New York Life Private Capital Investors

US Private Placement Newsletter

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US Private Placement Market Update – July 2019

The private placement market continues to see strong new issuance trends through the first half of 2019 with ~$40 billion priced YTD, a ~15% increase over 2018's pace[1]. A decline in benchmark US Treasury yields, coupled with a flat yield curve and tight credit spread environment, has attracted issuers to the long term fixed rate debt market. We continue to see strong interest from borrowers who are considering terming out floating rate bank debt, as base rate floating instruments, such as LIBOR, are currently yielding higher than the 10YR US Treasury (discussed more below). In addition to traditional corporate issuers, we continue to see robust activity in the infrastructure, utility and REIT sectors, while cross-border issuers in the UK and Western Europe continue to access the US private placement market, despite the overhang from Brexit.

As alluded to above, long-term fixed rate debt remains an attractive alternative to traditional short-term bank financing. The benchmark 10-year US Treasury is currently yielding 2.05%, which is approximately 25bps below 1-month LIBOR. The benchmark 10-year yield has declined by ~60bps in 2019 and some analysts are projecting it to fall further, as the economy in the US transitions to a slower GDP growth environment. The yield curve continues to remain flat as well, which has corporate issuers considering longer maturities (out to 15 years) than the typical 7 – 10 year tenors, as there is only a 15bps difference between the benchmark 10-year and the interpolated 15-year Treasury yield.

After widening significantly at the end of 2018, credit spreads have tightened in 2019, as the economy has stabilized and investors continue to seek yield in the corporate bond market. Public corporate A and Baa credit spreads have tightened considerably from year end 2018 levels and currently stand at approximately 80bps and 140bps, respectively. The tightening of credit spreads, coupled with continued low Treasury yields, has created a unique market dynamic that has led to all-in fixed rates falling to very attractive levels. Since the beginning of 2019, generic 10-year Baa yields have declined by over 100bps, resulting in all-in rates hitting lows not seen since 2017.

Private Capital Investors ("PCI") provided over $3.3 billion of capital to issuers in the first half of 2019. Direct investment activity represented approximately a third of our volume, as issuers continue to be attracted to the direct channel for its streamlined execution, competitive pricing and relationship approach. Issuers also continue to have strong interest in our Master Note Facility ("MNF"), which is an uncommitted financing vehicle that borrowers can utilize to quickly secure long term debt. The flexibility of this facility can be particularly valuable for M&A transactions or during periods of interest rate volatility.

During the first half of 2019 we completed a number of transactions with first time issuers to the private placement market and grew our relationship with existing clients as well. Notable transactions include[2]:

- A leading private core real estate fund completed a $150 million club transaction with PCI and one other investor. Proceeds were used to refinance secured mortgage debt, as the fund is transitioning its capital structure to primarily unsecured borrowing. The fund executed a 12-year final maturity given the minimal incremental premium to extend the tenor beyond a typical benchmark 10-year transaction.
- PCI executed a $50 million direct placement with a lessor of mobile utility equipment in the US. The issuer refinanced existing floating rate bank borrowings with long term fixed rate debt, as there was a minimal incremental cost to term out 5-year floating rate bank borrowings with 10-year long term fixed rate debt.
- An existing client of PCI and leading research university in the Northeast accessed available capacity under a pre-established MNF with proceeds used for capital expenditures. A decline in US Treasury yields attracted the issuer to consider issuing debt earlier than planned. Having the MNF in place and available allowed PCI to quickly execute a rate lock.

PCI continues to have ample appetite in 2019 with an investment target for the year of $5 - $6 billion. We provide issuers a variety of issuance options, with maturities that range from 5 to 30 years (bullet or amortizing), the ability to delay funding (out to 9 months) and financing across multiple currencies (USD, CAD, GBP, EUR, and AUD). Given the low yield environment outside the US, we have seen strong interest for foreign currency borrowings from US companies that have global operations.

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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, July 2019.
[2]These transactions are not representative of all transactions and are solely intended to be illustrative of PCI's investment strategy and the type of investments across certain industries.

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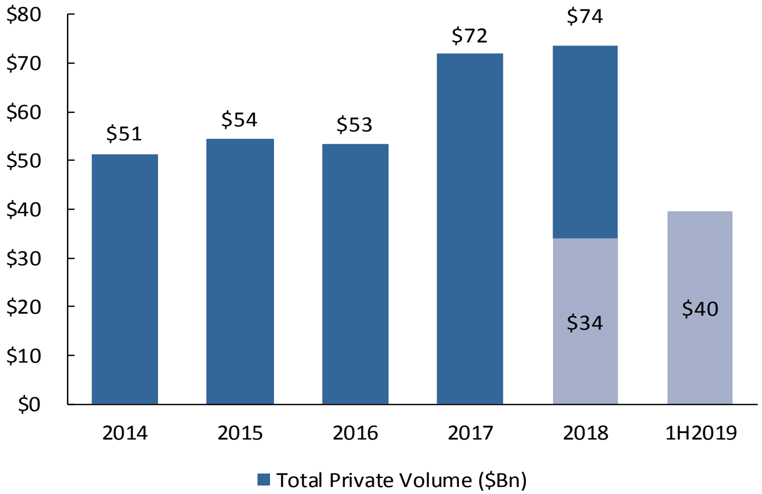
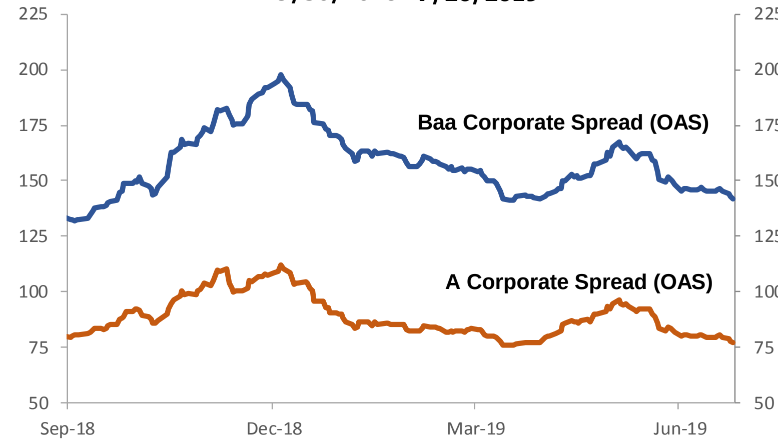
Historical USPP Volumes ($ in billions)[1]

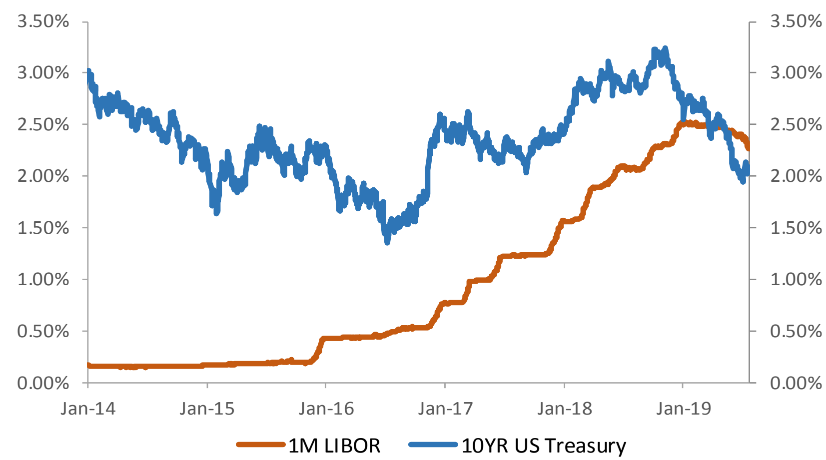


Public Credit Spreads (bps)[2]
9/30/2018–7/26/2019



2YR-10YR US Treasury Spread (bps)[2]
1/1/2014 – 7/26/2019

1M LIBOR and 10YR US Treasury Yields[2]
1/1/2014 – 7/26/2019



[1]Source: Private Placement Monitor, July 2019.
[2]Source: Bloomberg. Benchmark yields and Bloomberg Barclays corporate bond index as of July 26, 2019.

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 any U.S. life insurer by Standard & Poor's (AA+); A.M. Best (A++); Moody's (Aaa); and Fitch (AAA). Source: Individual Third Party Ratings Reports as of 07/30/18. 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 do not apply to any investment products as they are subject to market risk and will fluctuate in value.

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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