

Third Quarter 2021

Private Credit Quarterly Update

Introduction

MIM's Private Credit business originated \$11.3 billion¹ in private placement debt and private structured credit for year to date third quarter of 2021, across 181 transactions. This includes \$2 billion of investments originated on behalf of institutional clients. Our private credit debt portfolio grew to \$102.4 billion in AUM as of September 30, 2021, which represents nearly 80% of private capital group AUM.

Corporate Private Placement Market

Private Placement Market²

Including revised 2Q numbers, private corporate issuance through 3Q YTD totaled \$67.7 billion, up from \$66.4 billion over the same 9-month period in 2020. Issuance in 2021 has primarily been driven by opportunistic refinancing opportunities as global economies continue to recover from pandemic uncertainty. The average deal size for 2021 was \$184 million across 368 transactions compared to the 369 transactions in 2020 with an average deal size of \$180 million.

During the third quarter, issuance came in at \$20.8 billion across 124 issuers, down from \$28.0 billion across 146 issuers during 3Q 2020. The reduction was driven by less traditional industrial origination with issuers generally having strong liquidity. Private issuance was led by activity in North America with 72% of total issuance. European volume (primarily the UK)

was 18%, Australia 7%, Latin America 21%, and Asia < 1%. USD made up 82% of issuance with Euro at 9%, Sterling at 9%, AUD < 1% and CAD < 1%.

Ratings and Delayed Funding³

A-rated (NAIC-1)⁶ names comprised 47% of total quarter issuance, a marked increase from Q2 2021 (28%) driven by highly rated financial consultancy firms, sports leagues, and utilities. Delayed fundings continued to be utilized by issuers with 16% of issues having a delay. We expect this trend to continue as private issuers approach the market for refinancing opportunities with concerns of anticipated inflation and an eventual rise in interest rates.

Spreads and Treasuries

Private credit spreads, following public spreads, continued to tighten from the peaks seen at the height of the pandemic in 2020. Quarterly spreads tightened roughly 45bps YoY, as the economy continues to normalize and vaccination distribution increases. Private spreads have maintained a healthy public premium but have started to contract towards historic averages, particularly with more broadly marketed deals from agent banks.

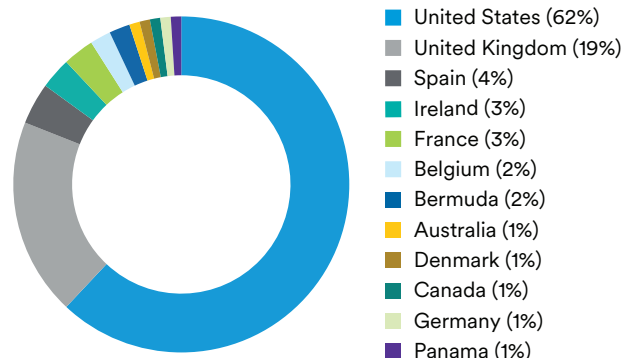
MIM Corporate Private Placements

MIM activity for Q3 2021 was \$1.8 billion in origination bringing YTD origination to \$5.8 billion, as MIM origination continues to benefit from both direct and club transactions leading to larger allocations. During the quarter, MIM transactions averaged an MA3 (internal rating⁴) credit quality, 13.0-year weighted average life and an average UST equivalent of +155bps. MIM-originated quarterly transactions were issued out of the US (77%) and the UK (23%). Origination was spread out across industries and subsectors, with Financial Other leading the quarter at 25% as market conditions have improved.

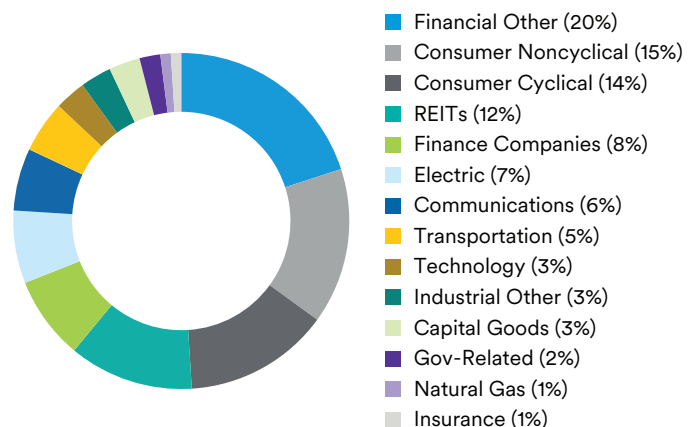
MIM Fourth Quarter 2021 Outlook

- With continued economic growth, MIM expects 2021 issuance to finish the year strong. MIM's US GDP forecast calls for +5.5% growth YoY for the FY21 off a very low 2020 base.
- MIM's US inflation rate forecast is 4.3% with an anticipated rise in 10-year UST rates to 1.75%.
- We feel the market will remain competitive, with increased investor demand for privates. Deal structures could continue to see some minor weaknesses, but overall MIM expects the private market to remain more disciplined.
- MIM will continue to use our sector specialist approach in our effort to uncover the broadest range of appropriate opportunities.

MIM Q3 2021 YTD Origination by Region*



MIM Q3 2021 YTD Origination by Sector*



Source: MIM, Private Placement Monitor

*Includes origination activity on behalf of the MetLife general account, separate account and unaffiliated investors.

Infrastructure Private Placement Market

Infrastructure Market^{2,5}

Global infrastructure activity increased 7% in the first three quarters of 2021 to \$513 billion compared to \$480 billion for the same period in 2020. The Capital markets - which represents MIM's investible infrastructure market - had a strong increase in issuance of 42% to \$53 billion as equity sponsors looked to private capital to finance needed infrastructure projects.

The increase in the overall market was led by large M&A transactions across energy and telecom sectors as the world recovers from the pandemic. Notable deals included mega billion sized energy projects in the Middle East

and North America. Through September, energy related transactions (27% of total global infrastructure activity) outpaced renewables (22%) followed by telecom (19%), transport (15%), power (10%), environment (3%), social infrastructure (3%) and other (1%). Activity was focused in EMEA (38%), US & Canada (34%), Asia Pacific (16%), and Latin America (12%).

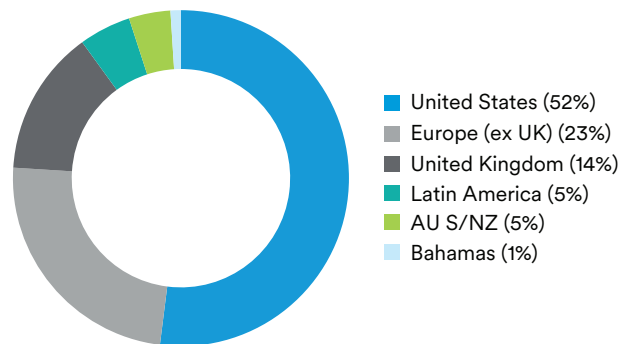
Global Highlights

- **United States:** The vote on the bipartisan infrastructure plan proposed by Congress was delayed as government funding and debt ceiling issues took priority. If passed, the plan is expected to include new spending on bridges, roads, railways, water, broadband, and new green initiatives. Funding is unclear but will likely be some combination of public and private capital. The good news is equity sponsors have not waited for a federal program and U.S. market activity has picked up meaningfully through the pandemic with activity focused primarily on renewable power, energy, transportation, and Public-Private-Partnership (PPP) sectors.
- **EMEA:** Activity within EMEA was flat compared to last year as Europe trends towards recovery. Given the increase in energy prices, parts of the region were active in the energy and oil & gas space. After energy, telecom continues to grow rapidly demonstrating the sector's resiliency to the pandemic.
- **Latin America:** LatAM is recovering as vaccinations gradually increase throughout the region. Consequences from Covid-19 have affected some fiscal budgets which have led to sovereign downgrades in certain countries. Critical and essential infrastructure assets have shown resiliency to these downgrades as volumes recover. Brazil continues to lead LatAm in energy and telecom transactions followed by the power sector in Chile.
- **Australia:** Infrastructure activity in Australia has remained slow YTD due to the pandemic as well as a slow-down in M&A activity. With major States in lockdown, half of Australia's population is under restrictions resulting in depressed volumes across transportation assets. Activity has been limited to the power and telecom sectors. We anticipate a growing pipeline of transactions from Australia as privatization and M&A activity has meaningfully increased.

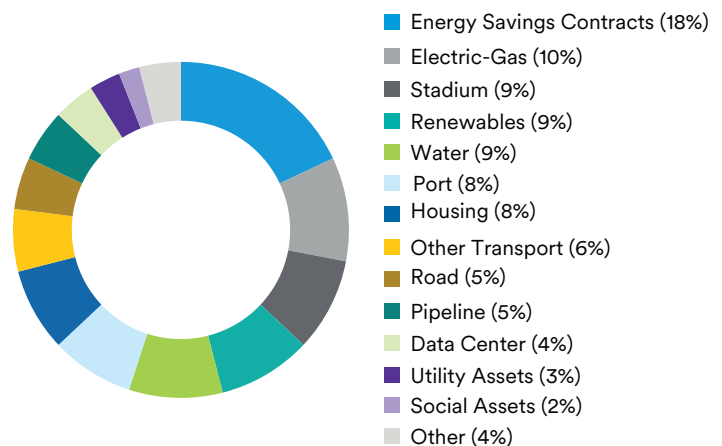
MIM Infrastructure Debt Activity

MIM has invested \$3.5 billion across 55 transactions through 3Q 2021 compared to \$2.6 billion across 38 transactions in the same period last year. The increase in activity was due to a rebound in the broader market and higher direct origination. Transactions averaged an MBaa2

MIM Q3 2021 YTD Origination by Region*



MIM Q3 2021 YTD Origination by Sector*



Source: MIM, *InfraDeals*, 3Q2021

*Includes origination activity on behalf of the MetLife general account, separate account and unaffiliated investors.

(internal rating) credit quality, 14.3 year weighted average life and an average UST equivalent spread of +203bps. MIM transactions by region and sector are illustrated further below.

MIM Fourth Quarter 2021 Outlook

- We remain cautiously optimistic on the outlook as vaccines continue to rollout globally. We saw a significant increase in infrastructure activity in 3Q and we expect that momentum to continue into the fourth quarter
- We believe MIM has a strong pipeline with opportunities in renewables, pipelines, public-private-partnerships, digital infrastructure, and energy transition assets.

Private Structured Credit

MIM Private Structured Credit

We had a strong pipeline of new transactions in Q3 - committing over \$1 billion during the quarter. Notably, we expanded our investment in the C-PACE sector and closed a large delayed draw facility as the sole lender in the transaction. We believe the sector is likely to continue to see strong growth as municipalities adopt legislation to allow PACE financing to facilitate ESG-friendly, energy efficient upgrades and projects in commercial buildings. For example, New York City recently launched its C-PACE program which is expected to generate multibillion dollar C-PACE financing volume in the coming years.

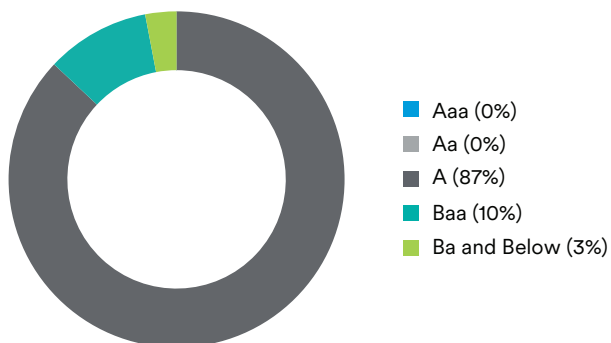
MIM Private Structured Credit Transaction Activity¹

YTD MIM activity through Q3 2021 was strong with \$2.0 billion of committed investments with a weighted average credit quality of A3 (NRSRO rating)⁷ and a weighted average spread of 246 bps. Commitments were diversified across alternatives financing, RMBS, commercial and CMBS sectors.

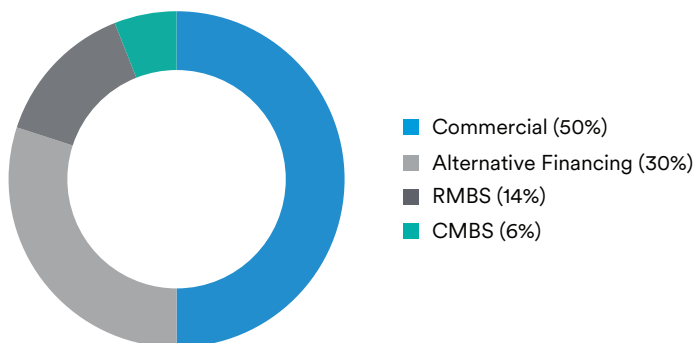
MIM Fourth Quarter 2021 Outlook

Despite ongoing concerns of stretched equity market valuations and a temporary bout of widening in corporate bond spreads this summer, we believe the structured products market should continue to see solid issuance with a bias towards spread tightening driven by a firm bid from investors seeking yield. One important trend we expect to continue into Q4 is deal flow which typically would be done in the private market is now going to the public market as public investors are willing to participate in esoteric sectors that offer higher yielding opportunities. MIM will seek to add value by working directly with issuers to provide customized financing solutions not available via public markets. Solid economic growth expectations, employment gains, strong consumer demand and increased vaccination rollout to younger children could continue to help continue to support risk assets and portfolio performance in the near term. However, uncertainties remain including impacts of COVID variants, sustained inflation, and Fed tapering.

MIM Q3 2021 YTD Origination by Rating*⁷



MIM Q3 2021 YTD Origination by Sector*



Source: MIM

* Based on total commitment size. Includes origination activity on behalf of the MetLife general account and unaffiliated investors.

Endnotes

- ¹ Represents assets originated by MIM as of September 30, 2021 on behalf of MetLife general accounts and unaffiliated investors. There can be no assurances that such origination volume will be achieved in the future. Actual results may vary. Origination is defined as all commitments made during the period, some of which will be unfunded.
- ² MetLife Investment Management, Private Placement Monitor.
- ³ Private Placement Monitor.
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- ⁵ MetLife Investment Management, InfraDeals
- ⁶ NAIC-1 generally corresponds to deals rated the equivalent of A3 or higher. NAIC-2 generally corresponds to deals rated the equivalent of Baa1 to Baa3.
- ⁷ All of PSC assets are rated by either Moody's, S&P, Kroll or DBRS/Morningstar. We take the outside ratings convert to a Moody's scale and calculate a weighted average. A3 represents the equivalent outside rating based on a Moody's scale.

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We are institutional, but far from typical.

For more information, visit: investments.metlife.com/private-placement-debt

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² At estimated fair value as of 9/30/2021. Includes MetLife general account and separate account assets and unaffiliated/third party assets.

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