Private Placements
New Issue Supply: A Market Comparison

New Issuance (USD Billions)

- Sterling IG Corp. Bonds: 45
- European HY Corp. Bonds: 57
- Private Placements: 74
- US HY Corp. Bonds: 171
- Euro IG Corp. Bonds: 488
- US IG Corp. Bonds: 1,208

- The new issue private placement market remains small relative to most other markets, but over the years has grown to be larger than the Sterling Investment Grade market.

Non-USD denominated issuance converted to USD at December 31, 2018 exchange rates
As of December 31, 2018
Source: Bank of America Merrill Lynch and Bloomberg Barclays
Private Placements Are a Strong Complement to an Investment Grade Bond Portfolio

- **Risk-Mitigating**
  - Covenants provide protection against leveraging events and can provide early warnings of credit deterioration

- **Return-Seeking**
  - Offer additional yield to compensate for liquidity risk, as well as the potential for fee income

- **Diversifying**
  - Adding a sleeve of private placements to a public credit portfolio would capture diversifying risk exposures; few financial issuers in the opportunity set
Higher Yields and Better Recoveries: Private vs. Public Bonds

Yields

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<tr>
<th>Private Placements</th>
<th>Additional Economics</th>
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<tbody>
<tr>
<td></td>
<td>Yield Premium</td>
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<td>Public Bonds</td>
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Recoveries*

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<tr>
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<th>Privates</th>
<th>Public Bonds</th>
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<td>62.2%</td>
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<td>47.9%</td>
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*Based on a study by the Society of Actuaries the recovery experience of private placements has consistently exceeded that of public bonds through 2015; As of June 30, 2018.
Source: Society of Actuaries covering 2003–2015 and AB.
Issuance by Sector

Private Placement New Issuance by Sector: 2019 YTD

- General Industrials: 10%
- Utilities and Energy: 24%
- Sports, Media & Comm. Services: 5%
- Real Estate and Gaming: 20%
- Financials: 7%
- Real Estate and Gaming: 20%
- Tech/Bus Services: 2%
- Consumer/Retail: 3%
- Infrastructure: 22%

Corporate Index Breakdown by Sector: 2019 YTD

- Banking: 23%
- Financials: 6%
- Energy: 9%
- Consumer Non-Cyclicals: 16%
- Consumer Cyclicals: 7%
- Transport: 2%
- Communication Services: 9%
- Basic/Cap Goods: 8%
- REITs: 3%
- Electric/Nat. Gas: 7%
- Technology: 8%
- Consumer: 9%

• Sector issuance trends for Private Placements are heavily weighted to non-financial industries

Numbers may not total 100% due to rounding. Left display as of July 8, 2019, right display as of July 25, 2019
Source: Bank of America Merrill Lynch, Bloomberg Barclays and AB
Ratings

2019 YTD: New Issues*  
Rated Versus Unrated

- Single Rating: 43%
- Two (or More) Ratings: 24%
- Unrated: 33%

Numbers may not sum due to rounding.
*New deals by dollar amount; based on company rating, not CUSIP rating.
As of July 8, 2019
Source: Bank of America Merrill Lynch
Cross Border Issuance

- Cross border issuance has ticked up slightly in 2019 but still in line with longer term issuance
- Currency swap deals have also ticked up YTD 2019 but still within the bands of the past 5 years