



PRIVATE CAPITAL

Private Credit Quarterly Update

Second Quarter 2022

Introduction

MetLife Investment Management's¹ Private Credit Group manages over \$90.5² billion in assets as of June 30, 2022 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 and corporate private placement 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 60 seasoned industry specialists working together to develop customized portfolio solutions to help meet client needs.

Corporate Private Placement Market

Private Placement Market: Q2 2022 private corporate issuance reached an initial total of \$19.3 billion, down from \$25.6 billion for Q2 2021.³ We expect some upward revision to the 2022 number as numbers are still being compiled. Deal flow was primarily driven by issuance in the REIT and utility sectors. Issuance was led by activity in North America, comprising 66% of total issuance. European volume (primarily the UK) was 24%, Latam 5%, Australia 4%, and Asia 1%. USD currency made up 79% of corporate issuance, EUR 16%, GBP 2%, Yen 2%, and Danish Krone at 1%.³

Delayed Fundings: Delayed fundings continued to be utilized by issuers with 22% of Q2 2022 transactions having a delayed funding.³ We expect this trend to continue as private issuers approach the market for financing opportunities with concerns of anticipated inflation and the continued potential rise in interest rates.

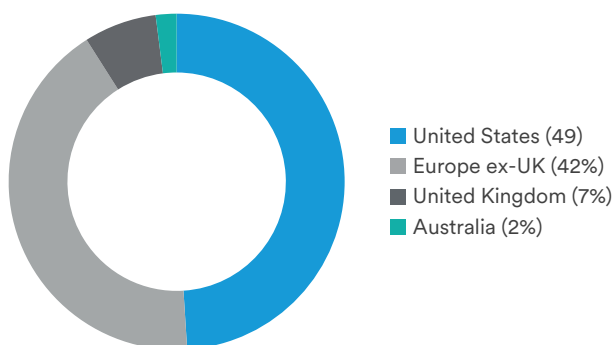
Spreads and Treasuries: Private credit spreads, following public spreads, widened through the quarter driven by increased inflation pressure and aggressive Fed policy. Private spreads have maintained a healthy premium over publics but have continued to contract toward historic averages driven by strong demand for private assets. This was particularly seen with broadly marketed deals from agent banks.

MIM Corporate Private Placement Activity: Coming off a record start to the year, MIM's origination activity moderated for Q2 2022 to \$1.9 billion compared to \$2.1 billion in Q2 2021. Year-to-date, origination was \$5.4 billion versus \$4 billion for the same period in 2021. MIM continues to utilize both direct and club transactions which lead to larger

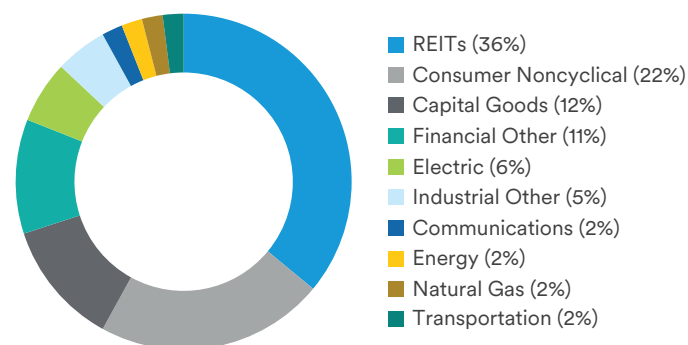
allocations and more diverse deal flow. Origination extended across industries and subsectors, with REITs and Consumer Non-cyclical leading the quarter at 36% and 22% of MIM Corporate origination.

MIM's 2022 Outlook: As a result of disappointing inflation readings and the Fed's aggressive response, MIM's US GDP forecast was revised down to +2.6% growth YoY for the full year 2022 and the forecast for US inflation was revised up to 6.5%. MIM is projecting 10-year UST rates to end the year at 2.75%. Despite the slow down in growth, with still relatively low long rates, MIM predicts 2022 issuance to remain steady. MIM expects the market to remain competitive, with increased investor demand for privates. This may put some pressure on spreads and deal structures, however MIM expects the private market to remain disciplined overall and structures to remain intact. We continue to monitor the portfolio for persistent impacts of inflation. Thus far, issuers have been passing on higher input costs and resulting margins are holding steady. Balance sheets also remain conservative. MIM will continue to utilize our sector specialist approach and relationships in our efforts to uncover the broadest range of appropriate opportunities for our clients.

MIM 2Q 2022 Origination by Region*



MIM 2Q 2022 Origination by Sector*



Source: MIM, Private Placement Monitor

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

Infrastructure Debt Market

Infrastructure Debt Market: Year to date, capital markets issuance was down 35% to \$27 billion.³ Following an all-time high record for the first quarter, the decrease was mainly driven by a rise in rates and widening in spreads causing Sponsors to slow down long-term issuance. Despite the slowdown, several large scale deals closed within the transportation, energy, and digital space. The broader global infrastructure market for the first half of 2022 increased compared to the first half of 2021. The global market was generally higher coming off a lower pace of investment during the pandemic. Including bank financing, the global infrastructure market was 19% higher at \$464 billion compared to \$390 billion in the first half of 2021. In the first half of 2022, transportation (25% of total activity) related transactions slightly outpaced energy (24%) followed by telecom (21%), renewables (16%), power (8%), social infrastructure (4%), and other (2%). Activity was focused in EMEA (39%), US & Canada (31%), Asia Pacific (23%), and Latin America (7%).³

Global Sector Highlights:

United States: United States: While the market still waits to realize the impacts from the \$1.2 trillion bipartisan infrastructure bill, the broader US market remained active. Many federal, state, and local agencies remain committed to federal grants and public financing channels to finance new projects. In addition, power, renewables, and digital continue to drive the larger capex projects. Given the rising interest rate environment, we remain cautiously optimistic on new refinancing opportunities. Power, energy, public-private-partnerships, and digital continue to provide a strong pipeline for 2022.

EMEA: Activity in Q2 was more subdued than for Q1, however we continued to see interesting opportunities, particularly in the bank loan market as M&A activity continued. We have continued to see a number of opportunities in the digital (mainly fiber) sector across European markets. Renewable deals continue, mostly in Spain and Italy. We expect energy transition

assets will pick up pace as Europe battles with a shortage of gas as a result of the Russian war in Ukraine. Leisure-driven airports are reporting a strong rebound in passenger numbers given pent-up demand for summer holidays.

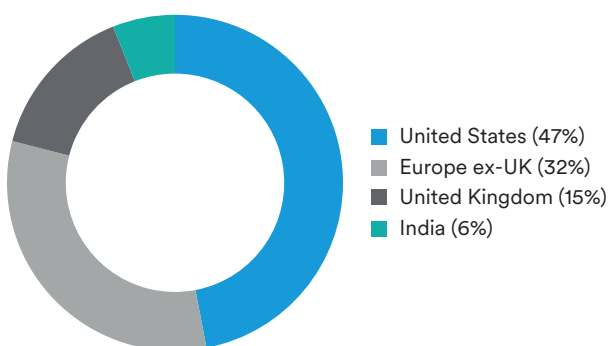
Latin America: Governments continue to advance their PPP programs and support strong growth in renewables to decarbonize their matrixes. The political situation remains noisy in places such as Chile (far left-leaning constitutional assembly, however rejection polling higher), Peru (lame duck President) and Colombia (leftist president elected). 2Q22 remained quiet in terms of new deals, as the market volatility and political situation took a toll, virtually shutting down public bond markets, with spillover effects to private deals. However, the deal pipeline picked up in July, with a couple of large renewable deals launched in Chile. MIM sees a strong pipeline in the Oil & Gas, midstream, power, renewables, and port space.

Australia: New issue activity remained slow to start in 2022, primarily due to Covid and lack of M&A activity. We expect a handful of transactions to launch in the coming months.

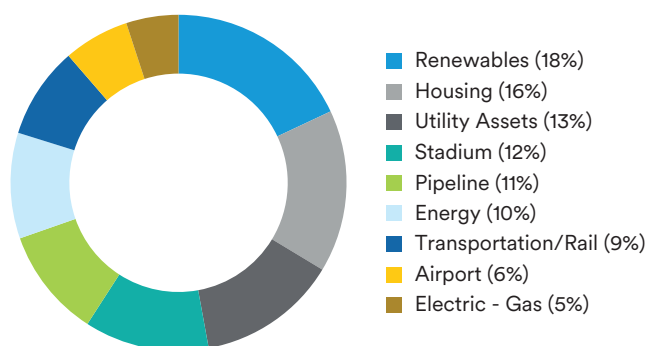
MIM Infrastructure Debt Activity: MIM had another strong quarter with \$1.03 billion of origination across 17 transactions compared to \$749 million in 2Q 21. Year-to-date, MIM has originated \$2.58 billion across 38 transactions. MIM originated notably large transactions in both the US and the UK. MIM received outsized allocations given strong relationships with Sponsors, Agents, and Advisors.

MIM's 2022 Outlook: MIM is in active conversations with Sponsors and their financing / refinancing strategies given market volatility around inflation and interest rates. MIM expects a continued strong pipeline driven by opportunities focused on renewables, transportation, pipelines, public-private-partnerships, digital infrastructure, and energy transition assets.

MIM 2Q 2022 Origination by Region*



MIM 1Q 2022 Origination by Sector*



Source: MIM, Private Placement Monitor

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

Private Structured Credit Market

2Q 2022 in Review: Even with market volatility, private issuance remained robust during Q2 driven by strong demand from private credit investors. The continued demand kept pricing spreads at relatively tight levels in Q1 and entering Q2. Spreads have not kept pace with the spread widening seen in the public market. While the spread premium to publics has improved more recently relative to earlier in the year, we continue to see instances of deals where the premium to public markets remains relatively narrow.

Looking to 3Q 2022: While deal performance remains strong across structured finance sectors thus far, higher inflation, rising interest rates, and equity market volatility have the potential to negatively impact both consumer and corporate fundamentals. Within consumer asset classes, we are beginning to notice delinquencies increase from the historical lows post-COVID, although they still remain within long-term historical averages. We continue to believe that structural protections remain strong, helping provide downside support against potential increases in delinquencies and defaults. Volatility in public equity markets will pressure private equity assets. Alternatives financing transactions generally benefit from high collateral diversification, low advance rates, and robust deal triggers providing the ability to withstand very severe declines in asset valuations.

We have seen private structured credit deal flow begin to slow recently as issuers are reacting to higher borrowing costs driven by a combination of wider spreads and higher benchmark rates. We remain highly selective focusing on deals that offer compelling relative value compared to their public counterparts along with strong structural features.

MIM Private Structured Credit Transaction Activity:¹
MIM activity for Q2 2022 was strong with \$1.1 billion of committed investments

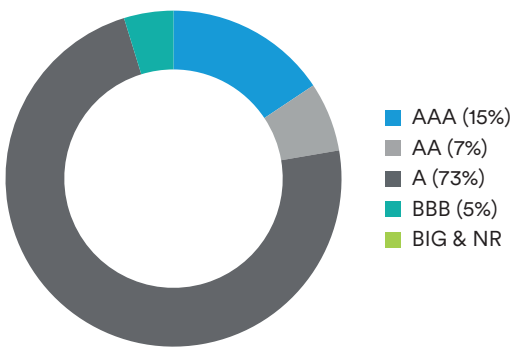
Endnotes

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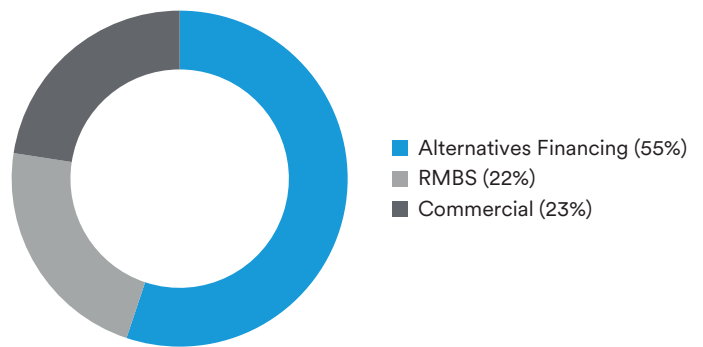
² At estimated fair value as of 06/30/2022. Includes MetLife general account and separate account assets and unaffiliated/third party assets

³ Metlife Investment Management, Private Placement Monitor

MIM 2Q 2022 Origination by Rating*



MIM 2Q 2022 Origination by Sector*



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

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MetLife Investment Management (MIM)¹ serves institutional investors around the world by combining a client-centric approach with deep and long-established asset class expertise. Focused on managing Public Fixed Income, Private Credit and Real Estate assets, we aim to deliver strong, risk-adjusted returns by building sustainable, tailored portfolio solutions. We listen first, strategize second, and collaborate constantly to meet clients' long-term investment objectives. Leveraging the broader resources and 150-year history of MetLife provides us with deep expertise in skillfully navigating markets.

We are institutional, but far from typical.

For more information, visit: investments.metlife.com

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