 and $10,233, respectively (in thousands).

See notes to financial statements.

Table of Contents

APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (UNAUDITED)

September 30, 2006

(in thousands)

Portfolio Company (1)	Industry	Par Amount*	Cost	Fair Value (2)
Subordinated Debt/Corporate Notes 99.3%				
Advantage Sales & Marketing, Inc., 12.00%, 3/29/14	Grocery	$ 30,311	$ 29,734	$ 30,311
ALM Media Holdings, Inc., 13.00%, 3/15/13♦	Publishing	18,796	18,656	18,796
Altice France Est SAS (Numericable), E+912.5, 6/15/16	Cable TV	21,701	27,773	27,363
AMH Holdings II, Inc. (Associated Materials), 13.625%, 12/1/14♦	Building Products	$ 47,675	46,760	46,483
Anthony, Inc., 13.50%, 9/1/12♦	Manufacturing	9,780	9,664	9,780
API Heat Transfer, Inc., 13.75%, 12/31/12	Manufacturing	19,386	19,089	19,386
Applied Systems, Inc., 13.50%, 6/19/14	Business Services	22,000	21,890	22,000
Arbonne Intermediate Holdco Inc. (Natural Products Group LLC), 13.50%, 6/19/14	Direct Marketing	55,227	55,029	55,227
Associated Materials, Inc., 0%/11.25%, 3/1/14	Building Products	58,415	34,010	33,151
Audatex Holdings III, B.V., E+900, 10/13/14	Business Services	15,000	18,463	19,571
Brenntag Holding GmbH & Co. KG, E+900, 1/25/16	Chemicals	15,303	18,140	20,015
Collect America, Ltd., 13.50%, 8/5/12♦	Consumer Finance	$ 36,320	35,671	36,320
Delta Educational Systems, Inc., 13.00%, 5/12/13	Education	18,482	17,814	18,482
DSI Renal Inc., 14.00%, 3/31/14	Healthcare	10,097	10,097	10,097
Eurofresh, Inc., 0%/14.50%, 1/15/14♦	Agriculture	26,504	16,956	15,041
Eurofresh, Inc., 11.50%, 1/15/13♦	Agriculture	50,000	50,000	49,250
European Directories (DH5) B.V., 15.735%, 7/1/16	Publishing	2,015	2,430	2,617
European Directories (DH7) B.V., E+950, 7/1/15	Publishing	14,771	18,035	19,179
FCI International S.A.S., E+875, 11/3/15(3)	Electronics	22,500	27,206	29,767
Fidji Luxembourg (BC2) S.A.R.L. (FCI International S.A.S.), E+1125, 8/3/16(4)	Electronics	17,500	20,999	23,498
FleetPride Corporation, 11.50%, 10/1/14♦	Transportation	$ 47,500	47,500	47,737
FPC Holdings, Inc. (FleetPride Corporation), 0%/14.00%, 6/30/15♦	Transportation	37,846	26,013	25,073
Hanley Wood LLC, 12.25%, 8/1/2013♦	Media	60,000	59,455	60,000
Language Line Holdings, Inc., 0%/14.125%, 6/15/13	Business Services	27,678	19,803	17,576
Language Line Inc., 11.125%, 6/15/12	Business Services	27,081	26,797	26,709
Latham Manufacturing Corp., 14.00%, 6/30/11	Leisure Equipment	33,954	33,402	33,954
Lexicon Marketing (USA), Inc., 13.25%, 5/11/13	Direct Marketing	28,216	28,216	28,216
LVI Services, Inc., 13.25%, 11/16/12	Environmental	43,000	42,209	43,000
Nielsen Finance LLC, 0%/12.50%, 8/1/16♦	Market Research	91,000	50,200	53,500
OTC Investors Corporation, 13.50%, 1/31/15	Direct Marketing	20,000	20,000	20,000
PBM Holdings, Inc., 13.50%, 9/29/13	Beverage, Food & Tobacco	17,500	17,500	17,500
Playpower Holdings Inc., 15.50%, 11/30/12♦	Leisure Equipment	76,029	76,029	76,029
Pro Mach Merger Sub, Inc., 12.50%, 6/15/12	Machinery	14,471	14,237	14,471
QHB Holdings LLC (Quality Home Brands), 13.50%, 12/20/13	Consumer Products	36,326	35,298	36,326
RSA Holdings Corp. of Delaware (American Safety Razor), 13.50%, 7/31/15	Consumer Products	35,801	35,801	35,801
Safety Products Holdings LLC, 11.75%, 1/1/12♦	Manufacturing	28,684	28,210	28,846
Sigmakalon Holdco B.V., E+1000, 12/31/15	Chemicals	48,729	59,286	62,653
Sirona Dental Systems GmbH, E+950, 6/30/15	Healthcare	22,689	27,228	29,316
Source Media Holdings Inc., 13.00%, 11/30/12♦	Media	$18,240	17,917	18,240
Tumi Holdings, Inc., L+1100, 12/31/14	Consumer Products	13,510	13,510	13,713

See notes to financial statements.

Table of Contents

APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

September 30, 2006

(in thousands, except shares)

Subordinated Debt/Corporate Notes (continued)	Industry	Par Amount*	Cost	Fair Value (2)
TDS Logistics, Inc., 14.75%, 2/26/10	Logistics	$ 19,371	$ 19,156	$ 19,371
WDAC Intermediate Corp., 13.75%, 6/1/15	Publishing	40,199	53,138	52,661
Ypso France SAS (Numericable), E+912.5, 6/15/16	Cable TV	36,950	47,290	46,591
Total Subordinated Debt/Corporate Notes			**1,296,611**	**1,313,617**
Preferred Equity 3.7%		**Shares**		
DSI Holding Company, Inc. (DSI Renal Inc.), 15.00%, 9/30/14	Healthcare	32,500	31,733	32,500
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 13.50%, 5/12/14	Education	12,360	10,904	12,360
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 12.50% (Conv.)	Education	3,325	3,325	3,325
LVI Acquisition Corp. (LVI Services, Inc.), 14.00%	Environmental	1,875	1,875	1,485
Total Preferred Equity			**47,837**	**49,670**
Common Equity/Partnership Interests 11.7%				
CA Holding, Inc. (Collect America, Ltd.)	Consumer Finance	25,000	2,500	3,208
DTPI Holdings, Inc. (American Asphalt & Grading)**	Infrastructure	200,000	2,000	759
FSC Holdings Inc. (Hanley Wood LLC)**	Media	10,000	10,000	13,467
Garden Fresh Restaurant Holding, LLC	Retail	50,000	5,000	7,278
Gryphon Colleges Corporation (Delta Educational Systems, Inc.)	Education	175	175	184
GS Prysmian Co-Invest L.P. (Prysmian Cables & Systems) (5)(6)	Industrial		3,795	80,370
Latham Acquisition Corp.**	Leisure Equipment	33,091	3,309	3,555
LM Acquisition Ltd. (Lexicon Marketing Inc.)	Direct Marketing	10,000	10,000	18,164
LVI Acquisition Corp. (LVI Services, Inc.)	Environmental	6,250	625	
MEG Energy Corp. (7)	Oil & Gas	836,000	19,676	20,607
Pro Mach Co-Investment, LLC**	Machinery	150,000	1,500	2,459
Sorenson Communications Holdings, LLC Class A	Consumer Services	570,120	57	2,477
TDS Logistics, Inc.**	Logistics	250,000	2,500	1,940
Total Common Equity and Partnership Interests			**61,137**	**154,468**
Warrants 0.4%		**Warrants**		
DSI Holdings Company, Inc. (DSI Renal Inc.), Common	Healthcare	5,011,327		3,276
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Common	Education	98	98	103
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class A-1 Preferred	Education	459	460	482
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class B-1 Preferred	Education	1,043	1,043	1,094

Total Warrants	**1,601**	**4,955**

See notes to financial statements.

Table of Contents

APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

September 30, 2006

(in thousands, except shares)

Bank Debt/Senior Secured Loans (8) 39.0%	Industry	Par Amount*	Cost	Fair Value (2)
1st Lien Bank Debt/Senior Secured Loans 2.7%				
Alliance Mortgage Investments, Inc., 6/1/10	Consumer Finance	$35,938	$ 35,939	$ 35,937
2nd Lien Bank Debt/Senior Secured Loans 36.3%				
American Asphalt & Grading Co., 7/1/11	Infrastructure	26,500	26,500	26,301
Anthony, Inc., 9/1/11	Manufacturing	13,000	12,901	13,000
BNY Convergex Group, LLC, 4/2/14	Business Services	50,000	49,750	50,359
C.H.I. Overhead Doors, Inc., 10/22/11	Building Products	15,000	15,031	15,094
Clean Earth, Inc., 10/14/11	Environmental	25,000	24,972	25,297
Cygnus Business Media, Inc., 1/13/10	Media	10,000	9,936	9,950
Diam International, 7/1/12***	Consumer Products	20,231	20,203	3,035
Diam International, Jr. Revolving Credit, 6/30/11***	Consumer Products	1,308	1,308	994
Dr. Leonard s Healthcare Corp., 7/31/12	Direct Marketing	22,000	22,000	22,055
DX III Holdings Corp. (Deluxe Entertainment Services Group Inc.), 7/28/11	Broadcasting & Entertainment	55,000	54,034	57,200
Garden Fresh Restaurant Corp., 12/22/11	Retail	26,000	25,772	26,000
Healthy Directions, LLC, 8/31/11	Vitamins, Supplements	14,850	14,850	14,924
Natural Products Group LLC, 12/19/13	Direct Marketing	25,000	25,000	25,141
N.E.W. Customer Service Companies, 2/8/14	Consumer Services	70,000	70,000	71,400
Quality Home Brands Holdings LLC, 6/20/13	Consumer Products	40,000	39,415	40,500
Sorenson Communications, Inc., 2/6/13	Consumer Services	75,000	75,000	76,242
Tumi Holdings, Inc., 6/30/14	Consumer Products	3,000	3,000	3,026
Total 2nd Lien Bank Debt/Senior Secured Loans			**$ 489,672**	**$ 480,518**
Total Bank Debt/Senior Secured Loans			**$ 525,611**	**$ 516,455**
Total Investments			**$ 1,932,797**	**$ 2,039,165**
Cash Equivalents 49.0%				
U.S. Treasury Bill, 4.52%, 10/26/06	Government	$ 650,000	$ 648,072	$ 648,072
Total Investments & Cash Equivalents 203.1% (9)			**$ 2,580,869**	**$ 2,687,237**
Liabilities in excess of other assets (103.1%)				**(1,363,878)**
Net Assets 100.0%				**$ 1,323,359**

(1) None of our portfolio companies is controlled or affiliated as defined by the Investment Company Act of 1940.

(2) Fair value is determined by or under the direction of the Board of Directors of the Company (see Note 2).

(3) Includes 27,433 attached warrants.

(4) Includes 21,336 attached warrants.
(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) Represent 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

See notes to financial statements.

Table of Contents

APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

September 30, 2006

(in thousands, except shares/warrants)

LIBOR (London Inter-bank Offered Rate for British Pounds), or the Prime Rate. At September 30, 2006, the range of interest rates on floating rate bank debt was 11.87%-14.19%.

(9) Aggregate gross unrealized appreciation for federal income tax purposes is $126,976; aggregate gross unrealized depreciation for federal income tax purposes is $30,826. Net unrealized appreciation is $96,150 based on a tax cost of $2,591,087.

♦ 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 notes to financial statements.

Table of Contents

APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (UNAUDITED) (CONTINUED)

September 30, 2006

Industry Classification	Percentage at September 30, 2006
Direct Marketing	8.3%
Consumer Services	7.4%
Business Services	6.7%
Consumer Products	6.5%
Leisure Equipment	5.6%
Media	5.0%
Building Products	4.6%
Publishing	4.6%
Chemicals	4.1%
Industrial	3.9%
Consumer Finance	3.7%
Healthcare	3.7%
Cable TV	3.6%
Transportation	3.6%
Manufacturing	3.5%
Environmental	3.4%
Agriculture	3.2%
Broadcasting & Entertainment	2.8%
Market Research	2.6%
Electronics	2.6%
Education	1.8%
Retail	1.6%
Grocery	1.5%
Infrastructure	1.3%
Logistics	1.0%
Oil & Gas	1.0%
Beverage, Food & Tobacco	0.9%
Machinery	0.8%
Vitamins, Supplements	0.7%
Total Investments	100.0%

See notes to financial statements.

Table of Contents

APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited; in thousands except share and per share amounts)

Note 1. Organization

Apollo Investment Corporation (Apollo Investment or the Company), a Maryland corporation organized on February 2, 2004, is a closed-end, non-diversified management investment company that has filed an election to be treated as a business development company (BDC) under the Investment Company Act of 1940. In addition, for tax purposes we have elected to be treated as a regulated investment company, or RIC, under the Internal Revenue Code of 1986, as amended. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in middle-market companies in the form of mezzanine and senior secured loans, each of which may include an equity component, and, to a lesser extent, by making direct equity investments in such companies.

On April 8, 2004, Apollo Investment closed its initial public offering and sold 62,000,000 shares of its common stock at a price of $15.00 per share, less an underwriting discount and commissions totaling $0.9375 per share. We commenced operations on April 8, 2004 as we received $870.15 million in total net proceeds from the offering.

Note 2. Significant Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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 and expenses during the reported period. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially.

Interim financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 6 or 10 of Regulation S-X, as appropriate. In accordance with Article 6-09 of Regulation S-X under the Exchange Act, we are providing a Statement of Changes in Net Assets in lieu of a Statement of Changes in Stockholders Equity. In addition, certain prior period amounts have been reclassified to conform with the current period presentation. In the opinion of management, all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim period, have been included.

The significant accounting policies consistently followed by Apollo Investment are:

(a) Security transactions are accounted for on the trade date; investments for which market quotations are readily available are valued at such market quotations; debt and equity securities that are not publicly traded or whose market prices are not readily available are valued at fair value as determined in good faith by or under the direction of our Board of Directors. Subordinated debt, senior secured debt and other debt securities with maturities greater than 60 days are valued by an independent pricing service or at the mean between the bid and ask prices from at least two brokers or dealers (if available, otherwise by a principal market maker or a primary market dealer). With respect to certain private equity securities, each investment will be valued by independent third party valuation firms using methods that may, among other measures and as applicable, include comparisons of financial ratios of the portfolio companies that issued such private equity securities to peer companies that are public. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we will consider the pricing indicated by the external event to corroborate our private equity valuation. Because we expect that there will not be a readily available market value for many of the investments in our portfolio, we expect to value such investments at fair value as determined in good faith by or under the direction of our Board of Directors using a documented valuation policy and a consistently applied valuation process. Due to the inherent uncertainty of determining

Table of Contents

the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

With respect to our investments for which market quotations are not readily available, our Board of Directors undertakes a multi-step valuation process each quarter, as described below:

(1) the Company s quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment;

(2) preliminary valuation conclusions are then documented and discussed with our senior management;

(3) independent valuation firms engaged by our board of directors conduct independent appraisals and review management s preliminary valuations and their own independent assessment;

(4) the audit committee of our board of directors reviews the preliminary valuation of our investment adviser and that of the independent valuation firms and responds and supplements the valuation recommendation of the independent valuation firm to reflect any comments; and

(5) the board of directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of our investment adviser, the respective independent valuation firms and the audit committee.

The types of factors that we may take into account in fair value pricing our investments include, as relevant, the nature and realizable value of any collateral, the portfolio company s ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, comparison to publicly traded securities and other relevant factors.

Determination of fair values involves subjective judgments and estimates. Accordingly, these notes to our financial statements express the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our financial statements.

(b) Investments purchased within 60 days of maturity are valued at cost plus accreted discount, or minus amortized premium, which approximates value.

(c) Gains or losses on the sale of investments are calculated by using the specific identification method.

(d) Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Origination, closing and/or commitment fees associated with investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans. Upon the prepayment of a loan or debt security, any prepayment penalties and unamortized loan origination, closing and commitment fees are recorded as interest income.

(e) The Company intends to comply with the applicable provisions of the Internal Revenue Code of 1986, as amended, pertaining to regulated investment companies to make distributions of taxable income sufficient to relieve it from substantially all Federal income taxes.

(f)

Book and tax basis differences relating to stockholder dividends and distributions and other permanent book and tax differences are reclassified to paid-in capital. In addition, the character of income and gains to be distributed is determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America.

(g) Dividends and distributions to common stockholders are recorded as of record date. The amount to be paid out as a dividend is determined by the Board of Directors each quarter and is generally based upon the earnings estimated by management. Net realized capital gains, if any, are distributed at least annually.

(h) 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 rate of exchange of such currencies against U.S. dollars on the date of valuation. The Company s investments in foreign securities may involve certain risks such as 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.

(i) The Company may enter into forward exchange contracts in order to hedge against foreign currency risk. These contracts are marked-to-market by recognizing the difference between the contract exchange rate and the current market rate as unrealized appreciation or depreciation. Realized gains or losses are recognized when contracts are settled.

(j) The Company records origination expenses related to its multi-currency credit facility as prepaid assets. These expenses are deferred and amortized using the straight-line method over the stated life of the facility.

(k) The Company records registration expenses related to Shelf filings as prepaid assets. These expenses are charged as a reduction of capital upon utilization, in accordance with Section 8.24 of the AICPA Audit and Accounting Guide for Investment Companies.

(l) Loans are placed on non-accrual status when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management s judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and in management s judgment, are likely to remain current.

(m) In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. (FIN) 48, Accounting for Uncertainty in Income Taxes. FIN 48 is effective for financial statements issued for fiscal years beginning after December 15, 2006. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. We do not expect the FASB s issuance of FIN 48 to materially impact the Company s financial condition or results of operations.

(n) In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) 157, Fair Value Measurements, which clarifies the definition of fair value and requires companies to expand their disclosure about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. Adoption of SFAS 157 requires the use of 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. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. At this time, the Company is in the process of reviewing the Standard against its current valuation policies to determine future applicability.

Note 3. Agreements

Apollo Investment has an Investment Advisory and Management Agreement with the Investment Adviser, Apollo Investment Management, L.P., under which the Investment Adviser, subject to the overall supervision of Apollo Investment s Board of Directors, will manage the day-to-day operations of, and provide investment advisory services to, Apollo Investment. For providing these services, the Investment Adviser receives a fee from Apollo Investment, consisting of two components a base management fee and an incentive fee. The base management fee is determined by taking the average value of Apollo Investment s gross assets at the end of the

two most recently completed calendar quarters calculated at an annual rate of 2.00%. The incentive fee has two parts, as follows: one part is calculated and payable quarterly in arrears based on Apollo Investment s pre-incentive fee net investment income for the immediately preceding calendar quarter. 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 commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus Apollo Investment s operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement, 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 Apollo Investment s net assets at the end of the immediately preceding calendar quarter, is compared to the hurdle rate of 1.75% per quarter (7% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2% base management fee. Apollo Investment pays the Investment Adviser an incentive fee with respect to Apollo Investment s pre-incentive fee net investment income in each calendar quarter as follows: (1) no incentive fee in any calendar quarter in which Apollo Investment s pre-incentive fee net investment income does not exceed the hurdle rate; (2) 100% of Apollo Investment s pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter; and (3) 20% of the amount of Apollo Investment s pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are appropriately pro rated for any period of less than three months and adjusted for any share issuances or repurchases during the relevant quarter. 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 and Management Agreement, as of the termination date), commencing on December 31, 2004, and will equal 20% of Apollo Investment s cumulative realized capital gains less cumulative realized capital losses, unrealized capital depreciation (unrealized depreciation 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 advisor.

For the three and six months ended September 30, 2006, the Investment Adviser received $9,668 and $18,144 respectively, in base investment advisory and management fees and $8,916 and $16,852 respectively, in performance-based net investment income incentive fees from Apollo Investment. For the three and six months ended September 30, 2005, the Investment Adviser received $5,310 and $9,801 respectively, in base investment advisory and management fees and $5,173 and $11,484 respectively, in performance-based net investment income incentive fees from Apollo Investment. For the three and six months ended September 30, 2006, the Company accrued $1,852 and $1,852, respectively, in performance-based net realized gain incentive fees. For the three and six months ended September 30, 2005, the Company did not have a performance-based net realized gain incentive fee accrual.

Apollo Investment has also entered into an Administration Agreement with Apollo Investment Administration, LLC (the Administrator) under which the Administrator provides administrative services for Apollo Investment. For providing these services, facilities and personnel, Apollo Investment reimburses the Administrator for Apollo Investment s allocable portion of overhead and other expenses incurred by Apollo Administration in performing its obligations under the Administration Agreement, including rent and Apollo Investment s allocable portion of its chief financial officer and chief compliance officer and their respective staffs. The Administrator will also provide, on Apollo Investment s behalf, managerial assistance to those portfolio companies to which Apollo Investment is required to provide such assistance.

For the three and six months ended September 30, 2006, the Administrator was reimbursed $298 and $590 respectively, from Apollo Investment on $533 and $1,501, respectively, of expenses accrued under the Administration Agreement. For the three and six months ended September 30, 2005, the Administrator was reimbursed $262 and $460, respectively, from Apollo Investment on the $403 and $715, respectively, of expenses accrued under the Administration Agreement.

Table of Contents

On April 14, 2005, Apollo Investment entered into an $800 million Senior Secured Revolving Credit Agreement (the Credit Agreement), among Apollo Investment, the lenders party thereto and JPMorgan Chase Bank, N.A. (JPMorgan), as administrative agent for the lenders. Effective December 29, 2005, lenders provided additional commitments in the amount of $100 million, increasing the total facility size to $900 million on the same terms and conditions as the existing commitments. On March 31, 2006, Apollo Investment Corporation amended and restated its $900 million senior secured, multi-currency, revolving credit facility due April 14, 2010. The amended Facility increased total commitments outstanding to $1.25 billion and extended the maturity date to April 13, 2011. The amended Facility also permits Apollo to seek additional commitments from new and existing lenders in the future, up to an aggregate amount not to exceed $2 billion. Pricing remains at 100 basis points over LIBOR. The Facility will be used to supplement Apollo s equity capital to make additional portfolio investments. From time to time, certain of the lenders provide customary commercial and investment banking services to affiliates of Apollo Investment. JPMorgan also serves as custodian and fund accounting agent for Apollo Investment.

Note 4. Net Asset Value Per Share

At September 30, 2006, the Company s total net assets and net asset value per share were $1,323,359 and $16.14, respectively. This compares to total net assets and net asset value per share at March 31, 2006 of $1,229,855 and $15.15, respectively.

Note 5. Earnings Per Share

The following information sets forth the computation of basic and diluted per share net increase in net assets resulting from operations for the three and six months ended September 30, 2006 and September 30, 2005, respectively:

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Six Months Ended September 30, 2006	Six Months Ended September 30, 2005
Numerator for net increase in net assets per share resulting from operations:	$ 81,266	$ 31,009	$ 152,422	$ 44,570
Denominator for basic and diluted weighted average shares:	81,618,045	62,774,863	81,410,678	62,666,684
Basic and diluted net increase in net assets per share resulting from operations:	$ 1.00	$ 0.49	$ 1.87	$ 0.71

Note 6. Investments

Investments and cash equivalents consisted of the following as of September 30, 2006 and September 30, 2005, respectively:

	September 30, 2006		September 30, 2005	
	Cost	Fair Value	Cost	Fair Value
Subordinated Debt/Corporate Notes	$ 1,296,611	$ 1,313,617	$ 668,190	$ 667,986
Preferred Equity	47,837	49,670		
Common Equity/Partnership Interests	61,137	154,468	60,152	61,810
Warrants	1,601	4,955		
Bank Debt/Senior Secured Loans	525,611	516,455	438,737	443,939
Cash Equivalents	648,072	648,072	498,680	498,680
Totals	$ 2,580,869	$ 2,687,237	$ 1,665,759	$ 1,672,415

Table of Contents

Note 7. Foreign Currency Transactions

At September 30, 2006, the Company had an open foreign currency contract to sell euro forward and bears the market risk that arises from changes in foreign currency exchange rates. Unrealized appreciation on the contract is reflected in the accompanying financial statements as follows:

Foreign Currency	Local Currency	Cost	Market Value	Settlement Date	Unrealized Appreciation
To Sell: Euro	42,500	$ 54,531	$ 54,106	12/8/06	$ 425

At September 30, 2006, the Company had outstanding non-US borrowings on its $1.25 billion multicurrency revolving credit facility denominated in euros and Canadian dollars. Unrealized appreciation (depreciation) on these outstanding borrowings is indicated in the table below:

Foreign Currency	Local Currency	Original Borrowing Cost	Current Value	Reset Date	Unrealized Appreciation (Depreciation)
Euro	17,500	$ 21,178	$ 22,168	10/10/2006	$ (990)
Euro	10,090	12,489	12,782	10/11/2006	(293)
Euro	15,000	18,141	19,001	10/20/2006	(860)
Euro	25,061	30,246	31,746	10/24/2006	(1,500)
Euro	10,000	12,442	12,668	10/30/2006	(226)
Euro	5,000	6,322	6,334	11/6/2006	(12)
Euro	58,050	74,664	73,535	11/17/2006	1,129
Euro	1,000	1,286	1,267	11/21/2006	19
Euro	20,022	24,888	25,362	12/6/2006	(474)
Euro	2,500	3,001	3,167	12/18/2006	(166)
Euro	45,525	55,071	57,669	12/20/2006	(2,598)
Euro	22,000	26,437	27,868	12/27/2006	(1,431)
Canadian Dollar	C$ 23,000	19,684	20,616	12/27/2006	(932)
		$ 305,849	$ 314,183		$ (8,334)

Note 8. Expense Offset Arrangement

The Company benefits from an expense offset arrangement with JPMorgan Chase Bank, N.A. (custodian bank) whereby the Company earns credits on any uninvested US dollar cash balances held by the custodian bank. These credits are applied by the custodian bank as a reduction of the monthly custody fees charged to the Company. The total amount of credits earned during the three and six months ended September 30, 2006 is $50 and $65, respectively. The total amount of credits earned during the three and six months ended September 30, 2005 is $0 and $0, respectively.

Note 9. Cash Equivalents

Pending investment in longer-term portfolio holdings, Apollo Investment makes temporary investments in U.S. Treasury bills (of varying maturities) and repurchase agreements as outlined in our prospectus. These temporary investments are deemed cash equivalents by us and are included in our Schedule of Investments. At the end of each fiscal quarter, the Company typically takes proactive steps to prospectively preserve investment flexibility in the next quarter which is assessed against the Company s total assets at its most recent quarter end. The Company can accomplish this in many ways including its current practice of purchasing U.S. Treasury bills and closing out its position on a net cash basis subsequent to quarter end. The Company may also utilize repurchase agreements or other balance sheet transactions as it deems appropriate for this purpose and these amounts are excluded from total assets for purposes of computing the asset base upon which the management fee is determined. U.S. Treasury bills with maturities of greater than 60 days from the time of purchase are marked-to-market as per our valuation policy. U.S. Treasury bills settle regular way on trade date plus one.

Table of Contents

Note 10. Repurchase Agreements

The Company enters into repurchase agreements as part of its investment program. The Company s custodian takes possession of collateral pledged by the counterparty. The collateral is marked-to-market daily to ensure that the value, plus accrued interest, is at least equal to the repurchase price. In the event of default of the obligor to repurchase, the Company has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. Under certain circumstances, in the event of default or bankruptcy by the counterparty to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal proceedings. There were no repurchase agreements outstanding at September 30, 2006.

Note 11. Financial Highlights

The following is a schedule of financial highlights for the six months ended September 30, 2006 and the year ended March 31, 2006:

	Six Months Ended September 30, 2006 (unaudited)	Year Ended March 31, 2006
Per Share Data:		
Net asset value, beginning of period	$ 15.15	$ 14.27
Net investment income	0.80	1.41
Net realized and unrealized gain	1.07	0.49
Net increase in net assets resulting from operations	1.87	1.90
Dividends to shareholders (1)	(0.92)	(1.62)
Effect of anti-dilution	0.04	0.61
Offering costs		(0.01)
Net asset value at end of period	$ 16.14	$ 15.15
Per share market value at end of period	$ 20.51	$ 17.81
Total return (2)	20.57%	12.94%
Shares outstanding at end of period	82,004,503	81,191,954
Ratio/Supplemental Data:		
Net assets at end of period (in millions)	$ 1,323.4	$ 1,229.9
Ratio of net investment income to average net assets	5.24%	9.89%
Ratio of operating expenses to average net assets*	3.24%	5.64%
Ratio of credit facility related expenses to average net assets	1.10%	1.44%
Ratio of total expenses to average net assets*	4.34%	7.08%
Average debt outstanding	$ 487,105	$ 325,639**
Average debt per share	$ 5.98	$ 5.10
Portfolio turnover ratio	23.5%	39.2%

(1) Dividends and distributions are determined based on taxable income calculated in accordance with income tax regulations which may differ from amounts determined under accounting principles generally accepted in the United States of America.

(2) Total return is based on the change in market price per share during the respective periods. It also takes into account dividends and distributions, if any, reinvested in accordance with the Company s dividend reinvestment plan. Total return is not annualized.

* For the six months ended September 30, 2006 and the year ended March 31, 2006, incorporating the expense offset arrangement, the ratio of operating expenses to average net assets is 3.23% and 5.63%, respectively, and the ratio of total expenses to average net assets is 4.33% and 7.07%, respectively (see Note 8).

Table of Contents

** Average debt outstanding and per share is calculated from July 8, 2005 (the date of the Company s first borrowing from its revolving credit facility) through March 31, 2006, and average debt per share is calculated as average debt outstanding divided by the average shares outstanding during the period (in 000 s).

Information about our senior securities is shown in the following table as of each year ended March 31 since the Company commenced operations, unless otherwise noted. The indicates information which the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding (1)	Asset Coverage Per Unit (2)	Involuntary Liquidating Preference Per Unit (3)	Average Market Value Per Unit (4)
Revolving Credit Facility				
Fiscal 2007 (as of September 30, 2006)	$ 659,932	$ 3,005	$	N/A
Fiscal 2006	323,852	4,798		N/A
Fiscal 2005	0	0		N/A

(1) Total amount of each class of senior securities outstanding at the end of the period presented (in 000 s).

(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated 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 $1,000 to determine the Asset Coverage Per Unit.

(3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it.

(4) Not applicable, as senior securities are not registered for public trading.

Note 12. Credit Agreement and Borrowings

At March 31, 2006 and under the terms of the amended and restated Credit Agreement, the lenders agreed to extend credit to Apollo Investment in an aggregate principal or face amount not exceeding $1.25 billion at any one time outstanding. The Credit Agreement is a five-year revolving facility (with a stated maturity date of April 14, 2011) and is secured by substantially all of the assets in Apollo Investment s portfolio, including cash and cash equivalents. Pricing is set at 100 basis points over LIBOR. The Credit Agreement contains affirmative and restrictive covenants, including: (a) periodic financial reporting requirements, (b) maintaining minimum shareholders equity of the greater of (i) 40% of the total assets of Apollo Investment and its subsidiaries as at the last day of any fiscal quarter and (ii) the sum of (A) $300 million plus (B) 25% of the net proceeds from the sale of equity interests in Apollo Investment after the closing date of the Credit Agreement, (c) maintaining a ratio of total assets, less total liabilities (other than indebtedness) to total indebtedness, in each case of Apollo Investment and its subsidiaries, of not less than 2.0:1.0, (d) maintaining minimum liquidity, (e) limitations on the incurrence of additional indebtedness, (f) limitations on liens, (g) limitations on investments (other than in the ordinary course of Apollo Investment s business), (h) limitations on mergers and disposition of assets (other than in the normal course of Apollo Investment s business activities) and (i) limitations on the creation or existence of agreements that permit liens on properties of Apollo Investment s subsidiaries. In addition to the asset coverage ratio described in clause (c) of the preceding sentence, borrowings under the Credit Agreement (and the incurrence of certain other permitted debt) are subject to compliance with a borrowing base that applies different advance rates to different types of assets in Apollo Investment s portfolio. The Credit Agreement currently provides for the ability of Apollo Investment to seek additional commitments from lenders in an aggregate amount of up to $750 million. The Credit Agreement is used to supplement Apollo Investment s equity capital to make additional portfolio investments and for other general corporate purposes.

At September 30, 2006 and March 31, 2006, the Company had $659,932 (at value) and $323,852 (at value), respectively, drawn on its $1,250,000 revolving credit facility. The weighted average annual interest cost for the

Table of Contents

six months ended September 30, 2006 was 5.12%, exclusive of 0.54% for commitment fees and for other prepaid expenses related to establishing the credit facility. This weighted average annual interest cost reflects the average interest cost for all borrowings, including EURIBOR, CAD LIBOR, and USD LIBOR.

The average debt outstanding on the credit facility was $487,105 for the six months ended September 30, 2006. The maximum amount borrowed during this period was $671,318. The remaining amount available under the facility was $590,068 at September 30, 2006.

At September 30, 2006, the Company was in compliance with all financial and operational covenants required by the Credit Agreement.

Table of Contents

REVIEW REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Apollo Investment Corporation

We have reviewed the accompanying statements of assets and liabilities of Apollo Investment Corporation (the Company) as of September 30, 2006 and March 31, 2006, including the schedules of investments, the related statements of operations for the three and six-month periods ended September 30, 2006 and September 30, 2005 and of cash flows for the six-month periods ended September 30, 2006 and September 30, 2005 and the statements of changes in net assets for the six-month period ended September 30, 2006 and for the year ended March 31, 2006. 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, 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 mvbade to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of assets and liabilities as of March 31, 2006, and the related statements of operations, of cash flows and of changes in net assets for the year then ended, management s assessment of the effectiveness of the Company s internal control over financial reporting as of March 31, 2006 and the effectiveness of the Company s internal control over financial reporting as of March 31, 2006; and in our report dated June 9, 2006, we expressed unqualified opinions thereon. The financial statements and management s assessment of the effectiveness of internal control over financial reporting referred to above are not presented herein. In our opinion, the information set forth in the accompanying statement of assets and liabilities as of March 31, 2006, is fairly stated in all material respects in relation to the statement of assets and liabilities from which it has been derived.

/s/ PricewaterhouseCoopers LLP

New York, New York

November 6, 2006

Table of Contents

NOTICE REGARDING INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM S REVIEW REPORT

With respect to the unaudited interim financial information as of September 30, 2006 and for the three-month and six-month periods ended September 30, 2006 and 2005, included herein, PricewaterhouseCoopers LLP has reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included herein states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. The accountants are not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their report on the unaudited interim financial information because that report is not a report or a part of the registration statement prepared or certified by the accountants within the meaning of Sections 7 and 11 of the Securities Act of 1933.

Table of Contents

PROSPECTUS **September 20, 2006**

$900,000,000

Common Stock

Preferred Stock

Warrants

Debt Securities

Apollo Investment Corporation is a closed-end, non-diversified management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in middle-market companies in the form of mezzanine and senior secured loans, each of which may include an equity component, as well as by making direct equity investments in such companies. We can offer no assurances that we will continue to achieve our objective.

We are managed by Apollo Investment Management, L.P., an affiliate of Apollo Management, L.P., a leading private equity investor. Apollo Investment Administration, LLC provides the administrative services necessary for us to operate.

We may offer, from time to time, in one or more offerings or series, together or separately, up to $900,000,000 of our common stock, preferred stock, debt securities or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, which we refer to, collectively, as the securities . The securities may be offered at prices and on terms to be described in one or more supplements to this prospectus.

Our common stock is quoted on The Nasdaq National Market under the symbol AINV .

This prospectus, and the accompanying prospectus supplement, if any, contains important information you should know before investing in our securities. Please read it before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. This information is available free of charge by contacting us at 9 West 57th Street, New York, NY 10019 or by telephone at (212) 515-3200 or on our website at www.apolloic.com. The SEC also maintains a website at www.sec.gov that contains such information.

Investing in our securities involves a high degree of risk. Before buying any securities, you should read the discussion of the material risks of investing in our securities in Risk Factors beginning on page 4 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus may not be used to consummate sales of securities unless accompanied by a prospectus supplement.

Table of Contents

You should rely only on the information contained in this prospectus and the accompanying prospectus supplement, if any. We have not authorized anyone to provide you with additional information, or information different from that contained in this prospectus and the accompanying prospectus supplement, if any. If anyone provides you with different or additional information, you should not rely on it. We are offering to sell, and seeking offers to buy, securities only in jurisdictions where offers and sales are permitted. The information contained in or incorporated by reference in this prospectus and the accompanying prospectus supplement, if any, is accurate only as of the date of this prospectus or such prospectus supplement. Our business, financial condition, results of operations and prospects may have changed since then.

TABLE OF CONTENTS

Prospectus Summary	ii
Fees and Expenses	1
Risk Factors	4
Use of Proceeds	17
Dividends	18
Selected Condensed Consolidated Financial Data	19
Forward Looking Statements	21
Management s Discussion and Analysis of Financial Condition and Results of Operations	22
Price Range of Common Stock	31
Business	32
Management	43
Compensation of Directors and Officers	46
Certain Relationships	55
Control Persons and Principal Stockholders	56
Portfolio Companies	57
Determination of Net Asset Value	64
Dividend Reinvestment Plan	65
Material U.S. Federal Income Tax Considerations	66
Description of Our Capital Stock	72
Description of Our Preferred Stock	79
Description of Our Warrants	80
Description of Our Debt Securities	81
Regulation	94
Custodian, Transfer and Dividend Paying Agent, Registrar and Trustee	99
Brokerage Allocation and other Practices	99
Plan of Distribution	100
Legal Matters	101
Independent Registered Public Accountants	101
Available Information	101
Index to Financial Statements	F-1

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or the SEC, using the shelf registration process. Under the shelf registration process, we may offer, from time to time, up to $900,000,000 of our common stock, preferred stock, debt securities or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities on the terms to be determined at the time of the offering. The securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. Please carefully read this prospectus and any prospectus supplement together with any exhibits and the additional information described under the headings Available Information and Risk Factors before you make an investment decision.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read carefully the more detailed information set forth under Risk Factors and the other information included in this prospectus. In this prospectus and any accompanying prospectus supplement, except where the context suggests otherwise, the terms we , us , our and Apollo Investment refer to Apollo Investment Corporation; Apollo Investment Management or investment adviser refers to Apollo Investment Management, L.P.; Apollo Administration or AIA refers to Apollo Investment Administration, LLC; and Apollo refers to the affiliated companies of Apollo Investment Management, L.P.

Apollo Investment

Apollo Investment Corporation (Apollo Investment or the Company), a Maryland corporation organized on February 2, 2004, is a closed-end, non-diversified management investment company that has elected to be treated as a business development company (a 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, or RIC, under the Internal Revenue Code of 1986, as amended.

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We intend to invest primarily in middle-market companies in the form of mezzanine and senior secured loans, as well as by making direct equity investments in such companies. From time to time, we may also invest in public companies whose securities are thinly traded.

Our portfolio is comprised primarily of investments in long-term subordinated loans, referred to as mezzanine loans, and senior secured loans of private middle-market companies, and from time to time include equity interests such as common stock, warrants or options. Our targeted investment typically ranges between $20 million and $150 million, although this investment size may vary proportionately as the size of our capital base changes. In this prospectus, we use the term middle-market to refer to companies with annual revenues between $50 million and $1 billion.

Apollo Investment Management and its affiliates manage other funds that may have investment mandates that are similar, in whole or in part, with ours. Apollo Investment Management 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, Apollo Investment Management may determine that we should invest on a side-by-side basis with one or more other funds. We do not anticipate making an initial investment in any portfolio company in which Apollo or any affiliate has a pre-existing investment. We may 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 if we receive an order from the SEC permitting us to do so. There can be no assurance that any such order will be obtained.

At June 30, 2006, our net portfolio consisted of 48 portfolio companies with a market value of $1.8 billion and was invested 63% in subordinated debt, 3% in preferred equity, 9% in common equity and 25% in senior secured loans versus 36 portfolio companies invested 48% in subordinated debt, 2% in common equity, 46% in senior secured loans, and 4% in cash equivalents at June 30, 2005. As of June 30, 2006, our average investment size was approximately $37 million.

The weighted average yields on our subordinated debt portfolio, senior secured loan portfolio and total debt portfolio were 13.6%, 12.7% and 13.3%, respectively, at June 30, 2006. Yields are computed using interest rates as of the balance sheet date and include amortization of loan origination fees, original issue discount and market premium or discount, weighted by their respective costs when averaged.

While our primary focus is to generate both current income and capital appreciation through investments in loans, we may invest a portion of the portfolio in opportunistic investments in order to seek to enhance returns to

Table of Contents

stockholders. Such investments may include investments in high-yield bonds, distressed debt, foreign securities, private equity or securities of public companies that are not thinly traded. We expect that these public companies generally will have debt securities that are not investment grade.

About Apollo

Founded in 1990, Apollo is a recognized leader in private equity investing, having invested more than $14 billion in over 150 companies since its founding. Since its inception, Apollo has raised in excess of $25 billion in capital, primarily from institutional investors. Apollo traditionally has focused on companies that it believes are undervalued yet have successful business models, strong cash flows and prospects for value creation. The Apollo investment professionals disciplined, value-oriented strategy has sought to identify opportunities in all investment environments, selecting from a range of approaches, such as traditional or corporate partner buyouts, distressed debt buyouts or more liquid, non-control distressed debt investments. The Apollo investment professionals have sought through this strategy to provide investors with attractive returns while minimizing the risk of capital loss throughout economic cycles.

Apollo s active private equity investment funds focus on making either control-oriented equity investments of $200 million or more or distressed debt investments, either for control or non-control positions. In contrast, we seek to capitalize on the significant investment opportunities emerging in the mezzanine segment of the lending market for middle-market companies, which we believe offers the potential for attractive risk-adjusted returns.

About Apollo Investment Management

Apollo Investment Management, our investment adviser, is led by a dedicated team of 12 investment professionals and is further supported by Apollo s team of approximately 48 investment professionals. This team has invested more than $2.25 billion in 67 companies in transactions with more than 50 different financial sponsors since commencement of operations in April 2004. In addition, Apollo Investment Management expects to hire additional investment professionals in the future. Apollo Investment Management s investment committee currently consists of John J. Hannan, our Chairman and Chief Executive Officer and a managing partner of Apollo Investment Management, Arthur H. Penn, our President and Chief Operating Officer, and a co-founder and managing partner of Apollo Investment Management, Patrick J. Dalton, a partner of Apollo Investment Management, Edward Tam, a partner of Apollo Investment Management, Jose Briones, a partner of Apollo Investment Management and James Zelter, a managing partner of Apollo s capital markets business, which includes Apollo Investment Management. The composition of the Investment Committee of Apollo Investment Management may change from time to time. Apollo Investment Management draws upon Apollo s 16-year history and benefits from the Apollo investment professionals significant capital markets, trading and research expertise developed through investments in 25 different industries and over 150 companies in the United States and Western Europe.

About Apollo Investment Administration

In addition to furnishing us with office facilities, equipment, and clerical, bookkeeping and record keeping services, Apollo Investment Administration also oversees our financial records as well as the preparation of our reports to stockholders and reports filed with the SEC. AIA oversees the determination and publication of our net asset value, oversees the preparation and filing of our tax returns, and generally monitors the payment of our expenses and the performance of administrative and professional services rendered to us by others. Furthermore, AIA provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance.

Operating and Regulatory Structure

Our investment activities are managed by Apollo Investment Management and supervised by our board of directors, a majority of whom are independent of Apollo and its affiliates. Apollo Investment Management is an

investment adviser that is registered under the Investment Advisers Act of 1940. Under our investment advisory and management agreement, we pay Apollo Investment Management an annual base management fee based on our gross assets as well as an incentive fee based on our performance. See Management Investment Advisory and Management Agreement.

As a business development company, we are required to comply with certain regulatory requirements. Also, while we are permitted to finance investments using debt, our ability to use debt is limited in certain significant respects. See Regulation. We have elected to be treated for federal income tax purposes as a regulated investment company, or a RIC, under Subchapter M of the Internal Revenue Code of 1986, or the Code. For more information, see Material U.S. Federal Income Tax Considerations.

Determination of Net Asset Value

The net asset value per share of our outstanding shares of common stock is determined quarterly by dividing the value of our total assets minus our liabilities by the total number of our shares outstanding.

In calculating the value of our total assets, we value investments for which market quotations are readily available at such market quotations. Debt and equity securities that are not publicly traded or whose market price is not readily available are valued at fair value as determined in good faith by our board of directors under a valuation policy and a consistently applied valuation process. Because there is no readily available market value for a significant portion of the investments in our portfolio, we value these portfolio investments at fair value.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for such investments, and the differences could be material. Determination of fair values involves subjective judgments and estimates not susceptible to substantiation by auditing procedures. Accordingly, under current auditing standards, the notes to our financial statements refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our financial statements. For more information, see Determination of Net Asset Value.

Use of Proceeds

We intend to use the net proceeds from the sale of our securities for general corporate purposes, which includes investing in portfolio companies in accordance with our investment objective and strategies and repaying indebtedness, incurred under our senior credit facility. Pending such investments, we will use the net proceeds of an offering to invest in cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less from the date of investment, to reduce then-outstanding obligations under our credit facility or for other general corporate purposes. The supplement to this prospectus relating to an offering will more fully identify the use of the proceeds from such offering. For more information, see Use of Proceeds.

Dividends

We intend to continue to distribute quarterly dividends to our stockholders. Our quarterly dividends, if any, will be determined by our board of directors. For more information, see Dividends.

Dividend Reinvestment Plan

We have adopted an opt-out dividend reinvestment plan that provides for reinvestment of our dividend distributions on behalf of our stockholders, unless a stockholder elects to receive cash. As a result, if our board of directors authorizes, and we declare, a cash dividend, then our stockholders who have not opted out of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our

common stock, rather than receiving the cash dividends. A registered stockholder must notify our transfer agent in writing if they wish to opt-out of the dividend reinvestment plan. For more information, see Dividend Reinvestment Plan.

Plan of Distribution

We may offer, from time to time, up to $900,000,000 of our common stock, preferred stock, debt securities or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, on terms to be determined at the time of the offering.

Securities may be offered at prices and on terms described in one or more supplements to this prospectus directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters or dealers. The supplement to this prospectus relating to the offering will identify any agents or underwriters involved in the sale of our securities, and will set forth any applicable purchase price, fee and commission or discount arrangement or the basis upon which such amount may be calculated. In compliance with the guidelines of the National Association of Securities Dealers, Inc. (NASD), the maximum compensation to the underwriters or dealers in connection with the sale of our securities pursuant to this prospectus and the accompanying supplement to this prospectus may not exceed 8% of the aggregate offering price of the securities as set forth on the cover page of the supplement to this prospectus.

We may not sell securities pursuant to this prospectus without delivering a prospectus supplement describing the method and terms of the offering of such securities. For more information, see Plan of Distribution.

Our Corporate Information

Our administrative and principal executive offices are located at 9 West 57th Street, New York, NY 10019. Our common stock is quoted on The Nasdaq National Market under the symbol AINV . Our Internet website address is *www.apolloic.com.* Information contained on our website is not incorporated by reference into this prospectus and you should not consider information contained on our website to be part of this prospectus.

FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that an investor in shares of our common stock will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by you , us or Apollo Investment , or that we will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in Apollo Investment.

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	%(1)
Offering expenses borne by us (as a percentage of offering price)	%(2)
Total stockholder transaction expenses (as a percentage of offering price)	%(3)
Estimated annual expenses (as percentage of net assets) (4):	
Management fees	2.67%(5)
Incentive fees payable under investment advisory and management agreement (20% of net realized capital gains and 20% of pre-incentive fee net investment income)	2.50%(6)
Other expenses	0.65%(7)
Total annual expenses as a percentage of net assets excluding interest (estimated)	5.82%
Interest and other credit facility related expenses on borrowed funds	1.78%(8)
Total annual expenses as a percentage of net assets including interest (estimated)	7.60%(5)(6)(7)(8)

(1) *In the event that the securities to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load.*

(2) *The related prospectus supplement will disclose the estimated amount of offering expenses, the offering price and the offering expenses borne by us as a percentage of the offering price.*

(3) *The expenses of the dividend reinvestment plan are included in Other expenses.*

(4) *Net assets attributable to common shares equal our net assets (i.e., total assets less total liabilities) at June 30, 2006.*

The SEC requires that Total Annual Expenses be calculated as a percentage of net assets in the above chart rather than as a percentage of total assets. Total assets includes assets that have been funded with borrowed monies (leverage). For reference, the below chart illustrates our Total annual expenses as a percentage of total assets:

Estimated annual expenses (as percentage of total assets):	
Management fees	2.00%(5)
Incentive fees payable under investment advisory and management agreement (20% of net realized capital gains and 20% of pre-incentive fee net investment income)	1.25%(6)
Other expenses	0.33%(7)
Total annual expenses as a percentage of total assets excluding interest (estimated)	3.58%
Interest and other credit facility related expenses on borrowed funds	0.89%(8)
Total annual expenses as a percentage of total assets including interest (estimated)	4.47%(5)(6)(7)(8)

(5) *The contractual management fee is calculated at an annual rate of 2.00% of our average total assets. Estimated annual expenses are based on annualized actual amounts reported for the quarter ended June 30, 2006. See Management Investment Advisory and Management Agreement and footnote 6 below.*

(6) *Assumes that annual incentive fees earned by our investment advisor, Apollo Investment Management, remain consistent with the incentive fees earned by Apollo Investment Management for the quarter ended June 30, 2006. Apollo Investment Management earns incentive fees consisting of two parts. The*

1

first part, which is payable quarterly in arrears, is based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. 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 hurdle rate of 1.75% quarterly (7% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2% base management fee (see footnote 5 above). Accordingly, we pay Apollo Investment Management an incentive fee as follows: (1) no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate; (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 the hurdle rate but is less than 2.1875% in any calendar quarter; and (3) 20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are appropriately pro rated for any period of less than three months and adjusted for any share issuances or repurchases during the relevant quarter. You should be aware that a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee hurdle rate and may result in a substantial increase of the amount of incentive fees payable to our investment adviser with respect to pre-incentive fee net investment income. The second part of the incentive fee will equal 20% of our realized capital gains for the calendar year, if any, computed net of all realized capital losses and unrealized capital depreciation (and incorporating unrealized depreciation on a gross investment-by-investment basis) and is payable in arrears at the end of each calendar year. For a more detailed discussion of the calculation of this fee, see Management Investment Advisory and Management Agreement.

(7) *Includes our estimated overhead expenses, including payments under the administration agreement based on our estimated allocable portion of overhead and other expenses incurred by Apollo Administration in performing its obligations under the administration agreement. See Management Administration agreement.*

(8) *The estimate is based on our assumption that our borrowings and interest costs after an offering will remain similar to the amounts outstanding and incurred for the quarter ended June 30, 2006. At June 30, 2006, we had $536 million in borrowings outstanding and $714 million available for our use. See Risk Factors We fund a portion of our investments with borrowed money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us. and Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.*

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock, assuming a sales load of 4.50% and offering expenses totaling 0.15%. In calculating the following expense amounts, we have also assumed we would have no additional leverage and that our annual operating expenses would remain at the levels set forth in the table above.

	1 year	3 years	5 years	10 years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 95	$ 192	$ 289	$ 530

While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The incentive fee under the investment advisory and management agreement, which, assuming a 5% annual return, would either not be payable or have an insignificant impact on the expense amounts shown above, is not included in the example. This illustration assumes that we will not realize any capital gains computed net of all realized capital losses and unrealized capital depreciation in any of the indicated time periods. If we achieve sufficient returns on our investments, including through the realization

Table of Contents

of capital gains, to trigger an incentive fee of a material amount, our expenses, and returns to our investors, would be higher. In addition, while the example assumes reinvestment of all dividends and distributions at net asset value, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the dividend. See Dividend Reinvestment Plan for additional information regarding our dividend reinvestment plan.

This example and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses may be greater or less than those shown.

Table of Contents

RISK FACTORS

Before you invest in our shares, you should be aware of various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included in this prospectus, before you decide whether to make an investment in our securities. The risks set out below are not the only risks we face. If any of the following events occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our net asset value and the trading price of our common stock could decline or the value of our preferred stock, debt securities or warrants may decline, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND STRUCTURE

We can offer no assurance that we will be able to replicate the success of Apollo s private funds and our investment returns could be substantially lower than the returns achieved by those private funds.

Even though Apollo Investment Management is led by senior investment professionals of Apollo who apply the value-oriented philosophy and techniques used by the Apollo investment professionals in their private fund investing, our investment strategies and objectives differ from those of other private funds that are or have been managed by the Apollo investment professionals. Further, investors in Apollo Investment are not acquiring an interest in other Apollo funds. Further, while Apollo Investment may consider potential co-investment participation in portfolio investments with other Apollo funds, any such investment activity is subject to a number of limitations, including applicable allocation policies and regulatory limitations on certain types of co-investment activity. Certain types of negotiated co-investments may be made only if we receive an order from the SEC permitting us to do so. There can be no assurance that any such order will be obtained. Accordingly, we can offer no assurance that Apollo Investment will replicate Apollo s historical success, and we caution you that our investment returns could be substantially lower than the returns achieved by those private funds.

We are dependent upon Apollo Investment Management s key personnel for our future success and upon their access to Apollo s investment professionals and partners.

We depend on the diligence, skill and network of business contacts of the senior management of Apollo Investment Management. Members of our senior management may depart at any time. For a description of the senior management team, see Management. We also depend, to a significant extent, on Apollo Investment Management s access to the investment professionals and partners of Apollo and the information and deal flow generated by the Apollo investment professionals in the course of their investment and portfolio management activities. The senior management of Apollo Investment Management evaluates, negotiates, structures, closes and monitors our investments. Our future success depends on the continued service of the senior management team of Apollo Investment Management. The departure of any of our directors or the senior managers of Apollo Investment Management, or of a significant number of the investment professionals or partners of Apollo, could have a material adverse effect on our ability to achieve our investment objective. In addition, we can offer no assurance that Apollo Investment Management will remain our investment adviser or that we will continue to have access to Apollo s partners and investment professionals or its information and deal flow.

Our financial condition and results of operation depend on our ability to manage future growth effectively.

Our ability to achieve our investment objective depends, in part, on our ability to grow, which depends, in turn, on Apollo Investment Management s ability to identify, invest in and monitor companies that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of Apollo Investment Management s structuring of the investment process, its ability to provide competent, attentive and efficient services to us and our access to financing on acceptable terms. The senior management team of Apollo Investment Management has substantial responsibilities under the investment advisory and management agreement, as well as in connection with their roles as officers of other Apollo funds. They may also be called

upon to provide managerial assistance to our portfolio companies as principals of our administrator. These demands on their time may distract them or slow the rate of investment. In order to grow, we and Apollo Investment Management need to hire, train, supervise and manage new employees. Any failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.

We operate in a highly competitive market for investment opportunities.

A number of entities compete with us to make the types of investments that we make in middle-market companies. We compete with public and private funds, commercial and investment banks, commercial financing companies, and, to the extent they provide an alternative form of financing, private equity funds. Additionally, because competition for investment opportunities generally has increased among alternative investment vehicles, such as hedge funds, those entities have begun to invest in areas they have not traditionally invested in, including investments in middle-market companies. As a result of these new entrants, competition for investment opportunities at middle-market companies has intensified and we expect that trend to continue. Some of our existing and potential competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a business development company. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this existing and increasing competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective.

We do not seek to compete primarily based on the interest rates we offer, and we believe that some of our competitors make loans with interest rates that are comparable to or lower than the rates we offer.

We may lose investment opportunities if we do not match our competitors pricing, terms and structure. If we match our competitors pricing, terms and structure, we may experience decreased net interest income and increased risk of credit loss.

Any failure on our part to maintain our status as a business development company would reduce our operating flexibility.

If we do not remain a business development company, we might be regulated as a closed-end investment company under the 1940 Act, which would subject us to substantially more regulatory restrictions under the 1940 Act and correspondingly decrease our operating flexibility.

We will be subject to corporate-level income tax if we are unable to qualify as a RIC.

To qualify as a RIC under the Code, we must meet certain source-of-income, asset diversification and annual distribution requirements. The annual distribution requirement for a RIC is satisfied if we 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, to our stockholders on an annual basis. To the extent we use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to qualify as a RIC and, thus, may be subject to corporate-level income tax. To qualify as a RIC, we must also meet certain asset diversification requirements at the end of each calendar quarter. Failure to meet these tests may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments are in

private companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. If we fail to qualify as a RIC for any reason and become subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure would have a material adverse effect on us and our stockholders.

We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.

For federal income tax purposes, we include in income certain amounts that we have not yet received in cash, such as original issue discount, which may arise if we receive warrants in connection with the making of a loan or possibly in other circumstances, or payment-in-kind interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such original issue discount, which could be significant relative to Apollo Investment s overall investment activities, or increases in loan balances as a result of payment-in-kind arrangements are included in income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we do not receive in cash.

That part of the incentive fee payable by us that relates to our net investment income is computed and paid on income that may include interest that has been accrued but not yet received in cash. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible.

Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the tax requirement to 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, to maintain our status as a RIC. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. See Material U.S. Federal Income Tax Considerations Taxation as a RIC.

Regulations governing our operation as a business development company affect our ability to, and the way in which we, raise additional capital.

We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as senior securities, up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we are permitted, as a business development company, to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous.

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock at a price below the current net asset value of the common stock, or sell warrants, options or rights to acquire such common stock at a price below the current net asset value of the stock, if our board of directors determines that such sale is in the best interests of Apollo Investment and its stockholders, and our stockholders approve Apollo Investment s policy and practice of making such sales. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount).

In addition to issuing securities to raise capital as described above, we may in the future seek to securitize our loans to generate cash for funding new investments. To securitize loans, we may create a wholly owned subsidiary and contribute a pool of loans to the subsidiary. This could include the sale of interests in the subsidiary on a non-recourse basis to purchasers who we would expect to be willing to accept a lower interest

rate to invest in investment grade loan pools, and we would retain a portion of the equity in the securitized pool of loans. An inability to successfully securitize our loan portfolio could limit our ability to grow our business and fully execute our business strategy, and could decrease our earnings, if any. Moreover, the successful securitization of our loan portfolio might expose us to losses as the residual loans in which we do not sell interests may tend to be those that are riskier and more apt to generate losses.

We currently use borrowed funds to make investments and are exposed to the typical risks associated with leverage.

We are exposed to increased risk of loss due to our use of debt to make investments. A decrease in the value of our investments will have a greater negative impact on the value of our common stock than if we did not use debt.

Our ability to pay dividends will be restricted if our asset coverage ratio falls below at least 200% and any amounts that we use to service our indebtedness are not available for dividends to our common stockholders.

Our current and future debt securities are and may be governed by an indenture or other instrument containing covenants restricting our operating flexibility.

We, and indirectly our stockholders, bear the cost of issuing and servicing such securities.

Any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock.

We fund a portion of our investments with borrowed money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us.

Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. We entered into a credit agreement in April 2005 with institutional banks and other lenders to facilitate such borrowing. Our lenders have fixed dollar claims on our consolidated assets that are superior to the claims of our common stockholders. If the value of our consolidated assets increases, then leveraging would cause the net asset value to increase more sharply than it would have had we not leveraged. Conversely, if the value of our consolidated assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our consolidated income in excess of consolidated interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our consolidated income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make common stock dividend payments. Leverage is generally considered a speculative investment technique.

Changes in interest rates may affect our cost of capital and net investment income.

Because we borrow money to make investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest these funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. In periods of rising interest rates, our cost of funds would increase, which could reduce our net investment income. Our long-term fixed-rate investments are financed primarily with equity and long-term debt. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. We have analyzed the potential impact of changes in interest rates on interest income net of interest expense. Assuming that the balance sheet were to remain constant and no actions were taken to alter the existing interest rate sensitivity, a hypothetical immediate 1% change in interest rates would have affected our net income over a one-year horizon. Although management believes that this estimated measure is indicative of our

sensitivity to interest rate changes, it does not adjust for potential changes in credit quality, size and composition of the assets on the balance sheet and other business developments that could affect net increase in net assets resulting from operations, or net income. Accordingly, no assurances can be given that actual results would not differ materially from the potential outcome simulated by this estimate.

You should also be aware that a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee hurdle rate and may result in a substantial increase of the amount of incentive fees payable to our investment adviser with respect to pre-incentive fee net investment income.

We need to raise additional capital to grow because we must distribute most of our income.

We may need additional capital to fund growth in our investments. We have issued equity securities and have borrowed from financial institutions. A reduction in the availability of new capital could limit our ability to grow. 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, to our stockholders to maintain our regulated investment company status. As a result, such earnings are not available to fund investment originations. We expect to continue to borrow from financial institutions and issue additional debt and equity securities. If we fail to obtain funds from such sources or from other sources to fund our investments, it could limit our ability to grow, which may have an adverse effect on the value of our securities. In addition, as a business development company, we are generally required to maintain a ratio of at least 200% of total assets to total borrowings, which may restrict our ability to borrow in certain circumstances.

Many of our portfolio investments are recorded at fair value as determined in good faith by our board of directors and, as a result, there is uncertainty as to the value of our portfolio investments.

A large percentage of our portfolio investments are in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable. We value these securities quarterly at fair value as determined in good faith by our board of directors. However, we may be required to value our securities at fair value as determined in good faith by our board of directors to the extent necessary to reflect significant events affecting the value of our securities. Our board of directors utilizes the services of several independent valuation firms to aid it in determining the fair value of these securities. The types of factors that may be considered in fair value pricing of our investments include the nature and realizable value of any collateral, the portfolio company s ability to make payments and its earnings, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

The lack of liquidity in our investments may adversely affect our business.

We generally make investments in private companies. Substantially all of these securities are subject to legal and other restrictions on resale or are otherwise less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we or an affiliated manager of Apollo has material non-public information regarding such portfolio company.

Table of Contents

We may experience fluctuations in our quarterly results.

We could experience fluctuations in our quarterly operating results due to a number of factors, including the interest rate payable on the debt securities we acquire, the default rate on such securities, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

There are significant potential conflicts of interest which could impact our investment returns.

Our executive officers and directors, and the partners of our investment adviser, Apollo Investment Management, serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do or of investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of us or our stockholders. Moreover, we note that, notwithstanding the difference in principal investment objectives between Apollo Investment and other Apollo funds, such other Apollo sponsored funds, including new affiliated potential pooled investment vehicles or managed accounts not yet established, have and may from time to time have overlapping investment objectives with those of Apollo Investment and, accordingly, invest in, whether principally or secondarily, asset classes similar to those targeted by Apollo Investment. To the extent such other investment vehicles have overlapping investment objectives, the scope of opportunities otherwise available to us may be adversely affected and/or reduced. As a result, the partners of Apollo Investment Management may face conflicts in their time management and commitments as well as in the allocation of investment opportunities to other Apollo funds. We do not anticipate making an initial investment in any portfolio company in which Apollo or any affiliate has a pre-existing investment. In addition, in the event such investment opportunities are allocated among Apollo Investment and other investment vehicles affiliated with Apollo Investment Management, our desired investment portfolio may be adversely affected. Although Apollo Investment Management endeavors to allocate investment opportunities in a fair and equitable manner, it is possible that we may not be given the opportunity to participate in certain investments made by investment funds managed by investment managers affiliated with Apollo Investment Management.

Apollo Investment Management and its affiliates and investment managers may determine that an investment is appropriate both for us and for one or more other funds. In such event, depending on the availability of such investment and other appropriate factors, Apollo Investment Management may determine that we should invest on a side-by-side basis with one or more other funds. We do not anticipate making an initial investment in any portfolio company in which Apollo or any affiliate has a pre-existing investment. We may 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 if we receive an order from the SEC permitting us to do so. There can be no assurance that any such order will be obtained.

In the course of our investing activities, we pay management and incentive fees to Apollo Investment Management, and reimburse Apollo Investment Management for certain expenses it incurs. As a result, investors in our common stock invest on a gross basis and receive distributions on a net basis after expenses, resulting in, among other things, a lower rate of return than one might achieve through direct investments. As a result of this arrangement, there may be times when the management team of Apollo Investment Management has interests that differ from those of our stockholders, giving rise to a conflict.

Apollo Investment Management receives a quarterly incentive fee based, in part, on our pre-incentive fee income, if any, for the immediately preceding calendar quarter. This incentive fee is subject to a quarterly hurdle rate before providing an incentive fee return to the investment adviser. To the extent we or Apollo Investment Management are able to exert influence over our portfolio companies, the quarterly pre-incentive fee may provide Apollo Investment Management with an incentive to induce our portfolio companies to accelerate or defer interest or other obligations owed to us from one calendar quarter to another.

Table of Contents

We have entered into a royalty-free license agreement with Apollo, pursuant to which Apollo has agreed to grant us a non-exclusive license to use the name Apollo. Under the license agreement, we have the right to use the Apollo name for so long as Apollo Investment Management or one of its affiliates remains our investment adviser. In addition, we rent office space from Apollo Administration, an affiliate of Apollo Investment Management, and pay Apollo Administration our allocable portion of overhead and other expenses incurred by Apollo Administration in performing its obligations under the administration agreement, including our allocable portion of the cost of our Chief Financial Officer and Chief Compliance Officer and their respective staffs, which can create conflicts of interest that our board of directors must monitor.

Changes in laws or regulations governing our operations may adversely affect our business.

We and our portfolio companies are subject to regulation by laws at the local, state and federal levels. These laws and regulations, as well as their interpretation, may be changed from time to time. Accordingly, any change in these laws or regulations could have a material adverse affect on our business.

RISKS RELATED TO OUR INVESTMENTS

We may not realize gains from our equity investments.

When we invest in mezzanine or senior secured loans, we have and may continue to acquire warrants or other equity securities as well. In addition, we may invest directly in the equity securities of portfolio companies. Our goal is ultimately to dispose of such equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

Our ability to invest in private companies may be limited in certain circumstances.

As a business development company, 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). If we invest in an issuer that, at the time we make the investment, has outstanding securities as to which a broker or dealer may extend or maintain margin credit or marginable securities, these acquired assets cannot normally be treated as qualifying assets. This treatment results from the definition of eligible portfolio company under the 1940 Act, which in part looks to whether a company has outstanding securities that are eligible for margin credit. Amendments promulgated in 1998 by the Board of Governors of the Federal Reserve System to Regulation T under the Securities Exchange Act of 1934, as amended, or the Exchange Act, expanded the definition of marginable security to include any non-equity security. These amendments have raised questions as to whether a private company that has outstanding debt securities would qualify as an eligible portfolio company. We note that under applicable self-regulatory organization rules that govern the ability of brokers and dealers to extend margin credit, many non-equity securities issued by private companies may not be effectively marginable.

To address these questions, the SEC proposed amendments to the 1940 Act to expand the definition of eligible portfolio company. These amendments would define eligible portfolio company with reference to whether a company has any class of securities listed on an exchange. We continue to monitor this issue closely and we may have to adjust our investment focus to comply with these amendments if they are adopted or any other future administrative position, judicial decision or legislative action.

Our portfolio is concentrated in a limited number of portfolio companies, which subject us to a risk of significant loss if any of these companies defaults on its obligations under any of its debt securities.

As of June 30, 2006, we have investments in 48 companies. A consequence of this limited number of investments is that the aggregate returns we realize may be significantly adversely affected if a small number of

investments perform poorly or if we need to write down the value of any one investment. Beyond our income tax diversification requirements, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.

Our investments in prospective portfolio companies may be risky, and you could lose all or part of your investment.

Investment in middle-market companies involves a number of significant risks, including:

- these companies may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment;

- they typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors actions and market conditions, as well as general economic downturns;

- they are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us; and

- they generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. In addition, our executive officers, directors and our investment adviser may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies.

Economic recessions or downturns could impair our portfolio companies and harm our operating results.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

A portfolio company s failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize our portfolio company s ability to meet its obligations under the debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, if one of our portfolio companies were to go bankrupt, even though we or one of our affiliates may have structured our interest as senior debt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt holding and subordinate all or a portion of our claim to that of other creditors.

Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio.

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as follow-on investments, in order to: (1) increase or maintain in whole or in part our equity ownership percentage; (2) exercise warrants, options or convertible securities that were acquired in the original or subsequent financing or (3) attempt to preserve or enhance the value of our investment.

Table of Contents

We may elect not to make follow-on investments or otherwise lack sufficient funds to make those investments. We have the discretion to make any follow-on investments, subject to the availability of capital resources. The failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our concentration of risk, because we prefer other opportunities, or because we are inhibited by compliance with business development company requirements or the desire to maintain our tax status.

Because we generally do not hold controlling equity interests in our portfolio companies, we may not be in a position to exercise control over our portfolio companies or to prevent decisions by management of our portfolio companies that could decrease the value of our investments.

Although we may do so in the future, to date we have not taken controlling equity positions in our portfolio companies. As a result, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and the stockholders and management of a portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity for the debt and equity investments that we typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company, and may therefore suffer a decrease in the value of our investments.

An investment strategy focused primarily on privately-held companies presents certain challenges, including the lack of available information about these companies, a dependence on the talents and efforts of only a few key portfolio company personnel and a greater vulnerability to economic downturns.

We have invested and will continue to invest primarily in privately-held companies. Generally, little public information exists about these companies, and we are required to rely on the ability of Apollo Investment Management s investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. Also, privately-held companies frequently have less diverse product lines and smaller market presence than larger competitors. These factors could affect our investment returns.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.

We have invested and intend to invest primarily in mezzanine and senior debt securities issued by our portfolio companies. The portfolio companies usually have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt securities in which we invest. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt securities in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company. In addition, we may not be in a position to control any portfolio company by investing in its debt securities. As a result, we are subject to the risk that a portfolio company in which we invest may make business decisions with which we disagree and the management of such company, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve our interests as debt investors.

Table of Contents

Our incentive fee may induce Apollo Investment Management to make certain investments, including speculative investments.

The incentive fee payable by us to Apollo Investment Management may create an incentive for Apollo Investment Management to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable to our investment adviser is determined, which is calculated as a percentage of the return on invested capital, may encourage our investment adviser to use leverage to increase the return on our investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor the holders of our common stock, including investors in offerings of common stock, securities convertible into our common stock or warrants representing rights to purchase our common stock or securities convertible into our common stock pursuant to this prospectus. In addition, the investment adviser receives the incentive fee based, in part, upon net capital gains realized on our investments. Unlike the portion of the incentive fee based on income, there is no hurdle rate applicable to the portion of the incentive fee based on net capital gains. As a result, the investment adviser may have a tendency to invest more in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

The incentive fee payable by us to Apollo Investment Management also may create an incentive for Apollo Investment Management to invest on our behalf in instruments that have a deferred interest feature. Under these investments, we would accrue the interest over the life of the investment but would not receive the cash income from the investment until the end of the term. Our net investment income used to calculate the income portion of our investment fee, however, includes accrued interest. Thus, a portion of this incentive fee would be based on income that we have not yet received in cash.

We may invest, to the extent permitted by law, in the securities and instruments of other investment companies, including private funds, and, to the extent we so invest, will bear our ratable share of any such investment company s expenses, including management and performance fees. We will also remain obligated to pay management and incentive fees to Apollo Investment Management with respect to the assets invested in the securities and instruments of other investment companies. With respect to each of these investments, each stockholder of Apollo Investment will bear his or her share of the management and incentive fee of Apollo Investment Management as well as indirectly bearing the management and performance fees and other expenses of any investment companies in which Apollo Investment invests.

Our investments in foreign securities may involve significant risks in addition to the risks inherent in U.S. investments.

Our investment strategy contemplates that a portion of our investments may be in securities of foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Although most of our investments are denominated in U.S. dollars, our investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency may change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. We may employ hedging techniques to minimize these risks, but we can offer no assurance that we will, in fact, hedge currency risk or, that if we do, such strategies will be effective.

Table of Contents

If we engage in hedging transactions, we may expose ourselves to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transaction may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price.

While we may enter into transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations.

Provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

The Maryland General Corporation Law, our charter and our bylaws contain provisions that may discourage, delay or make more difficult a change in control of Apollo Investment or the removal of our directors. We are subject to the Maryland Business Combination Act, subject to any applicable requirements of the 1940 Act. Our board of directors has adopted a resolution exempting from the Business Combination Act any business combination between us and any other person, subject to prior approval of such business combination by our board of directors, including approval by a majority of our disinterested directors. If the resolution exempting business combinations is repealed or our board of directors does not approve a business combination, the Business Combination Act may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. Our bylaws exempt from the Maryland Control Share Acquisition Act acquisitions of our common stock by any person. If we amend our bylaws to repeal the exemption from the Control Share Acquisition Act, the Control Share Acquisition Act also may make it more difficult for a third party to obtain control of us and increase the difficulty of consummating such an offer.

We have also adopted other measures that may make it difficult for a third party to obtain control of us, including provisions of our charter classifying our board of directors in three classes serving staggered three-year terms, and provisions of our charter authorizing our board of directors to classify or reclassify shares of our stock in one or more classes or series, to cause the issuance of additional shares of our stock, and to amend our charter, without stockholder approval, to increase or decrease the number of shares of stock that we have authority to issue. These provisions, as well as other provisions of our charter and bylaws, may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders.

RISKS RELATING TO THIS OFFERING

Investing in our securities may involve an above average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and volatility or loss of principal. Our investments in portfolio companies may be highly speculative and aggressive, therefore, an investment in our securities may not be suitable for someone with a low risk tolerance.

There is a risk that investors in our equity securities may not receive dividends or that our dividends may not grow over time and that investors in our debt securities may not receive all of the interest income to which they are entitled.

We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. In addition, due to the asset coverage test applicable to us as a business development company, we may be limited in our ability to make distributions. Finally, if more stockholders opt to receive cash dividends rather than participate in our dividend reinvestment plan, we may be forced to liquidate some of our investments and raise cash in order to make dividend payments.

Our shares may trade at discounts from net asset value or at premiums that are unsustainable over the long term.

Shares of business development companies may trade at a market price that is less than the net asset value that is attributable to those shares. The possibility that our shares of common stock will trade at a discount from net asset value or at premiums that are unsustainable over the long term are separate and distinct from the risk that our net asset value will decrease. It is not possible to predict whether the shares offered hereby will trade at, above, or below net asset value.

The market price of our securities may fluctuate significantly.

The market price and liquidity of the market for our securities may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- significant volatility in the market price and trading volume of securities of business development companies or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- changes in regulatory policies or tax guidelines, particularly with respect to RICs or business development companies;
- loss of RIC status;
- changes in earnings or variations in operating results;
- changes in the value of our portfolio of investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of Apollo Investment Management s key personnel;
- operating performance of companies comparable to us;
- general economic trends and other external factors; and
- loss of a major funding source.

We may allocate the net proceeds from this offering in ways with which you may not agree.

We have significant flexibility in investing the net proceeds of this offering and may use the net proceeds from this offering in ways with which you may not agree or for purposes other than those contemplated at the time of the offering.

Table of Contents

We may be unable to invest the net proceeds raised from an offering on acceptable terms, which would harm our financial condition and operating results.

Until we identify new investment opportunities, we intend to either invest the net proceeds of an offering in interest-bearing deposits or other short-term instruments or use the net proceeds from such offering to reduce then-outstanding obligations under our credit facility. We cannot assure you that we will be able to find enough appropriate investments that meet our investment criteria or that any investment we complete using the proceeds from an offering will produce a sufficient return.

Sales of substantial amounts of our securities may have an adverse effect on the market price of our securities.

Sales of substantial amounts of our securities, or the availability of such securities for sale, could adversely affect the prevailing market prices for our securities. If this occurs and continues, it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

USE OF PROCEEDS

We intend to use the net proceeds from selling securities pursuant to this prospectus for general corporate purposes, which include investing in portfolio companies in accordance with our investment objective and strategies and, pending such investments, either investing the net proceeds of an offering in cash equivalents, U.S. government securities and other high-quality debt instruments that mature in one year or less from the date of investment, to reduce then-outstanding obligations under our credit facility, or for other general corporate purposes. The supplement to this prospectus relating to an offering will more fully identify the use of the proceeds from such offering.

We anticipate that substantially all of the net proceeds of an offering of securities pursuant to this prospectus will be used for the above purposes within two years, depending on the availability of appropriate investment opportunities consistent with our investment objective and market conditions. Our portfolio currently consists primarily of mezzanine loans and senior loans. Pending our investments in new debt investments, we plan to either invest a portion of the net proceeds from an offering in cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less from the date of investment, to reduce then-outstanding obligations under our credit facility, or for other general corporate purposes. The management fee payable by us will not be reduced while our assets are invested in such securities. See Regulation Temporary investments for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

Table of Contents

DIVIDENDS

We intend to continue to distribute quarterly dividends to our stockholders. Our quarterly dividends, if any, will be determined by our board of directors.

We have elected to be taxed as a RIC under Subchapter M of the Internal Revenue Code of 1986. 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. In order to avoid certain excise taxes imposed on RICs, we currently intend to distribute during each calendar year an amount at least equal to the sum of (1) 98% of our ordinary income for the calendar year, (2) 98% of our capital gains in excess of capital losses for the one-year period ending on October 31st and (3) any ordinary income and net capital gains for preceding years that were not distributed during such years. In addition, although we currently intend to distribute realized net capital gains (*i.e.*, realized net long-term capital gains in excess of realized net 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. In such event, the consequences of our retention of net capital gains are as described under Material U.S. Federal Income Tax Considerations.

We maintain an opt out dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend, then stockholders 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. See Dividend Reinvestment Plan.

We may not be able to achieve operating results that will allow us to make dividends and distributions at a specific level or to increase the amount of these dividends and distributions from time to time. In addition, we may be limited in our ability to make dividends and distributions due to the asset coverage test for borrowings when applicable to us as a business development company under the 1940 Act and due to provisions in future credit facilities. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of our RIC status. We cannot assure stockholders that they will receive any dividends and distributions or dividends and distributions at a particular level.

With respect to the dividends paid 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.

The following table lists the quarterly dividends per share since shares of our common stock began being regularly quoted on The Nasdaq National Market.

	Declared Dividends	
Fiscal Year Ending March 31, 2007		
First Fiscal Quarter	$	0.450
Fiscal Year Ending March 31, 2006		
Fourth Fiscal Quarter	$	0.450
Third Fiscal Quarter	$	0.440
Second Fiscal Quarter	$	0.430
First Fiscal Quarter	$	0.310
Fiscal Year Ending March 31, 2005		
Fourth Fiscal Quarter	$	0.260
Third Fiscal Quarter	$	0.180
Second Fiscal Quarter	$	0.045
First Fiscal Quarter (period from April 8, 2004* to June 30, 2004)		

* Commencement of Operations

Table of Contents

SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA

The Statement of Operations, Per Share and Balance Sheet data for the period ended March 31, 2006 and March 31, 2005 are derived from our financial statements which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. Quarterly financial information is derived from unaudited financial data, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results at and for the three months ended June 30, 2006, are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2007. This data should be read in conjunction with our financial statements and related notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included in this prospectus.

All amounts in thousands, except per share data

Statement of Operations Data:	**For the Three Months Ended June 30, 2006**	**For the Year Ended March 31, 2006**	**For the Period April 8, 2004* through March 31, 2005**
Total Investment Income	$ 55,861	$ 152,827	$ 47,833
Total Expenses	$ 24,117	$ 63,684	$ 22,380
Net Investment Income	$ 31,744	$ 89,143	$ 25,453
Net Realized and Unrealized Gains	$ 39,412	$ 31,244	$ 18,692
Net Increase in Stockholders Equity Resulting from Operations	$ 71,156	$ 120,387	$ 44,145
Per Share Data:			
Net Asset Value	$ 15.59	$ 15.15	$ 14.27
Net Increase in Stockholders Equity Resulting from Operations	$ 0.88	$ 1.90	$ 0.71
Distributions Declared		$ 1.630	$ 0.485
Balance Sheet Data:			
Total Assets	$ 2,541,182	$ 2,511,074	$ 1,733,384
Borrowings Outstanding	$ 535,795	$ 323,852	$ 0
Total Net Assets	$ 1,272,282	$ 1,229,855	$ 892,886
Other Data:			
Total Return (1)	6.23%	12.9%	15.3%
Number of Portfolio Companies at Period End	48	46	35
Total Portfolio Investments for the Period	$ 286,846	$ 1,110,371	$ 894,335
Investment Sales and Prepayments for the Period	$ 124,098	$ 452,325	$ 71,730
Weighted Average Yield on Debt Portfolio at Period End	13.3%	13.1%	10.5%

* Commencement of operations

(1) Total return is based on the change in market price per share and takes into account dividends and distributions, if any, reinvested in accordance with Apollo Investment s dividend reinvestment plan. Total return is not annualized.

Table of Contents

SELECTED QUARTERLY DATA (UNAUDITED)

All amounts in thousands, except per share data

	Investment Income		Net Investment Income (Loss)		Net Realized And Unrealized Gain (Loss) on Assets		Net Increase In Net Assets From Operations	
Quarter Ended	**Total**	**Per Share**	**Total**	**Per Share**	**Total**	**Per Share**	**Total**	**Per Share**
June 30, 2006	$ 55,861	$ 0.69	$ 31,744	$ 0.39	$ 39,412	$ 0.49	$ 71,156	$ 0.88
March 31, 2006	42,453	0.65	22,652	0.35	19,619	0.30	42,271	0.65
December 31, 2005	37,567	0.60	20,554	0.33	12,992	0.20	33,546	0.53
September 30, 2005	35,013	0.56	20,693	0.33	10,316	0.16	31,009	0.49
June 30, 2005	37,793	0.60	25,244	0.41	(11,684)	(0.19)	13,560	0.22
March 31, 2005	21,321	0.34	15,559	0.25	(3,234)	(0.05)	12,325	0.20
December 31, 2004	14,816	0.24	9,108	0.15	16,063	0.25	25,171	0.40
September 30, 2004	7,889	0.12	2,263	0.03	3,523	0.06	5,786	0.09
June 30, 2004	3,807	0.06	(1,477)	(0.02)	2,340	0.04	863	0.02

Table of Contents

FORWARD-LOOKING STATEMENTS

Some of the statements in this prospectus constitute forward-looking statements, which relate to future events or our future performance or financial condition. The forward-looking statements contained in this prospectus 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 actu results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in Risk Factors and elsewhere in this prospectus.

We have based the forward-looking statements included in this prospectus on information available to us on the date of this prospectus, 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 SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Apollo Investment was incorporated under the Maryland General Corporation Law in February 2004. We have elected to be treated as a business development company under 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 RIC under Subchapter M of the Internal Revenue Code of 1986, as amended. 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 stockholders. On April 8, 2004, we completed our initial public offering as an externally managed, non-diversified, closed-end investment company that elected to be treated as a business development company under the 1940 Act. We commenced operations on April 8, 2004 upon receipt of $870 million in net proceeds from our initial public offering of common stock at $15 per share. On March 22, 2006, the Company closed on its second public offering at $17.85 per share, receiving $294 million in total net proceeds from the offering.

Investments

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. Over the last twelve months, we believe that the availability of senior debt capital from banks for middle market companies has generally increased and has put downward pressure on interest rate spreads at the same time that base interest rates have risen. We do not expect this increased availability of capital to impair our ability to make longer-term investment allocations with our capital. We remain steadfast with our investment discipline in selectively investing in appropriate risk-reward opportunities within the middle market.

As a business development company, 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). If we invest in an issuer that, at the time we make the investment, has outstanding securities as to which a broker or dealer may extend or maintain margin credit or marginable securities, these acquired assets cannot normally be treated as qualifying assets. This treatment results from the definition of eligible portfolio company under the 1940 Act, which in part looks to whether a company has outstanding securities that are eligible for margin credit. Amendments promulgated in 1998 by the Board of Governors of the Federal Reserve System to Regulation T under the Securities Exchange Act of 1934, as amended, or the Exchange Act, expanded the definition of marginable security to include any non-equity security. These amendments have raised questions as to whether a private company that has outstanding debt securities would qualify as an eligible portfolio company. We note that under applicable self-regulatory organization rules that govern the ability of brokers and dealers to extend margin credit, many non-equity securities issued by private companies may not be effectively marginable.

To address these questions, the SEC proposed amendments to the 1940 Act to expand the definition of eligible portfolio company in a manner that would promote the flow of capital to small, developing and financially troubled companies. These amendments would define eligible portfolio company with reference to whether a company has any class of securities listed on an exchange. We continue to monitor this issue closely and intend to adjust our investment focus as needed to comply with and/or take advantage of these amendments if they are adopted or of any other future administrative position, judicial decision or legislative action.

Our board of directors approved an amendment to our investment policy to eliminate the 5% limitation on investments in foreign securities. This change was implemented as of August 14, 2004 and any such investments are included as non-qualifying assets.

Table of Contents

Revenue

We generate revenue primarily in the form of interest income from the debt 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: LIBOR, EURIBOR, GBP LIBOR, or the prime rate. While subordinated debt and corporate notes typically accrue interest at fixed rates, some of these investments may include zero coupon, payment-in-kind (PIK) and/or step bonds that accrue income on a constant yield to call or maturity basis. Interest on debt securities is generally payable quarterly or semiannually. In some cases, some of our investments provide for deferred interest payments or PIK. The principal amount of the debt securities and any accrued but unpaid interest generally becomes due at the maturity date. In addition, we may generate revenue in the form of commitment, origination, structuring and/or diligence fees, fees for providing managerial assistance and, if applicable, consulting fees, etc.

Expenses

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

- investment advisory and management fees;
- expenses incurred by Apollo Investment Management 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 auditor 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;
- 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 stockholders, 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;

organization and offering; and

all other expenses incurred by us or Apollo Administration 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 compliance officer and chief financial officer and their respective staffs.

We expect our general and administrative operating expenses related to our ongoing operations to remain generally stable or decline slightly as a percentage of our assets in future periods. Incentive fees, interest expense and costs relating to future offerings of securities would be additive.

Portfolio and Investment Activity

For the three months ended June 30, 2006 and June 30, 2005:

During the three months ended June 30, 2006, we invested $286.8 million across 4 new and 5 existing portfolio companies. This compares to investing $250.3 million in 7 new and 4 existing portfolio companies for the three months ended June 30, 2005. Investment sales and pre-payments during the three months ended June 30, 2006 totaled $124.1 million versus $124.5 million for the three months ended June 30, 2005. Of the $124.1 million in net proceeds realized during the quarter, $34.0 million were investment sales of senior loans. The remaining $90.1 million were pre-payments by some of our more successful portfolio companies.

At June 30, 2006, our net portfolio consisted of 48 portfolio companies and was invested 63% in subordinated debt, 3% in preferred equity, 9% in common equity and 25% in senior secured loans versus 36 portfolio companies invested 48% in subordinated debt, 2% in common equity, 46% in senior secured loans, and 4% in cash equivalents at June 30, 2005. Our targeted investment size typically ranges between $20 million and $150 million, although this investment size may vary proportionately as the size of our capital base changes.

The weighted average yields on our subordinated debt portfolio, senior secured loan portfolio and total debt portfolio were 13.6%, 12.7% and 13.3%, respectively, at June 30, 2006 versus 13.6%, 10.0% and 11.8%, respectively, at June 30, 2005.

Senior secured loans and European mezzanine loans typically accrue interest at variable rates determined on the basis of a benchmark: LIBOR, EURIBOR, GBP LIBOR, or the prime rate, with stated maturities at origination that typically range from 5 to 10 years. While subordinated debt issued within the United States will typically accrue interest at fixed rates, some of these investments may include zero-coupon, PIK and/or step bonds that accrue income on a constant yield to call or maturity basis. At June 30, 2006, 55% or $903.8 million of our interest-bearing portfolio is fixed rate debt and 45% or $725.9 million is floating rate debt.

During our second fiscal year ended March 31, 2006, we invested $1.1 billion across 26 new and 10 existing portfolio companies. This compares to investing $894.3 million in 37 portfolio companies for the previous fiscal year ended March 31, 2005. Investments sold or prepaid during the fiscal year ended March 31, 2006 totaled $452.3 million versus $71.7 million for the fiscal year ended March 31, 2005. Of the $452.3 million in net proceeds realized during fiscal 2006, $307.6 million were investment sales of senior loans and lower yielding corporate notes as we executed our second year plan of rationalizing our portfolio. The remaining $144.7 million were pre-payments by some of our more successful portfolio companies.

For the fiscal year ended March 31, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005:

At March 31, 2006, our net portfolio consisted of 46 portfolio companies and was invested 60% in subordinated debt, 2% in preferred equity, 7% in common equity and 31% in senior secured loans versus 35 portfolio companies invested 51% in subordinated debt, 3% in common equity, 42% in senior secured loans, and 4% in cash equivalents at March 31, 2005. Our targeted investment size typically ranges between $20 million and $150 million, although this investment size may vary proportionately as the size of our capital base changes.

The weighted average yields on our subordinated debt portfolio, senior secured loan portfolio and total debt portfolio were 13.6%, 12.2% and 13.1%, respectively, at March 31, 2006 versus 13.7%, 8.2% and 10.5%, respectively, at March 31, 2005.

Table of Contents

Senior secured loans and European mezzanine loans typically accrue interest at variable rates determined on the basis of a benchmark: LIBOR, EURIBOR, GBP LIBOR, or the prime rate, with stated maturities at origination that typically range from 5 to 10 years. While subordinated debt issued within the United States will typically accrue interest at fixed rates, some of these investments may include zero-coupon, PIK and/or step bonds that accrue income on a constant yield to call or maturity basis. At March 31, 2006, 53% or $764.5 million of our interest-bearing portfolio is fixed rate debt and 47% or $683.3 million is floating rate debt.

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, or GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ. In addition to the discussion below, our critical accounting policies are further described in the notes to the financial statements.

Valuation of Portfolio Investments

As a business development company, we generally invest in illiquid securities including debt and equity securities of middle market companies. Under procedures established by our board of directors, we value investments, including certain subordinated debt, senior secured debt and other debt securities with maturities greater than 60 days, for which market quotations are readily available at such market quotations. We obtain these market values from an independent pricing service or at the mean between the bid and ask prices obtained from at least two brokers or dealers (if available, otherwise by a principal market maker or a primary market dealer). Debt and equity securities that are not publicly traded or whose market prices 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. Investments purchased within 60 days of maturity are valued at cost plus accreted discount, or minus amortized premium, which approximates value. With respect to unquoted securities, our board of directors, together with our independent valuation adviser, values each investment considering, among other measures, discounted cash flow models, comparisons of financial ratios of peer companies that are public and other factors.

When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, our board will use the pricing indicated by the external event to corroborate and/or assist us in our valuation. Because we expect that there will not be a readily available market for many of the investments in our portfolio, we expect to value many of our portfolio investments at fair value as determined in good faith by or under the direction of our board of directors using a documented valuation policy and a consistently applied valuation process. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

With respect to investments for which market quotations are not readily available, our board of directors undertakes a multi-step valuation process each quarter, as described below:

- Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment;

- Preliminary valuation conclusions are then documented and discussed with our senior management;

- Independent valuation firms engaged by our board of directors conduct independent appraisals and review management s preliminary valuations and their own independent assessment;

The audit committee of our board of directors reviews the preliminary valuation of our investment adviser and that of the independent valuation firms and responds and supplements the valuation recommendation of the independent valuation firm to reflect any comments; and

The board of directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of our investment adviser, the respective independent valuation firms and the audit committee.

For more information, see Business Investment selection Valuation process.

Revenue Recognition

We record interest income on an accrual basis to the extent that we expect to collect such amounts. For loans and debt securities with contractual PIK interest, which represents contractual interest accrued and added to the loan balance that generally becomes due at maturity, we will not accrue PIK interest if the portfolio company valuation indicates that the PIK interest is not collectible. We do not accrue as a receivable interest on loans and debt securities if we have reason to doubt our ability to collect such interest. Loan origination fees, original issue discount, and market discount are capitalized and then we amortize such amounts as interest income. Upon the prepayment of a loan or debt security, any unamortized loan origination fees are recorded as interest income. We record prepayment premiums on loans and debt securities as interest income when we receive such amounts.

Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation

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 appreciation or depreciation previously recognized, but considering unamortized upfront fees and prepayment penalties. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

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.

RESULTS OF OPERATIONS

Results of operations for the three months ended June 30, 2006 and June 30, 2005.

Investment Income

For the three months ended June 30, 2006 and June 30, 2005, gross investment income totaled $55.9 million and $37.8 million, respectively. The increase in investment income for the three months ended June 30, 2006 was primarily due to the continued growth and asset mix of our investment portfolio as compared to the year-ago period. Other notable events impacting investment income include a dividend of $4.9 million from a dividend recapitalization of LM Acquisition, Ltd. and a write-off of $0.6 million of accrued interest income on our senior secured position in Diam International. Diam International is now in non-accrual status. Origination, closing and/or commitment fees associated with investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans.

Expenses

Expenses totaled $24.1 million and $12.5 million, respectively, for the three months ended June 30, 2006 and June 30, 2005. Of these totals, $7.9 million and $6.3 million, respectively, were performance-based incentive fees and $5.6 million and $0.5 million, respectively, were interest and other credit facility expenses. Expenses net of performance-based incentive fees, interest, and other credit facility expenses for the three months ended June 30, 2006 and June 30, 2005 were $10.6 million and $5.7 million, respectively. These net expenses consist of

base investment advisory and management fees, insurance expenses, administrative services expenses, professional fees, directors fees, audit and tax services expenses, and other general and administrative expenses. The increase in expenses was primarily due to an increase in base investment advisory and management fees resulting from the growth of our investment portfolio.

Net Investment Income

The Company s net investment income totaled $31.7 million and $25.2 million or $0.39 per share and $0.40 per share, respectively, for the three months ended June 30, 2006 and June 30, 2005.

Net Realized Gains/Losses

The Company had investment sales totaling $124.1 million and $124.5 million, respectively, for the three months ended June 30, 2006 and June 30, 2005. Total net realized losses for the three months ended June 30, 2006 were $3.0 million versus total net realized gains for the three months ended June 30, 2005 of $6.8 million. Of the $3.0 million net realized loss, $2.9 million of the loss was attributable to a currency hedge loss on the settlement of our forward Euro contract in June.

Net Unrealized Appreciation (Depreciation) on Investments and Foreign Currency Contracts and Translations

For the three months ended June 30, 2006 and June 30, 2005, the Company s investments, foreign currencies and other assets and liabilities had a net increase in appreciation of $42.4 million and a net decrease in appreciation of $18.5 million, respectively. At June 30, 2006, net unrealized appreciation totaled $80.7 million, of which $90.8 million was attributable to net unrealized appreciation on our subordinated debt and private equity (after considering the effects of foreign currency borrowing/hedging for our non-U.S. investments) and $10.1 million was attributable to net unrealized depreciation on our bank debt/senior secured debt.

Net Increase in Net Assets From Operations

For the three months ended June 30, 2006 and June 30, 2005, the Company had a net increase in net assets resulting from operations of $71.2 million and $13.6 million, respectively. The net change in net assets from operations per share was $0.88 and $0.22, respectively, for the three months ended June 30, 2006 and June 30, 2005.

Results of operations for the fiscal year ended March 31, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005.

Investment Income

For the fiscal year ended March 31, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005, gross investment income totaled $152.8 million and $47.8 million, respectively. Our significantly lower gross investment income for the period April 8, 2004 (commencement of operations) through March 31, 2005 reflects income earned primarily from short-term U.S. Government securities and other temporary investments held during the ramp-up period of our portfolio since our initial public offering. Accordingly, the increase in gross investment income for fiscal year 2006 was primarily due to the growth of our investment portfolio as compared to the previous fiscal year where we were investing the IPO net proceeds over the course of such year. Origination, closing and/or commitment fees associated with investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans.

Expenses

Expenses totaled $63.7 million and $22.4 million, respectively, for the fiscal year ended March 31, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005, of which $22.3 million and $0.0 million, respectively, were performance-based incentive fees and $13.0 million and $0.0 million,

respectively, were interest and other credit facility expenses. Expenses net of performance-based incentive fees and interest and other credit facility expenses for the year ended March 31, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005 were $28.5 million and $22.4 million, respectively. Of these expenses, general and administrative expenses totaled $5.1 million and $5.1 million, respectively, for the fiscal years ended March 31, 2006 and 2005. Expenses consist of base investment advisory and management fees, insurance expenses, administrative services fees, professional fees, directors fees, audit and tax services expenses, and other general and administrative expenses. The increase in expenses net of performance-based incentive fees and interest and other credit facility expenses was primarily due to the increase in base management fees related to the growth of our investment portfolio as compared to the comparative period.

Net Investment Income

The Company s net investment income totaled $89.1 million and $25.5 million or $1.40 per share and $0.41 per share, respectively, for the fiscal year ended March 31, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005.

Net Realized Gains/Losses

The Company had investment sales totaling $452.3 million and $71.7 million, respectively, for the fiscal year ended March 31, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005. Total net realized gains for the fiscal year ended March 31, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005 were $11.2 million and $0.5 million, respectively.

Net Unrealized Appreciation on Investments and Foreign Currency Contracts and Translations

For the fiscal year ended March 31, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005, the Company s investments, foreign currencies and other assets and liabilities had a net increase in appreciation of $20.1 million and $18.2 million, respectively. At March 31, 2006, net unrealized appreciation totaled $38.3 million of which $4.1 million was attributable to net unrealized appreciation on our bank debt/senior secured debt and $34.2 million was attributable to net unrealized appreciation on our subordinated debt and private equity (after considering the effects of foreign currency borrowing/hedging for our non-U.S. investments).

Net Increase in Net Assets From Operations

For the fiscal year ended March 31, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005, the Company had a net increase in net assets resulting from operations of $120.4 million and $44.1 million, respectively. The net change in net assets from operations per share was $1.90 and $0.71, respectively, for the year ended March 31, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005.

LIQUIDITY AND CAPITAL RESOURCES

The Company s liquidity and capital resources are generated primarily through its senior secured, multi-currency $1.25 billion, five-year credit facility maturing in April 2011 as well as from cash flows from operations, including investment sales and prepayments of senior and subordinated loans and income earned from investments and cash equivalents (which normally comprise of U.S. government securities and other high-quality debt investments that mature in one year or less). At June 30, 2006, the Company had $536 million in borrowings outstanding and $714 million available for its use. In the future, the Company may raise additional equity capital off its shelf registration or may securitize a portion of its investments. It may also further access $750 million of additional credit commitments available under the terms of its current credit facility as the Company s equity capital base grows. The primary use of funds will be investments in portfolio companies, cash distributions to holders of common stock and for other general corporate purposes.

On March 22, 2006, we raised $294 million, net of underwriting commission and expenses in a follow-on stock offering in which the company sold 17,250,000 shares (including the underwriters over-allotment) at $17.85 per share. Net proceeds from the follow-on offering were primarily used to repay borrowings outstanding on the Company s revolving credit facility and for other general corporate purposes.

Contractual Obligations

We have entered into two contracts under which we have future commitments: the investment advisory and management agreement, pursuant to which Apollo Investment Management has agreed to serve as our investment adviser, and the administration agreement, pursuant to which Apollo Administration has agreed to furnish us with the facilities and administrative services necessary to conduct our day-to-day operations and provide on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance. Payments under the investment advisory and management agreement are equal to (1) a percentage of the value of our gross assets and (2) a two-part incentive fee. Payments under the administration agreement are equal to an amount based upon our allocable portion of Apollo Administration s overhead in performing its obligations under the administration agreement, including rent, technology systems, insurance and our allocable portion of the costs of our chief financial officer and chief compliance officer and their respective staffs. Either party may terminate each of the investment advisory and management agreement and administration agreement without penalty upon not more than 60 days written notice to the other. Please see Note 3 within our financial statements for more information.

Off-Balance Sheet Arrangements

At June 30, 2006, we did not have any off-balance sheet liabilities or other contractual obligations that are reasonably likely to have a current or future material effect on our financial condition, other than the investment advisory and management agreement and the administration agreement.

Dividends

Dividends paid to stockholders for the three months ended June 30, 2006 totaled $36.5 million or $0.45 per share versus $19.4 million or $0.31 per share for the three months ended June 30, 2005. Dividends paid to stockholders for the fiscal year ended March 31, 2006 totaled $102.7 million or $1.63 per share versus $30.2 million or $0.485 per share for the period April 8, 2004 (commencement of operations) through March 31, 2005. The following table summarizes our quarterly dividends paid to shareholders for the three months ended June 30, 2006 and for the fiscal years ended March 31, 2006 and 2005, respectively:

	Declared Dividends	
Fiscal Year Ending March 31, 2007		
First Fiscal Quarter	$	0.450
Fiscal Year Ending March 31, 2006		
Fourth Fiscal Quarter	$	0.450
Third Fiscal Quarter	$	0.440
Second Fiscal Quarter	$	0.430
First Fiscal Quarter	$	0.310
Fiscal Year Ending March 31, 2005		
Fourth Fiscal Quarter	$	0.260
Third Fiscal Quarter	$	0.180
Second Fiscal Quarter	$	0.045
First Fiscal Quarter (period from April 8, 2004* to June 30, 2004)		

* Commencement of operations

Table of Contents

Tax characteristics of all dividends will be reported to shareholders on Form 1099 after the end of the calendar year.

We have elected to be taxed as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986. In order to maintain our status as a regulated investment company, we are required to distribute at least 90% of our investment company taxable income. Further, we must distribute at least 98% of our income (both ordinary net income and capital gain net income) to avoid an excise tax. We intend to make distributions to our stockholders on a quarterly basis of substantially all of our taxable net income. We also intend to make distributions of net realized capital gains, if any, at least annually.

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, we may be limited in our ability to make distributions due to the asset coverage test for borrowings when applicable to us as a business development company under the Investment Company Act of 1940 and due to provisions in our credit facilities. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of our status as a regulated investment company. We cannot assure stockholders that they will receive any distributions or distributions at a particular level.

With respect to the dividends paid 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. For the three months ended June 30, 2006, upfront fees totaling $2.7 million are being amortized into income over the lives of their respective loans and for the three months ended June 30, 2005, upfront fees totaled $0.4 million. For the fiscal year ended March 31, 2006, upfront fees totaling $5.8 million are being amortized into income over the lives of their respective loans, and for the period from April 8, 2004 (commencement of operations) through March 31, 2005, upfront fees totaled $4.5 million.

Table of Contents

PRICE RANGE OF COMMON STOCK

Our common stock is quoted on The Nasdaq National Market under the symbol AINV . The following table lists the high and low closing bid price for our common stock, the closing bid price as a percentage of net asset value, or NAV and quarterly dividends per share since shares of our common stock began being regularly quoted on The Nasdaq National Market. On August 8, 2006, the last reported closing price of our common stock was $19.34 per share.

		Closing Sales Price			Premium or	
	NAV (1)	High	Low	Premium of High Sales Price to NAV (2)	Discount of Low Sales Price to NAV (2)	Declared Dividends
Fiscal Year Ending March 31, 2007						
First Fiscal Quarter	$ 15.59	$ 19.39	$ 17.74	124%	114%	$ 0.450
Fiscal Year Ending March 31, 2006						
First Fiscal Quarter	$ 14.19	$ 18.75	$ 15.66	132%	110%	$ 0.310
Second Fiscal Quarter	$ 14.29	$ 20.40	$ 17.63	143%	123%	$ 0.430
Third Fiscal Quarter	$ 14.41	$ 19.97	$ 17.92	139%	124%	$ 0.440
Fourth Fiscal Quarter	$ 15.15	$ 19.51	$ 17.81	129%	118%	$ 0.450
Fiscal Year Ending March 31, 2005						
First Fiscal Quarter (period from April 8, 2004* to June 30, 2004)	$ 14.05	$ 15.25	$ 12.83	109%	91%	
Second Fiscal Quarter	$ 14.10	$ 14.57	$ 13.06	103%	93%	$ 0.045
Third Fiscal Quarter	$ 14.32	$ 15.13	$ 13.43	106%	94%	$ 0.180
Fourth Fiscal Quarter	$ 14.27	$ 17.62	$ 14.93	123%	105%	$ 0.260

(1) NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low sales prices. The NAVs shown are based on outstanding shares at the end of each period.
(2) Calculated as of the respective high or low closing sales price divided by the quarter end NAV.
* Commencement of operations

While our common stock currently trades in excess of our net asset value, there can be no assurance, however, that our shares will continue to trade at such a premium (to net asset value). As of August 8, 2006, we had 40 shareholders of record.

31

Table of Contents

BUSINESS

Apollo Investment

Apollo Investment Corporation (Apollo Investment or the Company), a Maryland corporation organized on February 2, 2004, is a closed-end, non-diversified management investment company that has filed an election 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, or RIC, under the Internal Revenue Code of 1986, as amended.

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We intend to invest primarily in middle-market companies in the form of mezzanine and senior secured loans, as well as by making direct equity investments in such companies. From time to time, we may also invest in public companies whose securities are thinly traded.

We commenced operations on April 8, 2004, at which time we closed our initial public offering and sold 62,000,000 shares of our common stock at a price of $15.00 per share, receiving $870 million in total net proceeds from the offering. On March 22, 2006, we closed our second public offering and sold 17,250,000 shares of our common stock at a price of $17.85 per share, receiving $294 million in total net proceeds from the offering.

In April 2005 and shortly after the Company s first fiscal year, we closed on an $800,000,000, multi-currency, five year, senior secured credit facility (the Facility) with a group of banks. In December 2005, we increased commitments under the facility to $900,000,000 among existing and new lenders. Furthermore, in March 2006, we amended and restated the Facility to increase total commitments to $1,250,000,000 and extend the maturity an additional year. The interest rate applicable to borrowings under the Facility remains at LIBOR plus 100 basis points. We are permitted as a business development company to issue senior securities only in amounts such that our asset coverage equals at least 200% after each issuance of senior securities. As of June 30, 2006, we have $536 million drawn and outstanding on our $1.25 billion credit facility with $714 million available to us. We expect that our substantial debt capital resources will provide us with the flexibility to take advantage of investment opportunities when they arise.

During the three months ended June 30, 2006, we invested $286.8 million across 4 new and 5 existing portfolio companies. This compares to investing $250.3 million in 7 new and 4 existing portfolio companies for the three months ended June 30, 2005. Investment sales and pre-payments during the three months ended June 30, 2006 totaled $124.1 million versus $124.5 million for the three months ended June 30, 2005. Of the $124.1 million in net proceeds realized during the quarter, $34.0 million were investment sales of senior loans. The remaining $90.1 million were pre-payments by some of our more successful portfolio companies.

During our fiscal year ended March 31, 2006, we invested $1.1 billion across 26 new and 10 existing portfolio companies. This compares to investing $894.3 million in 37 portfolio companies for the previous fiscal year ended March 31, 2005. Investments sold or prepaid during the fiscal year ended March 31, 2006 totaled $452.3 million versus $71.7 million for the fiscal year ended March 31, 2005. Of the $452.3 million in net proceeds realized during fiscal 2006, $307.6 million were investment sales of senior loans and lower yielding corporate notes as we executed our second year plan of rationalizing our portfolio. The remaining $144.7 million were pre-payments by some of our more successful portfolio companies.

The weighted average yields on our subordinated debt portfolio, senior secured loan portfolio and total debt portfolio were 13.6%, 12.7% and 13.3%, respectively, at June 30, 2006.

Our targeted investment size typically ranges between $20 million and $150 million, although this investment size may vary proportionately as the size of our capital base changes. At June 30, 2006, our net portfolio consisted of 48 portfolio companies and was invested 63% in subordinated debt, 3% in preferred equity, 9% in common equity and 25% in senior secured loans. As of June 30, 2006, our average investment size was approximately $37 million.

Table of Contents

Senior secured loans and European mezzanine loans typically accrue interest at variable rates determined on the basis of a benchmark: LIBOR, EURIBOR, GBP LIBOR, or the prime rate, with stated maturities at origination that typically range from 5 to 10 years. While subordinated debt issued within the United States will typically accrue interest at fixed rates, some of these investments may include zero-coupon, payment-in-kind (PIK) and/or step bonds that accrue income on a constant yield to call or maturity basis. At June 30, 2006, 55% or $903.8 million of our interest-bearing portfolio is fixed rate debt and 45% or $725.9 million is floating rate debt.

About Apollo

Founded in 1990, Apollo is a recognized leader in private equity investing, having invested more than $14 billion in over 150 companies since its founding. Since its inception, Apollo has raised in excess of $25 billion in capital, primarily from institutional investors. Apollo traditionally has focused on companies that it believes are undervalued yet have successful business models, strong cash flows and prospects for value creation. The Apollo investment professionals disciplined, value-oriented strategy has sought to identify opportunities in all investment environments, selecting from a range of approaches, such as traditional or corporate partner buyouts, distressed debt buyouts or more liquid, non-control distressed debt investments. The Apollo investment professionals have sought through this strategy to provide investors with attractive returns while minimizing the risk of capital loss throughout economic cycles.

Apollo s active private equity investment funds focus on making either control-oriented equity investments of $200 million or more or distressed debt investments, either for control or non-control positions. In contrast, we seek to capitalize on the significant investment opportunities emerging in the mezzanine segment of the lending market for middle-market companies, which we believe offers the potential for attractive risk-adjusted returns.

About Apollo Investment Management

Apollo Investment Management, our investment adviser, is led by a dedicated team of 12 investment professionals and is further supported by Apollo s team of approximately 48 investment professionals. This team has invested more than $2.25 billion in 67 companies in transactions with more than 50 different financial sponsors since commencement of operations in April 2004. In addition, Apollo Investment Management expects to hire additional investment professionals in the future. Apollo Investment Management s investment committee currently consists of John J. Hannan, our Chairman and Chief Executive Officer and a managing partner of Apollo Investment Management, Arthur H. Penn, our President and Chief Operating Officer, and a co-founder and managing partner of Apollo Investment Management, Patrick J. Dalton, a partner of Apollo Investment Management, Edward Tam, a partner of Apollo Investment Management, Jose Briones, a partner of Apollo Investment Management and James Zelter, a managing partner of Apollo s capital markets business, which includes Apollo Investment Management. The composition of the Investment Committee of Apollo Investment Management may change from time to time. Apollo Investment Management draws upon Apollo s 16-year history and benefits from the Apollo investment professionals significant capital markets, trading and research expertise developed through investments in 25 different industries and over 150 companies in the United States and Western Europe.

About Apollo Investment Administration

In addition to furnishing us with office facilities, equipment, and clerical, bookkeeping and record keeping services, Apollo Investment Administration also oversees our financial records as well as the preparation of our reports to stockholders and reports filed with the SEC. AIA oversees the determination and publication of our net asset value, oversees the preparation and filing of our tax returns, and generally monitors the payment of our expenses and the performance of administrative and professional services rendered to us by others. Furthermore, AIA provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance.

Table of Contents

Operating and Regulatory Structure

Our investment activities are managed by Apollo Investment Management and supervised by our board of directors, a majority of whom are independent of Apollo and its affiliates. Apollo Investment Management is an investment adviser that is registered under the Investment Advisers Act of 1940. Under our investment advisory and management agreement, we pay Apollo Investment Management an annual base management fee based on our gross assets as well as an incentive fee based on our performance.

As a business development company, we are required to comply with certain regulatory requirements. Also, while we are permitted to finance investments using debt, our ability to use debt is limited in certain significant respects. We have elected to be treated for federal income tax purposes as a RIC under Subchapter M of the Code.

Investments

Apollo Investment seeks to create a portfolio that includes mezzanine, senior secured loans and private equity by generally investing approximately $20 million to $150 million of capital, on average, in the securities of middle-market companies. Our target portfolio will be more heavily weighted toward mezzanine loans. Structurally, mezzanine loans usually rank subordinate in priority of payment to senior debt, such as senior bank debt, and are often unsecured. As such, other creditors may rank senior to us in the event of a insolvency. However, mezzanine loans rank senior to common and preferred equity in a borrowers capital structure. Mezzanine loans may have a fixed or floating interest rate. Additional upside can be generated from upfront fees, call protection including call premiums, equity co-investments or warrants. We believe that mezzanine loans offer an attractive investment opportunity based upon their historic returns and resilience during economic downturns. Additionally, we may acquire investments in the secondary market.

Our principal focus is to provide mezzanine and senior secured loans to middle-market companies in a variety of industries. We generally seek to target companies that generate positive free cash flows. We also generally seek to invest in companies from the broad variety of industries in which Apollo s investment professionals have direct expertise.

The following is a representative list of the industries in which we have invested:

Agriculture

Broadcasting & Entertainment

Building Products

Buildings & Real Estate

Business Services

Chemicals

Consumer Finance

Consumer Products

Consumer Services

Direct Marketing

Education

Electronics

Environmental

Equipment Rental