PRIVATE DEBT

Quarterly Investment Update

MetLife Investment Management
Corporate Private Placement Market

Private market strength continues into the second quarter: Preliminary first half 2019 private debt issuance volume was reported at approximately $39 billion, up $3 billion from midyear 2018. These numbers are still being accumulated and upward revisions are expected. The average deal size was $274 million among 143 issuers vs. $280 million among 129 issuers in 2018. Issuance was met with healthy investor appetite and broadly syndicated deals continued to be oversubscribed and competitively priced in our view.

Ratings and delayed funding: BBB-rated companies (NAIC-2) comprised 62% of issuance with A-rated (NAIC-1) names responsible for 38%. Continuing with the theme of delayed fundings in the private market, 30% of issuers elected some component of delayed funding.

Spreads and Treasuries: Over the quarter, private placement corporate spreads tightened 5bps and 10bps across A-rated and BBB-rated credits, respectively, which was in-line with public bonds. However, yields on the 10-year and 30-year treasuries tightened much more significantly, driving overall yields lower.

Outlook for Second Half 2019: We anticipate several Fed cuts in 2019 in an attempt to insulate a still-healthy US economy from a slowing global economy. We believe the fundamental credit outlook remains positive with a healthy consumer and business confidence and an unemployment rate near a 50-year low. The expectations of a low-rate environment has the potential to drive steady private placement debt issuances by companies throughout the year, and we anticipate continued strong demand, as these deals can benefit from structural protections, which may be favorable in a downturn.

MIM’s investment strategy remains (and will continue to remain) the same, with a focus on disciplined structures while seeking out profitable new business and staying in close contact with our existing credits for both credit insights and new deal opportunities.

MIM’s Private Securities first half 2019 origination volume was $7.7 billion, exceeding our record achieved in 2018 where first half production was $7.0 billion. The historically stronger second half of the year is still ahead. Spreads have closely followed the public markets, with premiums to publics holding steady despite robust demand from investors. Structural protection have remained robust, unlike some other capital market sectors which have seen some structural weakening. Our pipeline remains healthy, with a diverse set of potential transactions in both corporates and infrastructure. We believe the second half of the year can help augment the first half, with healthy deal flow met with increased investor appetite.
Infrastructure Market

**First Half 2019:** The global infrastructure capital markets issued $32 billion in the first half of 2019, up from $26 billion in H2 2018. The increase in activity was driven by some large brownfield M&A transactions in Latin America, Europe, and Asia. Total infrastructure funding for the first half, including bank financings, was estimated at $264 billion, down slightly from first half 2018 ($275 billion). Within the total infrastructure market, energy was the largest sector in the market representing 27% of the overall volume followed by transportation (25%), renewables (21%), power (15%), telecom (5%), social infrastructure (5%), and other (2%). Activity remained focused in EMEA (36%) followed by Asia Pacific (26%), North America (25%), and Latin America (13%).

The US infrastructure market gained some momentum with a $2 trillion proposal on an infrastructure plan between Democrats and the Trump Administration. However, the uncertainty around the funding remains an ongoing challenge. To fill the funding gap for ongoing infrastructure needs, the US market continues to see an increased role of public-private-partnerships (PPP) procured by states, municipalities, and public authorities for transportation and social infrastructure projects. In addition to PPPs, the US market remains active in the utilities, power, and energy space.

The UK market remains cautious and MIM will closely monitor any potential impacts of Brexit on economic and regulatory policies. Due to the uncertainty, there has been a slowdown in UK issuance in 2019. Despite some slowdown in the UK market, MIM has been active and continues to see a pipeline in UK and Europe in the transportation and utilities space. Australia has been active in refinancing social infrastructure assets as well as traditional airports, ports, and utilities. The market continues to see an increase in Latin American activity through the first half of 2019, primarily in the transportation and renewables space.

**Outlook for Second Half 2019:** MIM’s expects deal flow in the second half of 2019 to remain robust as MIM continues to leverage its relationships with sponsors, agents, and advisors to develop and execute on a solid pipeline for 2019. The North American market is expected to have activity in PPP, transportation, and power sectors. MIM remains selective in Latin America with a focus on investment grade rated countries and stable sectors.

**MIM Transaction Activity:** MIM circled $2.6 billion across 32 transactions in the first half. The transactions averaged a MBaa1 (internal rating) credit quality, 15.8 year weighted average life and an average UST equivalent spread of +186bps. MIM transactions were diverse by geography and sector as illustrated further below.

---

**Summary**

Given the uncertainty investors face as a result of trade disputes and a challenging interest rate environment, MIM feels that corporate and infrastructure private placements may offer investors some protection against an uncertain credit environment. We believe sound underwriting and proper structural protections could result in outperformance in the next credit downturn.

---

1 Represents assets originated by MIM 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 Any internal ratings (i.e., MetLife ratings) presented in this document were developed internally by MIM. Such ratings are not recognized ratings used by other investment managers or funds, including those investing in the sectors in which MIM invests. Other ratings may be more relevant in evaluating creditworthiness or may present the credit quality of issuers or assets in a less favorable manner than such internal ratings do. Accordingly, such internal ratings should be viewed as one factor among other factors for evaluating creditworthiness, and you should make your own determination as to the weight you place on such internal ratings.

4 MetLife Investment Management, InfraDeal, 1H 2019
About MetLife Investment Management

MetLife Investment Management ("MIM") is a public fixed income, private debt, and real estate manager providing differentiated investment solutions to institutional investors worldwide. MIM is the institutional asset management business of MetLife, Inc., one of the world's leading financial services companies. To support our goal of providing clients with strong risk adjusted returns and tailored solutions across our core competencies, MIM leverages the broader resources of the MetLife enterprise, which has more than 150 years of experience. Our robust fundamental research and risk management capabilities have been time tested across market cycles and support our investment process and deal sourcing.

For more information, visit: metlife.com/investmentmanagement

Disclosure

This document has been prepared by MetLife Investment Management, LLC, a U.S. Securities Exchange Commission-registered investment adviser. This document is intended only for investors who are accredited investors as defined in Regulation D under the U.S. Securities Act of 1933, as amended, and "qualified purchasers" under the U.S. Investment Company Act of 1940, as amended. For investors in the EEA, this document is being distributed by MetLife Investment Management Limited ("MIML"), authorised and regulated by the UK Financial Conduct Authority (FCA reference number 623761), registered address Level 34 1 Canada Square London E14 5AA United Kingdom. This document is approved by MIML as a financial promotion for distribution in the UK. This document is intended for, and may only be distributed to, investors in the EEA who qualify as a Professional Client as defined under the EEA's Markets in Financial Instruments Directive, as implemented in the relevant EEA jurisdiction. The investment strategy described herein is intended to be structured as an investment management agreement between MIM and its affiliates and a client, although alternative structures more suitable for a particular client can be discussed. For investors in Japan, this document is being distributed by MetLife Asset Management Corp. (Japan) ("MAM"), a registered Financial Instruments Business Operator ("FIBO") conducting Investment Advisory Business, Investment Management Business and Type II Financial Instruments Business under the registration entry "Director General of the Kanto Local Finance Bureau (Financial Instruments Business Operator) No. 2414" pursuant to the Financial Instruments and Exchange Act of Japan ("FIEA"), and a regular member of the Japan Investment Advisers Association and the Type II Financial Instruments Firms Association of Japan. In its capacity as a discretionary investment manager registered under the FIEA, MAM provides investment management services and also sub-delegates a part of its investment management authority to other foreign investment management entities within MIM in accordance with the FIEA. This document is only being provided to investors in Japan who are Qualified Institutional Investors (tekikaku kikan toshika) as defined in Article 10 of Cabinet Office Ordinance on Definitions of Fundamental Research and Risk Management, and such securities may be subject to certain transfer restrictions that may further limit the resale of such securities in relevant markets. The markets for private debt may be subject to periods of illiquidity, political events or regulatory changes, and adverse changes in the liquidity of relevant financial assets can affect the value of the investment. The information contained herein is being distributed for informational purposes only and is not intended to be, and should not be construed as, investment advice, or the forecasts utilized by, the entities within the MetLife enterprise that provide investment strategies or investment recommendations. This document may contain forward-looking statements, as well as predictions, projections and forecasts of the economy or economic trends of the markets, which may not necessarily indicative of the future. Any or all forward-looking statements, as well as those included in any other material discussed at the presentation, may turn out to be wrong. Actual results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties and other factors that might cause such statements to be wrong include, but are not limited to: (1) difficult conditions in global capital markets; (2) changes in general economic conditions, including changes in interest rates or fiscal policies; (3) changes in the investment environment; (4) changed conditions in the real estate or securities markets; and (5) regulatory, tax and political changes.

Past performance is not indicative of future results. The information and opinions presented or contained in this document are provided as at the date of this presentation. No representation is being made that any investment will or is likely to achieve profits or losses or that significant losses will be avoided. There can be no assurance investments similar to those described in this document will be available in the future and no representation is made that future investments managed by MIM will have similar returns to those presented herein.

The information contained in these materials are being furnished to you solely for your information and is not to be used or relied upon by any other party, or for any other purpose without the prior written consent of MIM. Any failure to comply with this restriction may constitute a violation of applicable securities laws. No money, securities or other consideration is being solicited, and, if sent in response to these materials or the information contained herein, will not be accepted. No invitation is made by this document or the information contained herein to enter into, or offer to enter into, any agreement to purchase, acquire, dispose of, subscribe for or underwrite private debt securities and no offer is made of any shares in or debentures of a company for purchase or subscription.

This document and the information contained herein is strictly confidential (and by receiving such information you agree to keep such information confidential) and may not be forwarded, published or distributed, directly or indirectly, to any other person for any purpose, and may not be reproduced or quoted in any manner whatsoever without the prior written consent of MIM. Any forwarding, publication, distribution or reproduction of this document in whole or in part is unauthorized.

Additional information is available upon request. Information herein is believed to be reliable, but MIM does not warrant its completeness or accuracy. Opinions and estimates constitute MIM’s judgment and are subject to change without notice. Predictions are not indicative of MIM’s future performance. This document is not an offer to purchase or sell any security. This document may contain estimates that constitute MIM’s judgment and are subject to change without notice. This document may not be relied upon by any other party, or for any other purpose without the prior written consent of MIM. Any forwarding, publication, distribution or reproduction of this document in whole or in part is unauthorized. This document and the information contained herein is strictly confidential (and by receiving such information you agree to keep such information confidential) and may not be forwarded, published or distributed, directly or indirectly, to any other person for any purpose, and may not be reproduced or quoted in any manner whatsoever without the prior written consent of MIM. Any forwarding, publication, distribution or reproduction of this document in whole or in part is unauthorized. This document may not be relied upon by any other party, or for any other purpose without the prior written consent of MIM. Any forwarding, publication, distribution or reproduction of this document in whole or in part is unauthorized. This document may not be relied upon by any other party, or for any other purpose without the prior written consent of MIM. Any forwarding, publication, distribution or reproduction of this document in whole or in part is unauthorized.

More information can be found on the companies’ websites:

- MetLife Investment Management
- MetLife Investment Management Limited
- MetLife Investments Limited
- MetLife Investments Australia Limited
- MetLife Latin America Asesorias e Inversiones Limitada
- MetLife Asset Management Corp. (Japan)
- MIM I LLC

* MetLife Investment Management ("MIM") is MetLife, Inc.'s institutional management business and the marketing name for the following affiliates that provide investment management services: MetLife, Inc., MetLife Investment Management, LLC, MetLife Investment Management Limited, MetLife Investments Limited, MetLife Investments Asia Limited, MetLife Latin America Asesorias e Inversiones Limitada, MetLife Asset Management Corp. (Japan), and MIM I LLC.

* MetLife Investment Management ("MIM") is MetLife, Inc.'s institutional management business and the marketing name for the following affiliates that provide investment management services: MetLife, Inc., MetLife Investment Management, LLC, MetLife Investment Management Limited, MetLife Investments Limited, MetLife Investments Asia Limited, MetLife Latin America Asesorias e Inversiones Limitada, MetLife Asset Management Corp. (Japan), and MIM I LLC.