MIM’s Private Securities origination volume through September 2019 was $10.7 billion, on pace for another record year. Spreads have closely followed the public markets, with premiums to publics holding steady despite strong demand from investors. Structural protections have remained robust in our view, unlike some other capital market sectors which have experienced some structural weakening. Our pipeline remains healthy, with a diverse set of potential transactions in both corporates and infrastructure. With rates still historically low, and strong demand from investors, we believe the fourth quarter and early 2020 will be a continuance of this trend.
Corporate Private Placement Market

Private Market strength continues into the third quarter:2 Year-to-date Q3 2019 private debt issuance was reported at approximately $63.5 billion, down $8 billion from the same period 2018. These numbers are still being accumulated and upward revisions are expected. Issuance was met with healthy investor appetite and broadly syndicated deals continued to be oversubscribed and competitively priced.

Ratings and delayed fundings: BBB-rated companies (NAIC-2) comprised 59% of issuance with A-rated (NAIC-1) names responsible for 41%.* This was higher than the historical average issuance of approximately 33% A-rated names, driven by a significant amount of Utility and REIT deals this quarter. Delayed fundings continued to be utilized by issuers in the private market, with 29% electing some component of a delayed funding.

Spreads and Treasuries: Over the quarter, yields on the 10-year and 30-year treasuries tightened 34bps and 44bps, respectively, while corporate private placement spreads were relatively unchanged, in line with public corporate spreads. Thus, overall origination yields trended lower for the quarter.

MIM Corporate Private Placements: MIM activity continued to be robust, with $6.4 billion of origination across 159 transactions through YTD 2019. Transactions averaged an MA3 (internal rating) credit quality, 13 year weighted average life and an average UST equivalent spread of +159bps. MIM transactions were primarily issued out of the U.S. (64%), the UK (16%) and Australia (11%). Issuance by sector was driven by REITs, Utilities, and Consumer Cyclical, with REITs and Utilities a strong contributor to the higher rated origination.

Outlook for YE 2019: The U.S. consumer remains the bright spot in the economy with near full employment and a general lack of inflation. Manufacturing remains soft and global low/negative interest rates have not proven helpful. After a series of rate cuts, we believe the Federal Reserve will remain on hold for the remainder of 2019. We continue to watch for risks associated with increased trade tensions and adverse geopolitical and global economic developments. The expectations of a continued low-rate environment has the potential to drive steady private placement debt issuance by companies throughout the remainder of the year, which we expect to be met with strong investor demand, as the asset class may benefit from structural protections in the event of a downturn.

MIM’s investment strategy remains the same, driven by our focus on credit, structure and pricing. We seek to invest in strong credits with disciplined structures while seeking out profitable new business. We are in continual contact with our portfolio, understanding their credit performance, business objectives and relevant sector themes, as well as creating new business opportunities where appropriate.

MIM YTD 2019 Origination by Country of Risk*

MIM YTD 2019 Origination by Sector*

Source: MIM

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

**Third Quarter 2019:** The global infrastructure capital markets issued $46 billion through September 2019, up from $37 billion in the prior period. Total infrastructure funding through 3Q19, including bank financings, was estimated at $414 billion, roughly flat from prior year. Within the total infrastructure market, energy was the largest sector in the market representing 28% of the overall volume followed by transportation (23%), renewables (21%), power (15%), telecom (6%), social infrastructure (5%), and other (2%). Activity remained focused in EMEA (39%) followed by North America (28%), Asia Pacific (22%), and Latin America (11%).

**U.S. Market.** After some momentum between Congress and the Trump Administration in the first half of 2019, the focus on a federal funding program for infrastructure assets has reduced. We expect that a formal infrastructure plan is likely stalled until after the November 2020 elections. To fill the federal funding gap, the U.S. continues to see an increased role of public-private-partnerships (PPP) procured and funded by states, municipalities, and public authorities for transportation, energy, and social infrastructure projects. While PPP activity has been robust, the U.S. infrastructure market has also been active in the power and energy sectors.

**Non-U.S. Markets.** While we saw a slower start in the UK due to Brexit, investments in UK and Europe gained momentum over the last quarter and we see a robust pipeline in the near term. Activity has been focused on transportation, utility, and social housing. Australia’s infrastructure activity also continues to be strong within the core infrastructure sectors. For the first time, MIM supported multiple sponsor bids on an Australian PPP procurement and we see more opportunities to participate in future bid-stage assets. Latin America continues to be a growing market for infrastructure financings. MIM closed its first deal in Colombia in an existing airport. We continue to explore well-structured opportunities in Chile, Peru, Mexico, and Uruguay.

**Outlook for 4Q 2019:** The fourth quarter pipeline is robust and MIM’s outlook for the rest of the year is favorable. MIM’s goal is to leverage its relationships with Sponsors, agents, advisors, and issuers to develop and execute on a robust pipeline for the rest of 2019 and through the beginning of 2020.

**MIM Transaction Activity:** MIM circled $4.3 billion across 54 transactions through the third quarter of 2019. The transactions averaged a MBaa1 (internal rating) credit quality, 15.0 year weighted average life and an average UST equivalent spread of +191bps. MIM transactions were diverse by geography and sector as illustrated further below.
Summary

Given the current market driven by uncertainty regarding trade, Brexit, and pockets of social unrest, MIM feels that an allocation to corporate and infrastructure private placements may be a prudent strategy to help protect against a potential future credit downturn. By maintaining our underwriting standards for both credit and structure, we believe the portfolio is well positioned in this uncertain environment.

Endnotes

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 Private Placement Monitor
4 Credit quality assessments were performed internally by MIM’s Corporate Private Placement team and have not been verified by independent sources. 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, including those published by an independent credit ratings agency, may be more relevant in evaluating creditworthiness or may present the credit quality of issuers or assets in a more or less favorable manner than such internal ratings do. MIM’s internal ratings are subjective; MIM has an incentive to assign internal ratings in a manner that more closely meet investor and/or yield expectations, or otherwise provides an advantage to MIM. 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. Please contact MIM for additional information on how such ratings are derived.
5 MetLife Investment Management, InfraDeal, 3Q 2019.

About MetLife Investment Management

MetLife Investment Management (MIM), MetLife, Inc.’s (MetLife’s) institutional investment management business, serves institutional investors by combining a client-centric approach with deep and long-established asset class expertise. Focused on managing Public Fixed Income, Private Capital and Real Estate assets, we aim to deliver strong, risk-adjusted returns by building tailored portfolio solutions. We listen first, strategize second, and collaborate constantly as we strive to meet clients’ long-term investment objectives. Leveraging the broader resources and 150-year history of the MetLife enterprise helps provide us with deep expertise in navigating ever changing markets. We are institutional, but far from typical.

For more information, visit: metlife.com/investmentmanagement

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