



PRIVATE CAPITAL | SEPTEMBER 30, 2024

Investment Grade Private Credit Review & Outlook

Introduction

MetLife Investment Management's Private Capital Group manages \$135.5 billion in assets as of September 30, 2024. With over 100 years of investing in the asset class, MIM offers exceptional access to investment grade deals with global scale, longstanding market relationships and approachable 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

Origination Surges on Larger Deals

- Through September 30, market origination surged to \$94.7 billion in 2024 vs \$62 billion in first half of 2023.
- As issuers raise larger deals, average transaction size rose to \$359 million across 264 transactions YTD.
- North America led in volume with 72% of total issuance, followed by Europe at 22%, Australia at 4% and LatAm at 2%.
- Majority of issuance was in USD at 76%, followed by 10% in Euro, 7% in CAD, 5% in GBP and 2% in other currencies.
- The trend of delayed fundings was low at 6%.
- Spreads Unchanged, Treasuries Tighten
- Public spreads were relatively unchanged from Q2, tightening 5 bps with an ending OAS at +89bps.
- The 10-year UST had another active quarter, as yields tightened 70 bps to end Q3 at 3.79%.
- We expect the Federal Reserve to reduce the Fed funds rate to a 4.50-4.75% range by year-end.

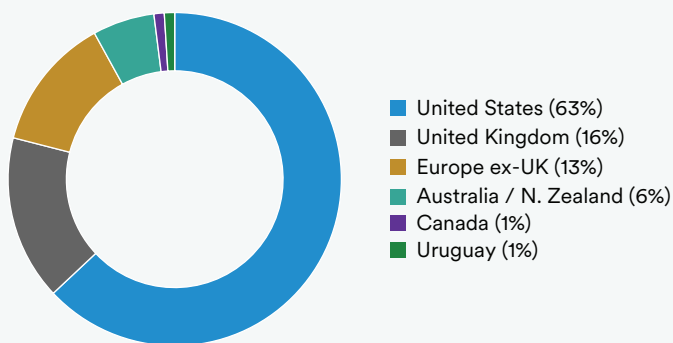
MIM Corporate Private Credit Activity

- MIM’s origination through September 30, totaled \$4.7 billion.
- Deal momentum tripled vs Q3 2023.
- We are seeing an uptick in market activity as interest rates has come off recent highs.
- We expect this market momentum to continue into Q4, but remain cautious about potential volatility around the U.S. election.

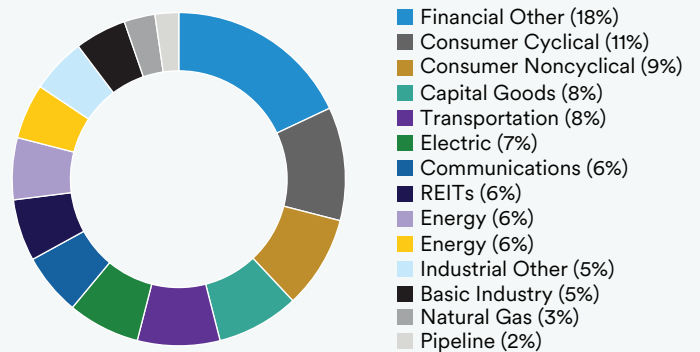
MIM’s Year-End Outlook

- The private market continues to post record issuance and is on pace for a solid year. We expect it to be resilient amid economic uncertainty around the U.S. election.
- Election-related volatility could offer an opportunity to take advantage of favorable pricing dynamics.
- MIM is well-positioned to leverage our underwriting experience, issuer relationships and stable private platform to capitalize on market opportunities.

MIM YTD 2024 Origination by Region*



MIM YTD 2024 Origination by Sector*



Source: MIM, Private Placement Monitor

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

Infrastructure Debt Market

Significant Global Activity, Strong Year-End Outlook

- Q3 2024 saw significant global activity in infrastructure debt, with a strong outlook for Q4.
- Megatrends such as decarbonization and digitalization continue to fuel demand for infrastructure finance.
- We expect the need for infrastructure capital to continue to grow, driven by global demand for new infrastructure and projects supporting new technologies.
- Agented deal flow continues to be complemented by strong issuance of bilateral, directly-sourced transactions.
- Expectations for the year remain positive, with a number of transactions in active dialogue and a strong pipeline of opportunities across core infrastructure sectors.

Origination Rises 83%, Well Diversified

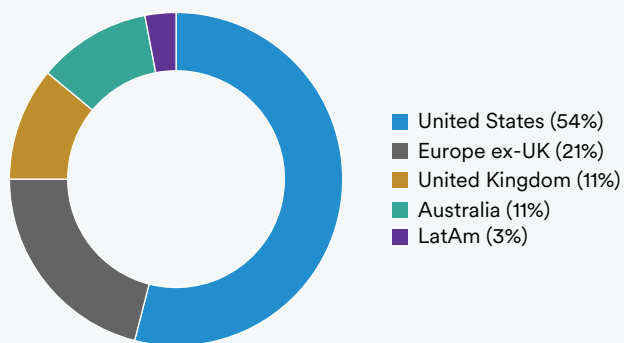
- Origination volume totaled \$4.4 billion as of end of September, a steep increase over \$2.4 billion in the same period last year.
- Transactions MIM originated were well diversified across all project types, led by renewables, transmission, LNG and digital.
- With strong demand from investors globally and a competitive market, MIM’s focus is on infrastructure partner relationships and targeting bilateral and direct deals.

- MIM’s global footprint and ability to source unique bilateral transactions enable us to secure attractive investment opportunities for our clients.
- Origination outside the U.S. reached 46% of infrastructure investment volume in 2024.

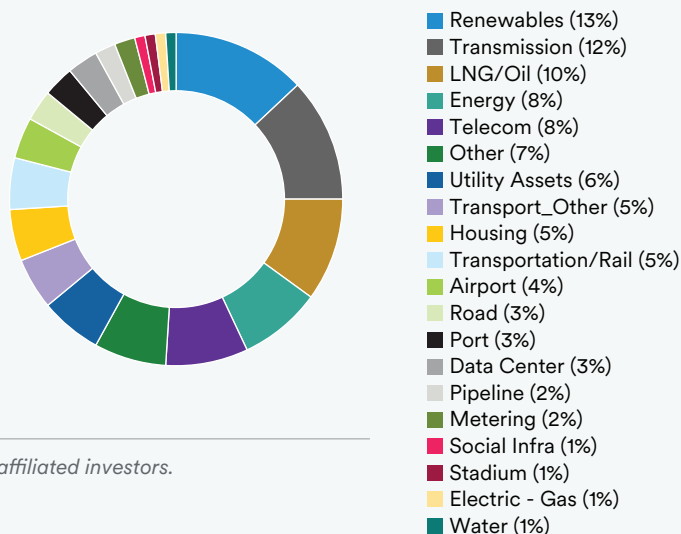
MIM’s Year-End Outlook

- We continue to see diversified global opportunities, from decarbonizing energy and transport to advancing communications to enhancing critical social infrastructure.
- Proprietary deal flow remains very strong, as sponsors continue to value certainty of execution and reliable partners for M&A, refinancing and Capex needs.
- As the need for infrastructure private capital continues to grow, MIM is well positioned as an experienced global lender to provide tailored solutions that support financing needs via long-term partners.
- While global competition for infrastructure assets has increased, we remain disciplined in analyzing and negotiating deal structure, focused on relative value across all investments.
- High selectivity, disciplined underwriting and solid structures are cornerstones to ensure resilience as MIM builds a client portfolio of private infrastructure debt transactions.

MIM YTD 2024 Origination by Region*



MIM YTD 2024 Origination by Sector*



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

Private Structured Credit Market¹

Sideways Movement, Robust Demand in Q3

- Esoteric ABS spreads moved within a narrow range of low-mid 200 bps in Q3.
- Investor demand was robust and should remain so into 4Q, limiting spread widening unless a market risk-off event dampens investor sentiment.
- Spreads have remained near the tight end of the 52-week range.

MIM's Outlook

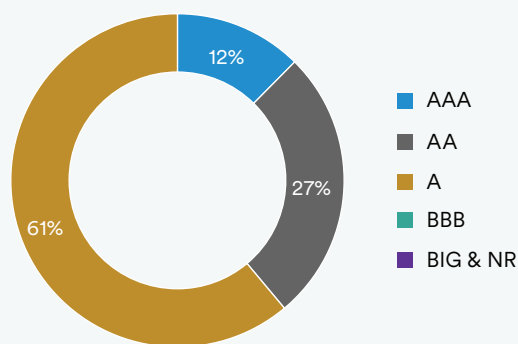
- New macro data reflects a rise in delinquencies in autos, credit cards and installment loans, particularly in lower FICO segments, while prime borrowers remain stable.
- ABS performance can diverge from broader macro data due to ABS issuers imposing tighter credit standards vs overall market.

- Consumer credit performance metrics remain range-bound; delinquencies and charge-offs are trending near long-term averages.
- Deal structural features offer significant protection against a macroeconomic downturn.
- Corporate revenue and earnings have displayed resilience into the fed rate hike cycle, supporting private equity portfolio company valuations and keeping fund finance LTVs stable.
- Anticipated fed rate cuts are likely to provide relief to both consumer and commercial ABS borrowers, which should support fundamental performance.

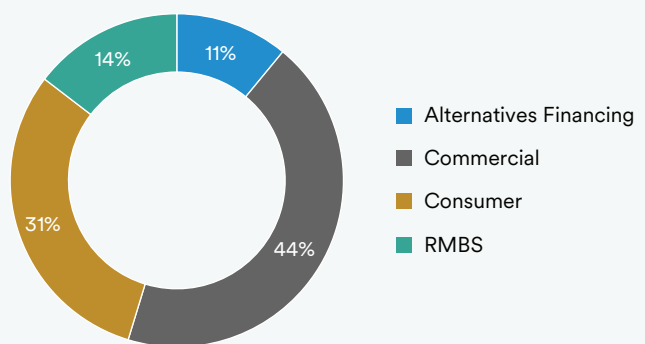
MIM Committed Transaction Activity

- MIM activity for Q3 was strong with \$818 million in committed investments in the commercial, residential and alternatives financing sectors.

MIM YTD Q3 2024 Origination by Rating*



MIM YTD Q3 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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