US Private Placement Newsletter

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US Private Placement Market Update – April 2017

The private placement market had an impressive start to 2017 as volumes for the first quarter approached $12 billion[1], which has historically been the slowest quarter for the market. Momentum carried over from the strong second half in 2016, as optimism for pro growth fiscal policies in the US and tempered concerns regarding the impact of the EU referendum in the UK supported issuance. In regards to US monetary policy, the Federal Reserve continued with its tightening monetary stance, increasing its benchmark federal funds rate by 0.25% in March. The Fed is currently projecting two more hikes by year end with another 3 to 4 in 2018[2] and we expect the tighter monetary stance to drive corporate issuance by way of refinancing activity.

The increase in short-term interest rates has not led to higher long-term yields, as the benchmark 10YR US Treasury was relatively range bound between 2.30% - 2.60% during the quarter and dipped below the 2.30% level following quarter end[2]. Strong investor demand for fixed rate assets has driven credit spreads back to historical lows following a significant widening of spreads in 1Q 2016. This flattening of the yield curve and tight spread environment, we believe, has created an opportune time for issuers to consider refinancing short-term borrowings and lock in attractive all-in yields with long-term fixed rate debt. While global market uncertainties remain in the form of US foreign policy and upcoming elections in France and the UK, debt capital markets are exhibiting both stability and depth.

At Private Capital Investors ("PCI"), we had a strong start to 2017 investing over $1.8 billion for the quarter and are well ahead of our investment target for the year. Our activity has been strong in the face of increased investor demand which at times has led to oversubscriptions and smaller allocations. From an issuer perspective, investor competition has benefitted issuers through a more competitive pricing environment. From a business perspective, refinancing has driven volumes and we expect refinancing to be a foundational driver of volumes throughout the year augmented by increased M&A activity as corporate balance sheets are in strong positions.

Our international team continues to see strong UK issuance since the EU referendum and, at long last, reignited activity out of continental Europe, which has seen lower volumes for the last couple of years due to the competitive dynamics between the private placement market and the Eurobond market. The increase in volumes has been driven by both new and repeat issuers with the consistent theme of issuers looking for foreign denominated tranches (notably Sterling and Euros). In order to match issuer demand, an increasing portion of investors have begun to offer foreign denominated appetite. Based on an active pipeline from agent banks, we expect market volume in the second quarter to continue the strong level of activity experienced in the first quarter of 2017.

Reflective of the overall market, PCI's infrastructure team experienced its most active 1Q in recent history and is on pace to exceed $1 billion of investment volume for the fifth consecutive year. Renewable projects (including hydro, solar and wind deals) remained the most active sector within the asset class. We continue to invest in utilities, particularly longer dated paper, and the deal pipeline remains strong. Similar to the robust demand for investment grade corporates, there remains a growing amount of dedicated infrastructure capital chasing a limited number of deals and we continue to be selective in an aggressive market.

We continue to have ample investment appetite for 2017 with capacity to invest over $5 billion. Increasingly we have an institutional need for longer dated fixed rate assets to match certain insurance product liabilities. We are targeting maturities of 12 to 30 years and beyond 30 years for certain sectors (e.g. utilities and universities), in which we can be competitive from a pricing perspective. In addition, we continue to offer long-term floating rate financings, which allows issuers to preserve capacity under its primary bank facility, while also eliminating credit spread risk with a fixed spread over LIBOR until maturity.

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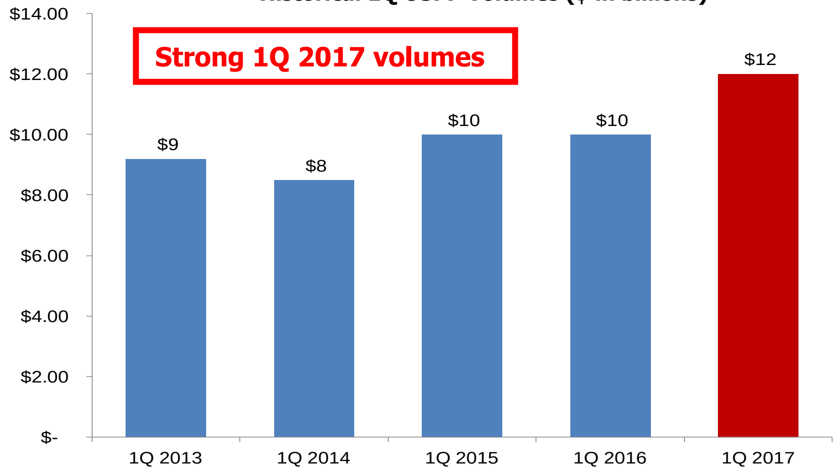
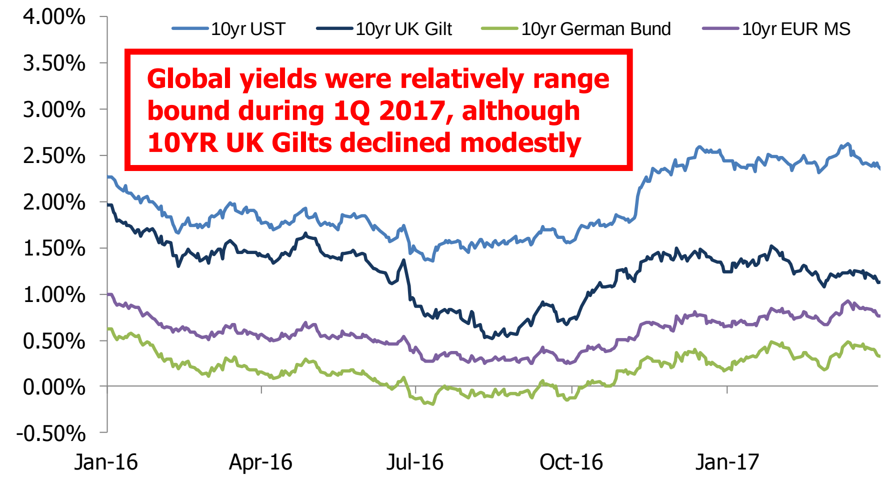
Please feel free to contact us with any questions. For further information please visit our website at http://www.newyorklife.com/privatecapitalinvestors

[1]Source: Private Placement Monitor, March 31, 2017.
[2]Source: Bloomberg, April 2017.

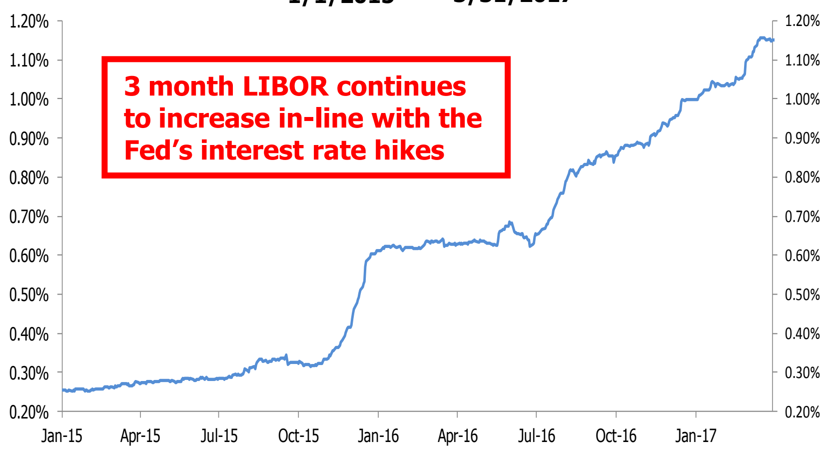
Historical 1Q USPP Volumes ($ in billions)[1]



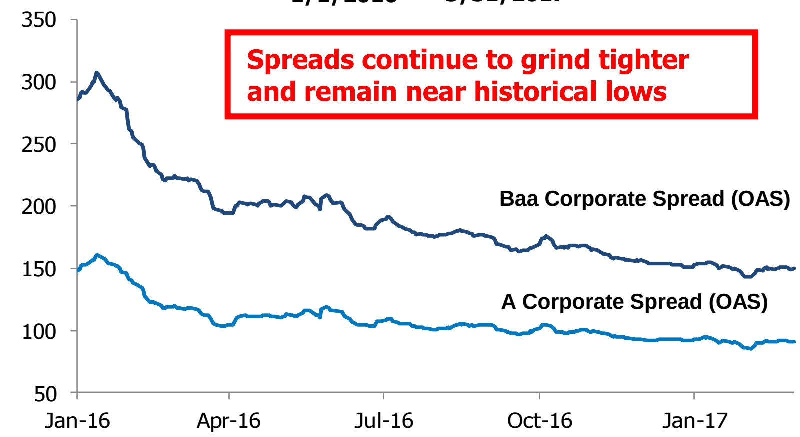
Benchmark Yields[2]
1/1/2016 – 3/31/2017



3 month LIBOR[2]
1/1/2015 – 3/31/2017



Public Credit Spreads (bps)[2]
1/1/2016 – 3/31/2017



[1]Source: Private Placement Monitor, March 31, 2017.
[2]Source: Bloomberg and Barclays Capital. Benchmark Yields and Barclays corporate bond index as of March 31, 2017.

Private Capital Investors[1] is the private debt investment arm of NYL Investors LLC, which is a wholly-owned subsidiary of New York Life Insurance Company (NYL) – one of the largest mutual life insurance companies in the United States with the highest ratings for financial strength currently awarded to a U.S. life insurer. (Moody's – Aaa, from Credit Opinion, June 2016. S&P – AA+, from Rating Report, June 2016. Fitch – AAA, from Rating Report, June 2016. AM Best – A++, from Rating Report, June 2016.) Note that New York Life Insurance (NYL) ratings are not NYL Investors' rating and that these ratings are based on the financial strength of NYL and apply only to obligations issued or guaranteed by NYL.

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[1]Prior to the formation of NYL Investors, Private Capital Investors operated as an investment division of New York Life Investment Management, LLC which is an affiliated investment adviser