



PRIVATE CAPITAL

Private Credit Quarterly Update

Fourth Quarter 2022

Introduction

MetLife Investment Management's¹ Private Credit Group manages over \$123.3 billion² in assets as of December 31, 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 70 seasoned industry specialists working together to develop customized portfolio solutions to help meet client needs.

Corporate Private Placement Market:

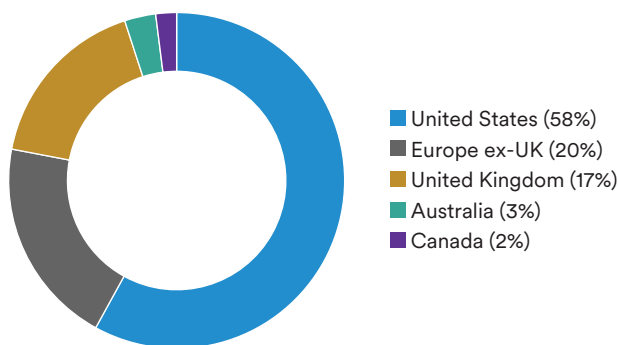
2022 full year market issuance stands at \$74 billion, a significant decline versus \$106 billion full year issuance for 2021.³ After a strong first half for 2022 driven by the emergence from Covid disruptions and continued low rate environment, issuance significantly tapered off for the second half of the year. The slowdown was primarily attributable to, the sharp rise in interest rates and uncertainty over a potential future recession. The average deal size for the year was \$221 million across 335 transactions.³ Issuance was led by activity in North America comprising 68% of total issuance. European volume was 25% and Australia continued to be light with 3% of total issuance.³ 79% of the transactions were issued in USD, followed by 11% in EUR, 7% in GBP and 1% in CAD.³

Spreads and Treasuries: The public markets spreads generally tightened through the 4th quarter creating a widening private premium with the private spreads lagging the public tightening. The 10-year UST ended the year at 3.87%, although since the start of 2023 we have seen yields retreating as some inflation numbers have begun to moderate.

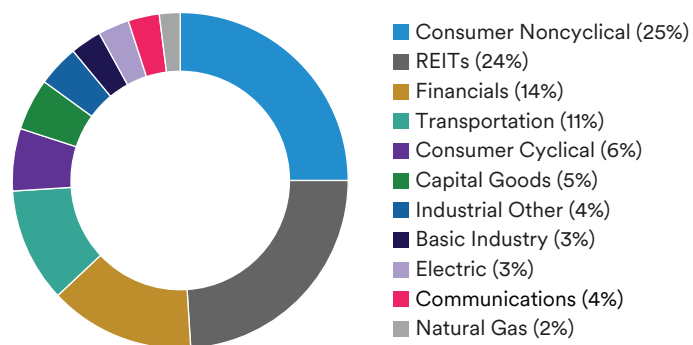
MIM Corporate Private Placement Activity: MIM's 2022 origination was strong and outperformed the broader market's lower issuance with a year-to-date total of \$8.5 billion, a slight increase from \$8.4 billion for 2021. MIM's 4th quarter origination was a healthy \$2.0 billion. MIM was able to offset the general market slowdown through our direct and proprietary origination platform.

MIM's Outlook: As a result of continued persistent inflation readings and the Fed's aggressive response, MIM's 2023 full year US GDP forecast was revised down to +0.3% YOY growth. MIM is projecting more tightening in the early part of 2023 followed by rate cuts in 2H 2023 and anticipates the 10-year UST rates end 2023 at 3.00%. Given the elevated rates, issuers appear to be assessing their financing needs while awaiting a reduction in financial market and macro volatility, causing some pause in issuance. MIM maintains an open dialogue with issuers, with the aim of facilitating unique financing opportunities and is closely monitoring the portfolio. It should be noted that issuers have continued to maintain steady margins, and leverage ratios have remained conservative. MIM will continue to utilize our sector specialist approach and relationships, as we seek to uncover the broadest range of appropriate opportunities for our clients. Entering 2023, our pipeline remains active with a number of new deals coming from repeat issuers, as well as various direct opportunities.

MIM 2022 Origination by Region*



MIM 2022 Origination by Sector*



Source: MIM, Private Placement Monitor

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

Infrastructure Debt Market:

FY22 capital markets activity was impacted by the rise in rates and widening spreads causing a decrease in overall issuance. 2022 capital markets issuance was down 37% to \$53.2 billion compared to \$85.05 billion last year.³ While investors continue to assess and navigate market volatility, several large transactions closed within the transportation, energy, and telecom space. The broader infrastructure market including bank financing was generally flat year-over-year. The total market was at \$1.07 trillion compared to \$1.04 trillion last year. These transactions were spread across transport (25%), energy (20%) followed by renewables (20%), telecom (17%), power (9%), social infrastructure (4%), and other (4%). Activity was focused in EMEA (41%), US & Canada (33%), Asia Pacific (18%), and Latin America (9%).³

Global Sector Highlights:

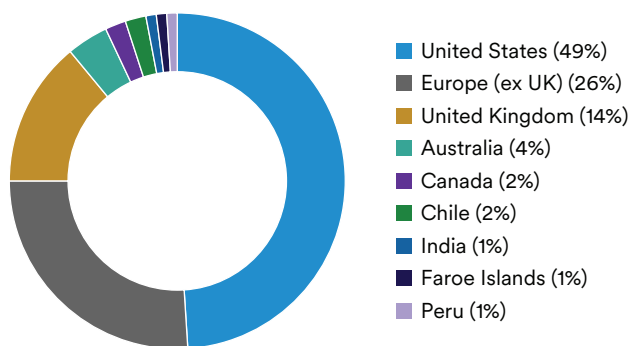
- United States:** While overall markets were slower, US remained active in several sectors including power, energy, and digital. Origination activity was driven by LNG, transmission, renewables and data centers across brownfield and greenfield transactions. The Inflation Reduction Act, signed in August 2022, is providing even more incentives on energy transition assets and we expect to see an increase in these types of assets in 2023. US pipeline includes several PPP transactions that were delayed to 2023, transportation, power, LNG, digital, and renewables.

- **EMEA:** 2023 has opened with solid deal flow. Issuers in UK and Europe had seemed to pause in Q4 2022 as they assessed the economic environment and postponed doing deals until the new year. We have seen a number of deals launched in the first couple of weeks of the new year including for transportation, digital, and utilities. The deals are spread across the UK and Europe and the focus is on tenors in the 7-12 year area. Long dated deals do not currently appear to be favored by issuers given the higher rate environment.
- **Latin America:** LatAM resumed activity in the second half of 2022 with several transactions in transportation, power and energy across several countries. Governments across the region continue to push for the expansion of renewable generation, particularly Chile, Peru, Colombia and Brazil. Public bond markets provided little liquidity to help the broader market forcing Issuers to seek private markets. MIM has an active pipeline in the port, toll road, renewables, transmission and digital sectors.
- **Australia:** Market activity resumed in Q4 2022 when several transactions launched and priced across various sectors. We expect issuance to pick up in 2023, though expect a slower start to the year as banks remain aggressive and can offer up to 12-year floating rate products. MIM expects a few existing issuers to launch in Q12023.

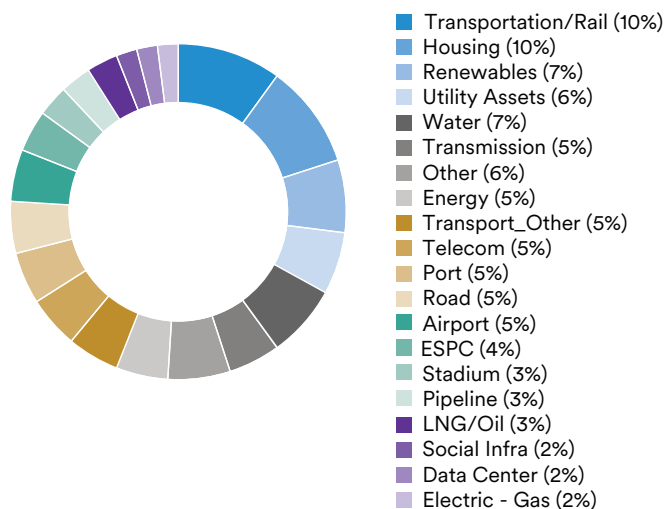
MIM Infrastructure Debt Activity: Despite macro headwinds affecting capital markets activity, MIM had a strong year originating \$4.7 billion across 78 transactions, slightly lower than \$5.1 billion originated in 2021. MIM originating several large transactions across UK and Europe. Given Sponsor's preference for short term transactions to manage interest rate volatility, MIM partnered with Sponsors and Agents in a number of shorter, floating rate transactions.

MIM's FY 2023 Outlook: We expect FY23 to continue some of the macro challenges markets faced in FY22 with interest rates and spreads. We expect greenfield activity to remain busy and continue to access the markets. Refinancing activity could be pushed to later in the year. First quarter tends to be slower as Sponsors, Developers, and Authorities strategize for the full year. MIM expects a continued pipeline driven by opportunities focused on renewables, transportation, pipelines, public-private-partnerships, digital infrastructure, and energy transition assets.

MIM 2022 Origination by Region*



MIM 2022 Origination by Sector*



Source: MIM, Private Placement Monitor

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

Private Structured Credit

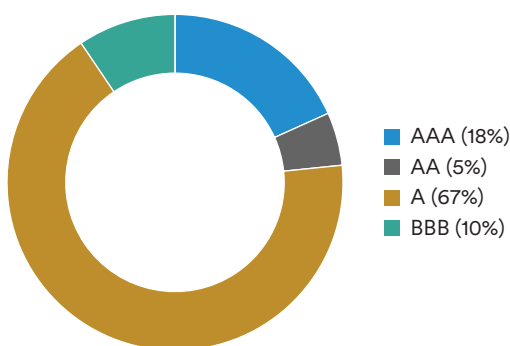
4Q 2022 in Review: We saw a healthy pipeline of transactions across a diverse range of asset sectors as public market execution became challenging and issuers increasingly looked toward private markets for funding solutions and certainty of execution.

Looking to 1Q 2023: While spreads have recently tightened slightly, we feel valuations remain attractive with high all-in yields coupled with spreads wider than they were at the beginning of last year. We expect robust deal flow to continue in Q1 and are currently seeing opportunities across a diverse set of sectors including solar, energy, reverse mortgage and C-PACE.

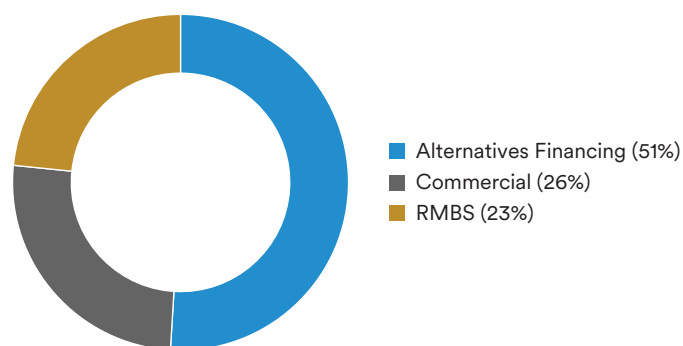
Performance in the portfolio remained stable during the quarter. Within the consumer segment, we have seen credit metrics weaken from the low level of delinquencies and defaults seen post-COVID. We believe credit performance will likely continue to see some deterioration in 2023 should inflation remain elevated, and employment weaken, with the non-prime consumer segment more vulnerable to downside risks. We believe volatility in the public equity markets will continue to pressure asset valuations in the alts financing sector albeit with a lag. We believe structural protections remain robust and should stand up well against potential credit deterioration in 2023.

MIM Private Structured Credit Transaction Activity:¹ MIM finished the year strong in Q4 with \$566 million of closed investments in the alternatives, residential mortgage and commercial sectors. During 2022 total production was \$1.9 billion in closed investments.

MIM 2022 Origination by Rating*



MIM 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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² At estimated fair value as of 12/31/2022. Includes MetLife general account and separate account assets and unaffiliated/third party assets

³ MetLife Investment Management, Private Placement Monitor

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For more information, visit: investments.metlife.com

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