NEW YORK LIFE PRIVATE CAPITAL INVESTORS

US Private Placement Newsletter

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US Private Placement Market Update – July 2017

Following a strong start to 2017, robust new issuance activity in the private placement market continued into the second quarter with volume of approximately $33 billion[1] for the first half of the year in comparison to $23 billion for 2016. The strong issuance was met with even greater investor demand, as the market continues to experience significant deal oversubscriptions and competitive pricing. Further supporting issuance was an increase in short-term rates which generated meaningful refinancing activity from issuers. Volumes were particularly noteworthy in the utility and infrastructure sectors, as issuers took advantage of attractive long-term fixed rate coupons.

The Federal Reserve continued its rate hike cycle, increasing the benchmark Federal Funds Rate by 25bps at its meeting in June, following similar increases in March 2017 and December 2016. Market consensus is for an additional rate hike in December 2017 with the expectation of three to four increases in 2018[2]. The rate hikes have led to higher costs for short-term bank financing, as longer term rates have been less impacted. The result has been a flattening of the yield curve, which has increased the attractiveness of long-term fixed rate borrowings for issuers. The yield on the 10YR US Treasury remains below historical averages at approximately 2.25%[2] and credit spreads have continued to grind tighter, driven by strong investor demand for fixed rate assets.

At Private Capital Investors ("PCI"), we built upon our strong first quarter and are ahead of our investment target of $5.5 billion for the year. The results were shared across our various investment teams and supported by buoyant volumes in the agented market, particularly for utility and infrastructure related transactions. We continue to have appetite for investment grade, fixed rate assets and our ability to be aggressive on pricing has yielded several positive outcomes.

Our international team had a solid start to the year and continues to see increased UK issuance with an active pipeline, despite the ongoing uncertainty surrounding Brexit negotiations. The team has been a participant in both "club" and broadly marketed transactions. Notably, the PCI team has made some large investments in UK corporates in addition to improved European issuance with a mix of new and repeat issuers. We have continued to see robust Eurobond and Sterling public bond markets driven by the ongoing bond buying programs of the ECB and the BoE, respectively. The ongoing low yield environment across Europe and oversubscriptions in the USPP market have resulted in attractive all-in coupons for issuers looking for foreign currency, predominantly in Euros and Sterling.

PCI's infrastructure team continued to see solid deal flow across various asset types including renewables, electric transmission, as well as water and waste water projects. As evidence of strong volumes and the depth of investor demand for the infrastructure asset class, the largest traditional private placement transaction was circled in the second quarter, issuing $1.475 billion of project finance bonds for a greenfield gas-fired generation project with PCI participating as a top tier investor. Given the incredible demand for infrastructure investments, many issuers are electing to "club" their transactions to limit the number of holders. PCI benefits from this trend as an established and leading investor in the infrastructure asset class, firmly on the go-to list for "club" deals.

We continue to have ample investment appetite for 2017. Our internal portfolios continue to have strong appetite for fixed rate assets across the maturity spectrum (7-15+), as well as for floating rate notes with tenors of up to 8+ years. 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 especially competitive from a pricing perspective.

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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, June 30, 2017.
[2]Source: Bloomberg, July 2017.

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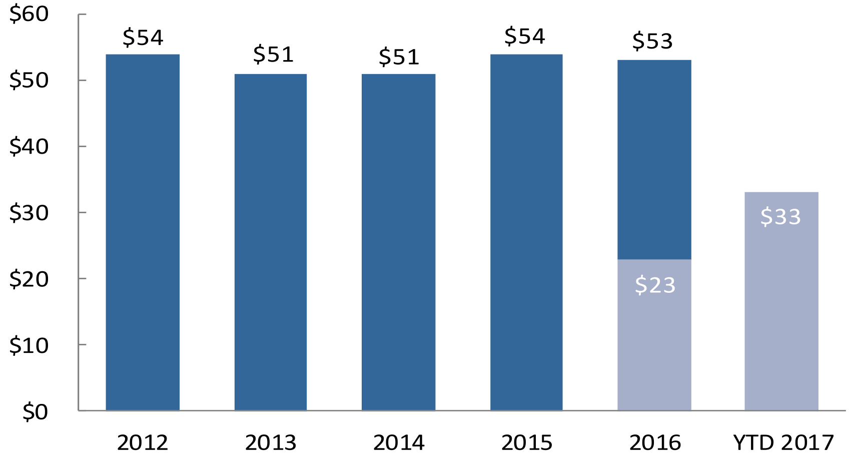
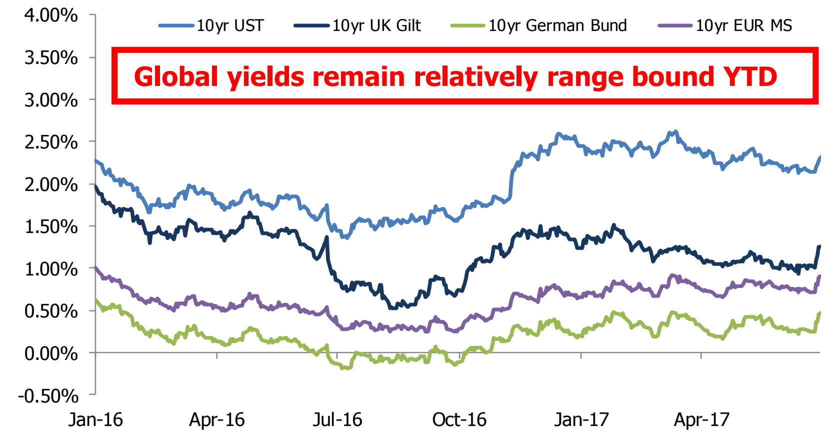
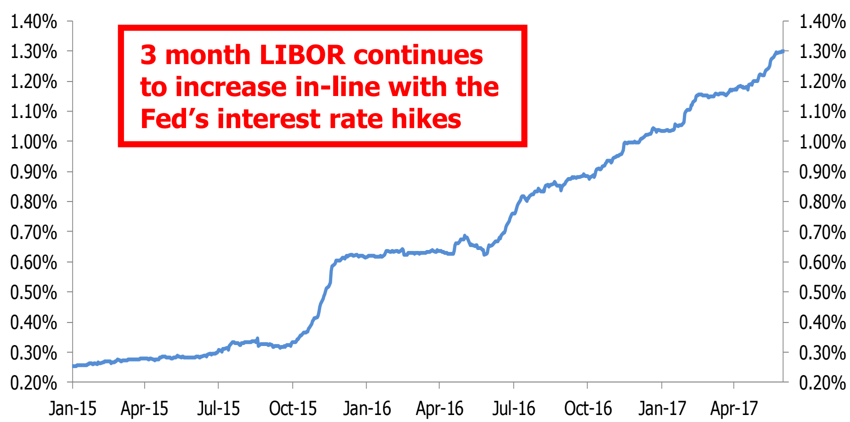
Historical USPP Volumes ($ in billions)[1]



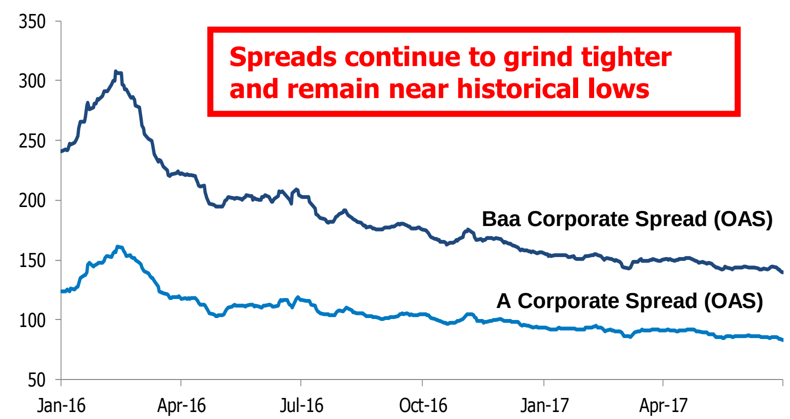
Benchmark Yields[2]
1/1/2016 – 6/30/2017



3 month LIBOR[2]
1/1/2015 – 6/30/2017



Public Credit Spreads (bps)[2]
1/1/2016 – 6/30/2017



[1]Source: Private Placement Monitor, June 30, 2017.
[2]Source: Bloomberg and Barclays Capital. Benchmark Yields and Barclays corporate bond index as of June 30, 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