

PRIVATE CAPITAL

Investment Grade Private Credit Review & Outlook

Introduction

MetLife Investment Management's Private Capital Group manages over \$133.7B as of March 31, 2024 and brings over 100 years of investing in the asset class. We offer exceptional access to investment grade deals with global scale, longstanding market relationships and sector expertise. Our standing in the markets for infrastructure, corporate private placement and private structured credit often enables us to fund an entire deal or become its cornerstone, which can lead to larger allocations for our clients. Informing our investment decisions is a team-based risk culture with a time-tested approach to managing risk, combined with proprietary research and layered independent oversight. More than 70 seasoned industry specialists collaborate to develop customized portfolio solutions that help meet our clients' needs.

Corporate Private Credit Market¹

Strong Start to New Year

- 1Q 2024 market origination was \$23 billion, in line with 4Q 2023 production and significantly higher than 1Q 2023 as issuers have seemingly come to terms with higher interest rate environment.
- Average deal size was \$269 million across 85 transactions.
- Over 35% of issuance volume came from new entrants to the private placement market, including a Credit Tenant Lease transaction over \$2 billion.
- North America led in volume with 74% of total issuance, followed by Europe at 22%, Australia at 3% and LatAm at 1%.
- USD-led currency issuance was at 84%, followed by 7% in Euro, 5% in GBP, 2% in Yen and 2% in CAD.
- Trend of delayed fundings remained low at 12%.

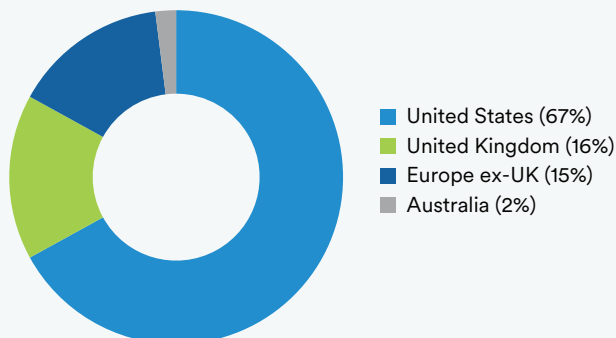
MIM Corporate Private Credit Activity

- Deal momentum picked up vs Q1 2023, as MIM origination for the first quarter totaled \$1.3 billion, driven by directly-originated and more unique agented transactions.
- MIM remained disciplined in seeking relative value, passing on several oversubscribed deals that faced price tightening beyond appropriate levels.
- We expect this market momentum to continue as issuers seek efficient private funding.
- Based on our findings MIM originated more in Europe ~31% (UK and Europe) than the Market at 22%

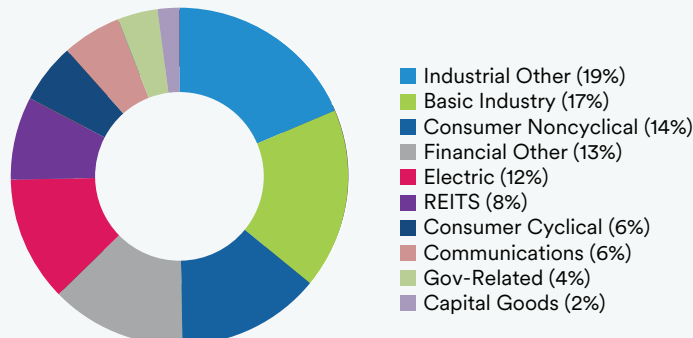
MIM's Outlook for 2024

- Our revised outlook for 2024 no longer expects a U.S. recession, due to the strength of the labor market and a rebound in manufacturing activity.
- We now expect the Fed will cut rates beginning in 2nd half 2024.
- Higher growth and fewer rate cuts suggest a higher 10-year U.S. Treasury yield, ending 2024 at 4.5%.
- We expect private credit markets continue to offer attractive yields in excess of public markets with substantial credit protection. We remain mindful of outcomes in which economic conditions deviate from market expectations and seek to be compensated appropriately.

MIM 1Q 2024 Origination by Region*



MIM 2023 Origination by Sector*



Source: MIM, Private Placement Monitor

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

Infrastructure Debt Market¹

Significant Activity and Strong Outlook Globally

- Q1 2024 saw significant activity in infrastructure debt globally with a very strong outlook for the remainder of the year.
- M&A activity continued to gain momentum through the quarter. We saw strong deal flow in the transportation (airports and ports) sector and regulated utilities.
- Activity continues to accelerate in key infrastructure sectors including digital, transmission, transportation and water. Energy transition and security remain highly relevant as well.
- Agented deal flow continues to be complemented by strong issuance of bilateral, directly-sourced transactions. Full year expectations remain positive, with a number of transactions in active dialogue and a strong pipeline of assets across our core infrastructure sectors.

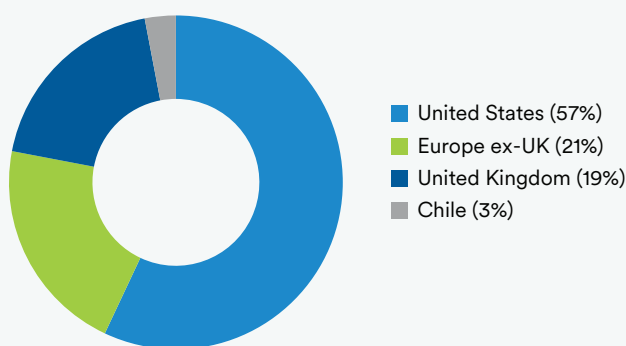
Origination Focuses on Bilateral, Direct Deals

- Origination volume was \$1.2 billion for Q1.
- Transactions MIM originated were mainly through proprietary channels. Only 20% were from the agented market.
- The agented deals are broadly shown and typically highly oversubscribed, as a result of which investor allocations are subject to significant scale-backs.

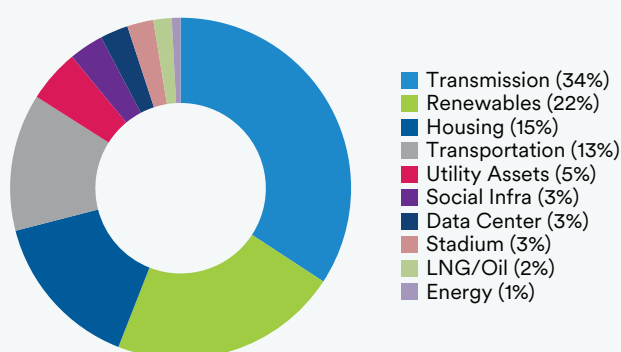
MIM Outlook for 2024

- The deal pipeline is robust; we continue to see diversified global opportunities.
- Proprietary deal flow remains very strong, as sponsors continue to value certainty of execution and reliable partners for M&A, refinancing and capex needs.
- MIM expects ongoing disruptions in bank lending to create opportunities in the Americas for private credit to fill funding gaps, as sponsors seek tailored private solutions to support financing needs via long-term partners.
- We anticipate an uptick in energy transition and security opportunities, as well as digital infrastructure globally. MIM expects the asset class to perform well, given stability of highly contracted and/or predictable cash flows.

MIM 1Q 2024 Origination by Region*



MIM 1Q 2024 Origination by Sector*



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

Private Structured Credit Market¹

Robust sentiment and demand in Q1 2024

- Structured products market sentiment and demand remained strong in Q1 2024, as investors looked to lock in higher yields in advance of anticipated Fed rate cuts. As a result, spreads tightened across all public securitized products.
- In sympathy, private markets also saw significant spread tightening during Q1 with certain sectors seeing spreads move by 50-75 bps from prior quarter levels.

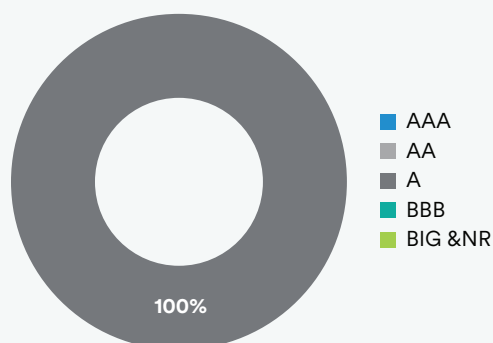
Looking to 2Q 2024

- As we enter Q2, investor demand is still solid for securitized products, with spread tightening slowing from the sharp moves seen earlier in 2024 in our view.
- MIM continues to look for private transactions that offer attractive spreads and have maintained wider levels, resulting in a pickup to public market spreads.
- We expect private market spreads to continue a tightening bias supported by strong investor demand.

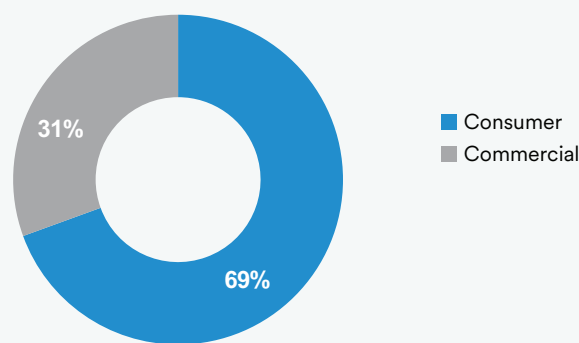
Active Deals in Our Pipeline

- MIM PSC is engaged in active discussions on a variety of deals in our pipeline. Our rigorous deal selection isolates the most attractive opportunities offering balanced relative value and structural features to provide investors downside protection.
- We continue to concentrate on bilateral and club deals which offer better negotiating power, pricing and allocations.

MIM YTD Q1 2024 Origination by Rating*



MIM YTD Q1 2024 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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