



PRIVATE CAPITAL

Private Credit Quarterly Update

Third Quarter 2023

Introduction

MetLife Investment Management's¹ Private Capital Group manages over \$125.8 billion² in assets as of September 30, 2023 and brings over 100 years of investing in the asset class. We offer exceptional access to investment grade deals due to our significant scale, long-standing market relationships, and sector expertise. Given our standing in the infrastructure, corporate private placement and private structured credit markets we often fund an entire deal or become the cornerstone of the deal, which can lead to larger allocations for our clients. Our investment decisions are informed by a team-based risk culture with a time-tested approach to managing risk, combined with proprietary research, and layered independent oversight. We have more than 70 seasoned industry specialists working together to develop customized portfolio solutions to help meet client needs.



Corporate Private Placement Market

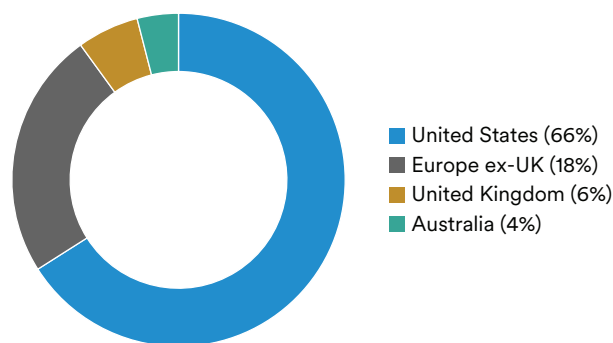
Global Corporate Private Placement Market:³ 3Q 23 market origination reached an initial total of \$11.4 billion, roughly in-line with the same period last year and a decrease from 2Q 23 origination of \$19.5 billion. Year-to-date, market origination volume is down approximately 20% versus the same period last year. The average deal size for the quarter was \$200 million across 57 transactions. Volume was led by activity in North America which comprised 80% of total issuance, followed by Europe at 14% of total issuance. Latam, Asia and Australia rounded out deal volume at 3%, 2% and 1% respectively. USD led the currency issuance at 87% followed by 5% in Yen, 4% in Euro and 4% in GBP.

Spreads and Treasuries: Public spreads were basically unchanged during the quarter. Spreads contracted roughly 10 bps during the summer and then crept back out to end the quarter basically flat. Private spreads tightened slightly through the quarter but are still providing attractive relative value in our view.

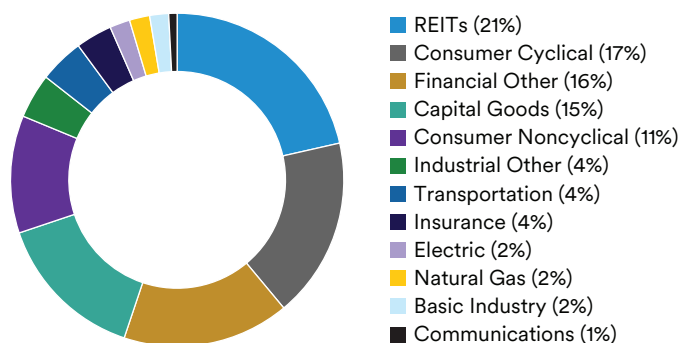
MIM Corporate Private Placement Activity:³ Origination for 3Q 23 was diversified across geographies and sectors. Europe comprised almost 25% of total origination volume versus the overall market where Europe only comprised 14% of origination volume. Due to MIM's global presence, we were able to source transactions at highly attractive all-in-yields compared to previous quarters and with continued strong relative value. The higher interest rate environment continued to lead corporate issuers to issue relatively shorter dated debt. As issuers look to adapt, some have been exploring floating rate issuances, potentially swapped by investors to fixed rate.

MIM's Outlook: Credit fundamentals continued to show some signs of weakening across US, Europe, and emerging markets due to higher interest rates and macro -economic headwinds. Although credit metrics remain at healthy levels, we believe that we have already seen the peak for this cycle and expect to see moderate deterioration as we approach year-end. Through the economic uncertainty, MIM continues to maintain a long-term perspective and strongly believes that private market issuance is offering well structured transactions with highly attractive yields, even in the case of an economic recession. Private credit markets have historically proven resilient and performed well through market volatility. MIM's proprietary deal flow pipeline, the direct nature of which results in higher allocations, remains very strong.

MIM 3Q 2023 Origination by Region*



MIM 3Q 2023 Origination by Sector*



Source: MIM, Private Placement Monitor

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

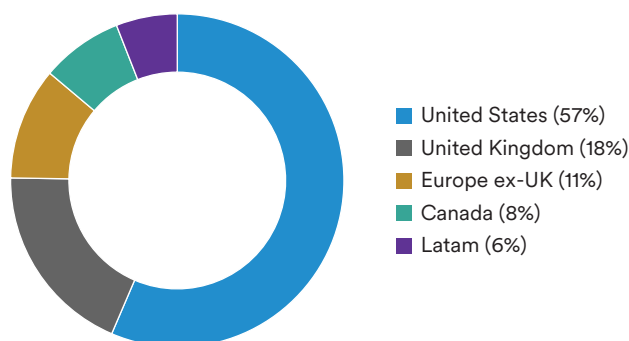
Infrastructure Debt Market

Global Infrastructure Finance Markets: As the implementation of the US Inflation Reduction Act gains momentum, broader activity in U.S. infrastructure spending should see a boost over the next 12 months, resulting in more debt financing opportunities over time. Issuers and Sponsors continue to favor short to medium term maturities (7-10 years) given the higher interest rate environment, particularly in EMEA. Opportunities in energy transition, energy security, transportation and digital infrastructure continue to drive the pipeline. Additionally, we believe the on-going disruption in the banking sector is creating opportunities for private credit to fill any funding gaps with tailored private debt solutions as well as some secondary floating rate opportunities.

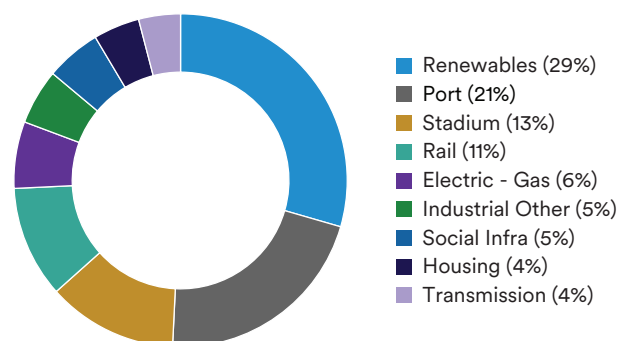
MIM Infrastructure Debt Activity: Origination volume is reflective of the broader market issuance this year, stymied by volatile interest rate environments resulting in Sponsors seeking to delay financings where possible and decreased level of M&A activity. Key core infrastructure sectors including power, renewables, utilities, and transportation continue to see steady issuance driven by required capital expenditures and refinancing needs. MIM's transactions during the quarter were diversified across sectors and geographically, with origination from Europe reaching almost 30% and with MIM remaining active in the LatAm market.

MIM's FY 2023 Outlook: The deal pipeline is robust and we continue to see diversified global opportunities. We expect to see an uptick in energy transition and energy security opportunities as well as digital infrastructure globally. The pipeline for proprietary deal flow remains very strong as sponsors continue to value certainty of execution and reliable partners on M&A, refinancing and capex needs. MIM expects the asset class to perform well given the stability of the asset class via highly contracted and/or predictable cash flows.

MIM 3Q 2023 Origination by Region*



MIM 3Q 2023 Origination by Sector*



Source: IJGlobal, MIM, Private Placement Monitor

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

Private Structured Credit Market

3Q 2023 in Review: Sentiment in the structured products market improved steadily throughout 3Q, driven largely by economic data pointing to a soft landing scenario due to easing inflation and perceptions of the Fed transitioning to a pause in the rate hike cycle. As a result, public esoteric ABS spreads moved tighter during the quarter. On the private side spreads were slower to tighten which resulted in an increase of deal activity at the end of the quarter after a slow start to the summer.

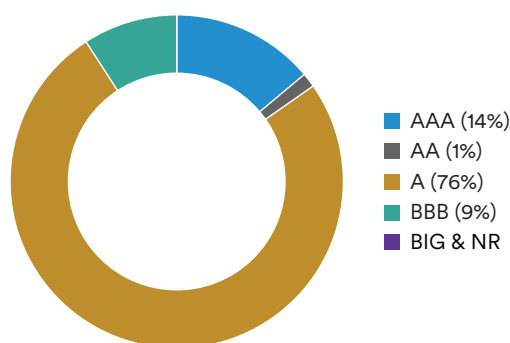
MIM private structured credit team closed the first fiber infrastructure deal. We believe digital infrastructure such as fiber and data centers is a growing sector which benefits from secular tailwinds as consumers and companies continue to increase digital and cloud computing demand. The increase in demand is likely driven by factors such as continued work from home increasing consumers' need for reliable and efficient connectivity along with continued development

of AI which requires large amounts of cloud computing power. MIM has seen solid performance in data center transactions with strong cashflow and rising DSCR coverage driven by growing NOI and expansion of tenant leases.

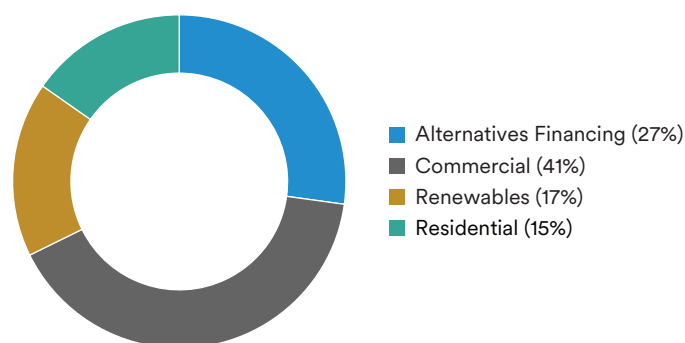
Looking to 4Q 2023: We feel Private Structured Credit spreads are attractive and have maintained wide levels resulting in a pickup to public market spreads. There is the potential for credit spread volatility and choppy markets in 4Q driven by heightened macroeconomic concerns and geopolitical risks. We believe recent public new issue deals have seen spreads leak wider due to the impact of these factors.

We have a healthy pipeline going into the start of 4Q. We see investment opportunities across a number of sectors including C-PACE, low income housing, insurance products and alternatives financing.

MIM YTD 3Q 2023 Origination by Rating*



MIM YTD 3Q 2023 Origination by Sector



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

Endnotes

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- ² At estimated fair value as of 09/30/2023. Includes MetLife general account and separate account assets and unaffiliated/third party assets.
- ³ MetLife Investment Management, Private Placement Monitor Credit quality assessments were performed internally by MIM and have not been verified by independent sources.

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