Apollo Senior Floating Rate Fund Inc.
Form N-CSRS
August 28, 2013
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT

INVESTMENT COMPANIES

Investment Company Act file number 811-22481

Apollo Senior Floating Rate Fund Inc.

(Exact name of registrant as specified in charter)

9 West 57th Street

New York, New York 10019

(Address of principal executive offices) (Zip code)

Joseph Moroney, President

9 West 57th Street

New York, New York 10019

(Name and address of agent for service)

Registrant s telephone number, including area code: (212) 515-3200

Date of fiscal year end: December 31

Date of reporting period: June 30, 2013

Table of Contents

Item 1. Reports to Stockholders.

The Report to Shareholders is attached herewith.

Table of Contents

Apollo Senior Floating Rate Fund Inc. (NYSE: AFT)

Apollo Tactical Income Fund Inc. (NYSE: AIF)

Semi-Annual Report

June 30, 2013

Table of Contents

TABLE OF CONTENTS

Economic and market conditions change frequently.

There is no assurance that the trends described in this report will continue or commence.

This report, including the financial information herein, is transmitted to shareholders of the Funds for their information. It is not a prospectus. Past performance results shown in this report should not be considered a representation of future performance. Statements and other information herein are as dated and are subject to change.

Table of Contents

Apollo Senior Floating Rate Fund Inc.

Apollo Tactical Income Fund Inc.

Manager Commentary (unaudited)

as of June 30, 2013

Dear Shareholders,

We would like to start by saying thank you for your interest in the Apollo Senior Floating Rate Fund Inc. and the Apollo Tactical Income Fund Inc. (the Funds). We appreciate the trust and confidence you have placed with us through your investment in the Funds.

The first four and a half months of 2013 were characterized by a risk on equity market and aggressive yield grab across the fixed income markets, while the last month and a half of the second quarter was characterized by a rush for the exits in fixed income prompted by a move higher in U.S. Treasury rates on speculation regarding the Fed s plan to taper its asset purchase program. Unlike previous years, in which strong starts gave way to weakness initiated by macroeconomic concerns, such as those surrounding credit conditions in Europe, such concerns had largely been moved to the backburner in 2013 in the wake of the European Central Bank s aggressive steps to backstop continental sovereigns and banks. Strong technicals combined with solid credit fundamentals fueled a rally in the U.S. fixed income markets that drove yields to all time lows for many asset classes.

From the beginning of the year through mid-May 2013, the leveraged loan market returned 3.23% (as measured by the S&P/LSTA Leveraged Loan Index). Over the same period, the high-yield market returned 5.49% (as measured by the BofA Merrill Lynch High-Yield Master II Index) while the investment-grade bond market returned 0.47% (as measured by the BofA Merrill Lynch U.S. Corporate Master Index). Both loans and bonds enjoyed strong demand from both retail and institutional investors during the period. Retail loan funds enjoyed historic inflows with $25.0 billion pouring in through mid-May 2013, easily topping 2010 s previous full year record of $17.9 billion. In addition, the resurgence in collateralized loan obligations (CLOs) issuance continued with $36.3 billion of volume through the same date. High-yield bonds experienced more moderate retail inflows with approximately $2.6 billion through mid-May 2013, but this was supplemented from cash balances generated by inflows from 2012, which totaled $22.6 billion. This seemingly unrelenting quest for yield drove investment grade and high-yield bonds down to 2.66% and 5.03%, as measured by the BofA Merrill Lynch U.S. Corporate Master Index & JPMorgan U.S. High-Yield Bond Index, respectively, at their respective late April / early May lows. In the loan market, the excess demand led to an unprecedented amount of repricing transactions, which resulted in a 25 basis point reduction in the average coupon of the JP Morgan Leveraged Loan Index from 5.02% to 4.77% over the period. Despite these repricings, the average loan in the index continued to trade above par, demonstrating the strength of demand for loans.

However, market tone began to shift over the course of May amid increasing speculation that the Fed would begin to cut back on the extent of its quantitative easing programs. The 10-year U.S. Treasury traded from a yield of 1.63% at the beginning of May to 2.13% on May 31, 2013. As bond prices move in the opposite direction of yields, this led to price declines across many fixed income asset classes as yields moved higher in tandem. Investors, worrying about a decline in bond prices in a rising interest rate environment and perhaps simply taking a warranted pause from a market that had reached historic heights, pulled money out of investment-grade and high-yield bond funds at a record pace. In the 6 weeks leading up to the end of the second quarter of 2013, redemptions from high-yield funds totaled $12.3 billion, or nearly 7.4% of total asset under management (AUM) according to S&P/LCD News. In order to meet these redemption requests, managers were forced to sell assets into the market, pushing prices down and yields up. After bottoming at 5.03% on May 7, 2013, high-yield bonds hit a year to date high of 6.95% on June 25, 2013 before stabilizing. Loans traded off in sympathy with high-yield due to relative value considerations and the fact that loans were also being sold by funds in order to meet their redemptions. After hitting 4.78% on May 16, 2013, the yield to maturity on the JPMorgan Split-BB Leveraged Loan Index widened to 5.47% before settling in at 5.41% on June 28, 2013. However, despite trading off slightly, demand for loans continued to be strong as inflows into retail loan funds continued unabated in the midst of the outflows from high-yield funds, averaging $1.2 billion per week over the same time period that high-yield lost 7.4% of their AUM to outflows. In addition, CLO issuance totaled approximately $18.6 billion during the second quarter of 2013. This led loans to outperform high-yield bonds for the first time in a while. As a comparison, high-yield bonds (as per the JPMorgan Liquid High-Yield Index) traded down $6.37 on average while loans (as per the JPM Liquid Leveraged Loan Index) only traded down $1.37, or about one-fifth the volatility seen in high-yield. From the middle of May through the end of the second quarter of 2013, high-yield bonds lost 3.53% while loans declined 0.80% before ending the second quarter of 2013 with year to date gains of 1.79% and 2.31%, respectively.

As one could expect given market conditions through mid-May, the first half of 2013 saw a modest erosion in credit fundamentals. Year-over-year revenue and EBITDA growth continued to be moderate, growing 2.2% and 0.1%, respectively, which should not be surprising given the stagnant overall global economy. Given the amount of debt issued during the first half of 2013, in particular for uses such as leveraged recapitalizations, overall leverage metrics for high-yield issuers

Table of Contents

Apollo Senior Floating Rate Fund Inc.

Apollo Tactical Income Fund Inc.

Manager Commentary (unaudited) (continued)

as of June 30, 2013

increased slightly, from approximately 4.1x at the end of 2012 to approximately 4.2x at the end of the first quarter of 2013. This compares to a post-credit crisis high of around 5.2x in 2009. While it is possible we may see some further erosion in credit metrics as the year goes on, we believe the overall fundamental health of the credit markets continues to be fairly good and defaults (by number of issuers) are expected to remain below their historical averages. Assuming additional interest rate increases are driven by a strengthening economy, we believe that the high-yield and loan markets should be poised to perform well. However, as we have seen during previous periods of volatility and as we were reminded of during the last few weeks of May and into June, as the market adjusts to the inevitability of Fed tapering and absorbs a variety of different reports on the health of the U.S. and global economies, there are likely to be periods of volatility that can create opportunities for investors to put money to work at advantageous levels.

We appreciate your interest and support in the Funds. If you have any questions about the Funds, please call 1-888-301-3838, or go to our website at www.agmfunds.com.

Sincerely,

Apollo Credit Management, LLC

Table of Contents

Apollo Senior Floating Rate Fund Inc.

Financial Data

as of June 30, 2013 (unaudited)

Portfolio Composition (as % of Current Market Value of Investment Securities)	
First Lien Senior Secured Loans	82.3%
Senior Secured Bonds	2.6%
Second Lien Secured Loans	9.8%
Second Lien Secured Bonds	0.5%
Senior Unsecured Loans	0.8%
Senior Unsecured Bonds	4.0%

Portfolio Characteristics (a)		
Weighted Average Floating-Rate Spread		4.89%
Weighted Average Fixed-Rate Coupon		9.68%
Weighted Average Days to Reset (floating assets)		60
Weighted Average Modified Duration in years (fixed assets)		4.57
Average Position Size	$	2,064,059
Number of Positions		210
Weighted Average Rating		B

Credit Quality (b)	
BBB- or Higher	0.2%
BB	11.4%
B	78.9%
CCC+ or Lower	8.3%
Not Rated	1.2%

Top 5 Industries (as % of Current Market Value of Investment Securities) (c)	
Banking, Finance, Insurance and Real Estate	13.7%
Services: Business	12.4%
Media: Broadcasting & Subscription	7.5%
Telecommunications	7.5%
Healthcare & Pharmaceuticals	6.2%
Total	**47.3%**

Top 10 Issuers (as % of Current Market Value of Investment Securities) (d)	
First Data Corp.	2.5%
Univision Communications, Inc.	1.4%
Brock Holdings III, Inc.	1.4%
Intelsat	1.3%
Tervita Corp.	1.3%
BATS Global Markets, Inc.	1.3%

Smart & Final, Inc.	1.3%
Harvey Gulf, LLC	1.2%
Onex Carestream Finance LP	1.2%
WideOpenWest Finance, LLC	1.2%
Total	**14.1%**

Performance Comparison	Six Months Ended June 30, 2013	Since Inception on Feb. 23, 2011 to June 30, 2013
AFT - Stock Price (e)	8.25%	6.33%(f)
AFT - NAV (e)	4.01%	6.50%(f)
S&P/LSTA Leveraged Loan Index	2.31%	11.03%

(a) Averages based on par value of investment securities, except for the weighted average modified duration, which is based on market value.
(b) Credit quality is calculated as a percentage of fair value of investment securities at June 30, 2013. The quality ratings reflected were issued by Standard & Poor s Ratings Group (Standard & Poor s), a nationally recognized statistical rating organization. Credit quality ratings reflect the rating agency s opinion of the credit quality of the underlying positions in the Fund s portfolio and not that of the Fund itself. Credit quality ratings are subject to change.
(c) The industry classifications reported are from widely recognized market indexes or rating group indexes, and/or as defined by Fund management, with the primary source being Moody s Investors Service (Moody s), a nationally recognized statistical rating organization.
(d) Holdings are subject to change and are provided for informational purposes only.
(e) Performance reflects total return assuming all distributions were reinvested at the dividend reinvestment rate. Past performance does not necessarily indicate how the Fund will perform in the future. The performance information provided does not reflect the deduction of taxes that a shareholder would pay on distributions received from the Fund.
(f) Annualized.

Table of Contents

Apollo Tactical Income Fund Inc.

Financial Data

as of June 30, 2013 (unaudited)

Portfolio Composition (as % of Current Market Value of Investment Securities)	
First Lien Senior Secured Loans	40.0%
Senior Secured Bonds	15.2%
Second Lien Secured Loans	6.1%
Second Lien Secured Bonds	3.9%
Senior Unsecured Bonds	23.8%
Junior Subordinated Bonds	1.7%
Asset-Backed Securities	9.3%

Portfolio Characteristics (a)	
Weighted Average Floating-Rate Spread	5.36%
Weighted Average Fixed-Rate Coupon	8.85%
Weighted Average Days to Reset (floating assets)	43
Weighted Average Modified Duration in years (fixed assets)	4.40
Average Position Size	$ 2,991,011
Number of Positions	130
Weighted Average Rating	B

Credit Quality (b)	
BB	18.3%
B	66.8%
CCC+ or Lower	14.9%

Top 5 Industries (as % of Current Market Value of Investment Securities) (c)	
Banking, Finance, Insurance and Real Estate	16.9%
Structured Finance	9.3%
Healthcare & Pharmaceuticals	7.6%
Energy: Oil & Gas	7.3%
Services: Business	6.7%
Total	**47.8%**

Top 10 Issuers (as % of Current Market Value of Investment Securities) (d)	
Gentiva Health Services, Inc.	2.9%
First Data Corp.	2.8%
TPC Group, Inc.	2.7%
Avaya, Inc.	2.5%
StoneMor Partners LP/Cornerstone Family Services of West Virginia	2.4%
Tervita Corp.	2.2%
Cenveo Corp.	2.1%

Sidewinder Drilling, Inc.	2.1%
DynCorp International, Inc.	2.1%
Molycorp, Inc.	2.0%
Total	**23.8%**

Performance Comparison for the period ended June 30, 2013	**Since Inception on Feb. 25, 2013**
AIF - Stock Price (e)	(8.43)%(f)
AIF - NAV (e)	0.08%(f)
S&P/LSTA Leveraged Loan Index	1.06%

(a) Averages based on par value of investment securities, except for the weighted average modified duration, which is based on market value.
(b) Credit quality is calculated as a percentage of fair value of investment securities at June 30, 2013. The quality ratings reflected were issued by Standard & Poor s. Credit quality ratings reflect the rating agency s opinion of the credit quality of the underlying positions in the Fund s portfolio and not that of the Fund itself. Credit quality ratings are subject to change.
(c) The industry classifications reported are from widely recognized market indexes or rating group indexes, and/or as defined by Fund management, with the primary source being Moody s.
(d) Holdings are subject to change and are provided for informational purposes only.
(e) Performance reflects total return assuming all distributions were reinvested at the dividend reinvestment rate. Past performance does not necessarily indicate how the Fund will perform in the future. The performance information provided does not reflect the deduction of taxes that a shareholder would pay on distributions received from the Fund.
(f) Not annualized.

Apollo Senior Floating Rate Fund Inc.

Schedule of Investments

June 30, 2013 (unaudited)

	Principal Amount ($)	Value ($)
Senior Loans (a) - 136.4%		
AEROSPACE & DEFENSE - 6.9%		
CAMP Systems, Inc.		
First Lien Refinanced Term Loan, 5.25%, 05/31/19	1,310,100	1,325,926
Second Lien Initial Term Loan, 10.00%, 11/30/19	1,000,000	1,026,875
Deltek, Inc.		
First Lien Term Loan, 5.00%, 10/10/18	2,309,228	2,307,600
Second Lien Term Loan, 10/10/19 (b)	1,091,000	1,104,638
ILC Industries, LLC		
First Lien Term Loan, 07/11/18 (b)	4,784,333	4,760,411
Scitor Corp.		
Term Loan, 5.00%, 02/15/17	3,638,098	3,565,336
Sequa Corp.		
Initial Term Loan, 5.25%, 06/19/17	965,150	969,170
SI Organization, Inc. (The)		
New Tranche B Term Loan, 5.50%, 11/22/16	245,606	245,299
SRA International		
Term Loan, 6.50%, 07/20/18	4,885,901	4,867,579
		20,172,834
AUTOMOTIVE - 3.9%		
Autoparts Holdings Ltd.		
First Lien Term Loan B, 6.50%, 07/29/17	325,263	323,029
Second Lien Term Loan, 10.50%, 01/29/18	2,000,000	1,952,500
Chrysler Group LLC		
Term Loan B, 4.25%, 05/24/17	4,353,841	4,376,982
Metaldyne Company LLC		
USD Term Loan, 5.00%, 12/18/18	3,061,615	3,077,887
Transtar Industries, Inc.		
First Lien Term Loan, 5.50%, 10/09/18 (c)	190,560	192,049
Second Lien Term Loan, 9.75%, 10/09/19 (c)	1,500,000	1,539,375
		11,461,822
BANKING, FINANCE, INSURANCE AND REAL ESTATE - 15.9%		
Alliant Holdings I, LLC		
Initial Term Loan, 5.00%, 12/20/19	1,421,855	1,424,521
American Capital, Ltd.		
Senior Secured Term Loan, 5.50%, 08/22/16	1,409,000	1,416,637
Amwins Group		
First Lien New Term Loan, 5.00%, 09/06/19	1,450,710	1,458,573