Introduction

MIM’s Private Securities business originated $12.7 billion in private placement debt in 2020 across 199 transactions. We saw robust activity in corporate private placements while infrastructure issuance was in-line with the broader capital market issuance declines. For the full year of 2020 our private placement debt origination comprised $9.0 billion in corporate private placement transactions and $3.7 billion in infrastructure transactions. Our private placement debt portfolio grew to $98.9 billion as of December 31, 2020.

Corporate Private Placement Market

Private Placement Market

Q4 2020 private corporate issuance came in slightly down at $19.9 billion vs. $20.7 billion from Q4 2019, as election noise put a pause on the market for a few weeks. Q4 activity was driven by both issuers looking for liquidity and opportunistic refinancing. The average deal size for the quarter was $227 million across 88 issuers. This is compared to the 118 issuers in the market in Q4 2019. Q4 2020 volumes continued to be driven by North America, which accounted for 79% of total issuance. European volume (primarily the UK) was 16% and Australia was 5%. USD made up 82% of Q4 2020 issuance with Euros at 9%, Sterling at 6%, and AUD at 3%.

Preliminary full year 2020 volume is reported at $81 billion vs. the $77 billion in 2019. A strong overall year for private corporates, particularly given disruptions during the year. After a slower first five months with
the emergence of COVID-19, deal flow picked up in the back half of Q2 and built right up through the election in November. This pattern was similar to all of the U.S. public markets. The full year numbers are still being accumulated and revisions are expected to add to this total.

**Ratings and Delayed Funding**

The ratings breakdown of issuers was more along historic lines with A-rated (NAIC-1) names responsible for 43% of total quarter issuance, only slightly above the historical norm (~40%), and BBB-rated companies (NAIC-2) comprising 57% of the issuance. Delayed fundings continued to be utilized by issuers. For the quarter, 14% of issuers elected to use delayed funding dates. We expect this trend to continue as private issuers approach the market for refinancing given continuing low interest rates.

**Spreads and Treasuries**

Private credit spreads continue to tighten from the peaks seen at the end of 2020 Q1. In many instances spreads closed towards pre-COVID levels, but with lower Treasury rates, overall yields remain lower than pre-crisis. This tightening directionally followed public corporate spreads, but to date the private spreads have maintained a premium to publics above historic averages.

**2020 MIM Corporate Private Placements**

MIM activity for full year 2020 was strong with $9.0 billion in origination driven by numerous direct and club transactions leading to larger allocations. MIM transactions averaged a 13.3-year weighted average life and an average UST equivalent spread of +230bps. MIM originated transactions were primarily issued out of the U.S. (72.7%) and the UK (10.0%), with the more prevalent sectors from Consumer Noncyclical, Consumer Cyclical, and Industrial.

**2021 Outlook**

We expect U.S. economic activity continues to rebound from the virus-induced shutdowns that caused second quarter activity to plunge. MIM’s U.S. GDP estimate for full year 2020 is -3.5%. However, MIM sees some reasons for optimism looking into 2021. The U.S. consumer remains strong and consumer spending has picked up. Global manufacturing is also on the mend. Additionally, we believe the pace of vaccine administration should accelerate. Tempering this is the U.S. labor market could take more time to stabilize and MIM believes unemployment rates will remain relatively high given the reluctance of companies to spend with the current uncertainty. Yet as vaccinations progress and uncertainty declines, we believe the economic environment should improve and MIM’s GDP forecast for 2021 is 5.5%.

For the private corporate market, MIM will continue to work through amendments with the objective of achieving suitable outcomes for both Issuers and our portfolios. MIM will also remain disciplined in origination focusing on credit/structure and relative value in every deal. With an improving economic backdrop, we expect 2021 issuance to strengthen throughout the year. We believe the market will remain competitive as issuance will be met with healthy investor demand. We will use our sector specialist approach to uncover the broadest range of appropriate opportunities.

**Infrastructure Market**

2020 global Infrastructure market activity was meaningfully impacted by the on-going global pandemic. While total infrastructure market activity supported by bank financings was down only 4% from 2019 at $704Bn, capital market issuance declined by nearly 32% with 2020 issuance of $54.8Bn.

As global shutdowns severely stressed volume based sub-sectors, portfolio management remained a primary focus for all parties. MIM partnered throughout the year with sponsors to ensure covenant breaches were addressed and assets maintained sufficient liquidity and lender protections. During 2020, MIM worked on 45 amendment requests.

**2020 Sector Trends**

**Transportation:** Airports saw a slight rise in overall volumes in the beginning of the fourth quarter, before concerns around a more virulent strain led to further government-mandated lockdowns stunting volume growth. Globally, major airports experienced their worst passenger traffic year with levels not seen since 1999. For
example, Heathrow Airport experienced a 72.7% traffic drop in 2020. While airlines increased cargo shipments to partially offset lower passenger volumes, the sector remains stressed. Roads did not experience the same sharp declines in utilization as airports with commercial vehicles continuing to roll, but passenger car volumes were lower. Fitch estimates that traffic volumes may not recover until 2024 depending on the severity and long-lasting effects of the pandemic. Ports continued to perform without significant impact to container volumes. For example, Port of Antwerp, one of the largest global ports, experienced a 1% gain in container volumes year over year. To note, ports did see negative impacts in some segments including bulk and autos.

**Social Infrastructure.** Regional shutdown orders have continued to disrupt the volume-based transactions related to higher education assets and entertainment venues. The assets typically benefit from strong liquidity and often times deep pocketed ownership that has supported the short-term cashflow impact. We continue to monitor utilization trends as governments implement vaccine rollouts.

**Power and Renewables, Energy.** The pandemic had minimal impacts to availability-based assets and contracted/regulated assets. We continue to seek compelling investment opportunities in the sector with a focus on strong, investment grade counterparties.

**MIM Activity**

In-line with the broader capital market issuance declines, MIM’s 2020 investment volume was 48% lower than 2019. MIM circled $3.7 billion across 51 transactions. The transactions averaged a 13.2 year weighted average life and an average UST equivalent spread of +238bps. MIM transactions by region and sector are illustrated by the charts on the right.

**2021 Outlook**

MIM remains cautiously optimistic on the outlook for 2021. As global concerns ease with a vaccine rollout, MIM expects the infrastructure market to focus on a gradual recovery of the impacted sectors. MIM is also encouraged by the new U.S. administration’s expected $2 trillion infrastructure plan. While still in early stages, MIM expects opportunities from the plan’s goals to improve transportation, promote clean energy, and increase the use of public-private-partnerships across federal, state, and local governments in the U.S. MIM anticipates a global focus by governments on growing infrastructure spending to support economic activity. MIM remains in close contact with sponsor and agent relationships to source new debt financings. We anticipate opportunities to support liquidity needs of many strong assets impacted by COVID as well as activity in renewables, power, energy, PPPs, and digital infrastructure to continue to provide a strong pipeline.
About MetLife Investment Management | Private Placement Debt Group

MetLife Investment Management’s Global Private Placement Debt Group manages over $91 billion in assets as of September 30, 2020, and brings over 90 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 leadership in the infrastructure and corporate private placement markets we often fund an entire deal or become the cornerstone of the deal, which provides unique and 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 50 seasoned industry specialists working together to develop customized portfolio solutions to help meet your needs. We are institutional, but far from typical.

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

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