

SENIOR INVESTMENT MANAGERS SEMINAR 2019



NOVEMBER 3-6

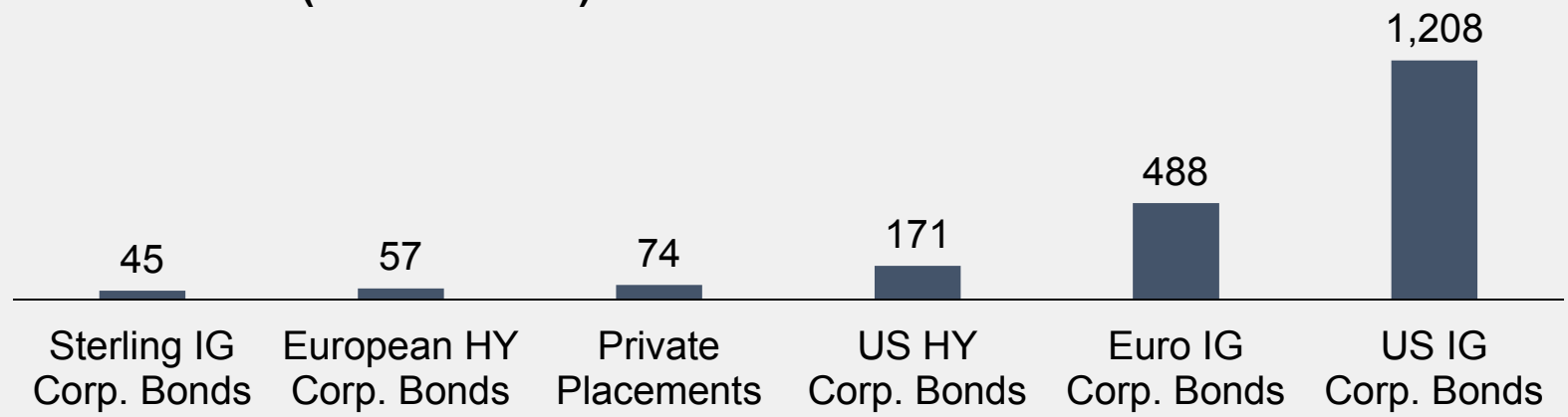
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Private Placements

New Issue Supply: A Market Comparison

New Issuance (USD Billions)



- 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

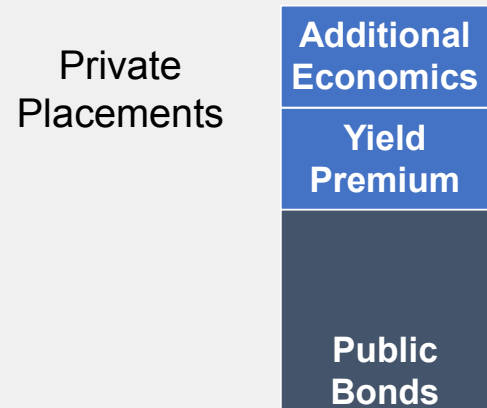
Diversifying



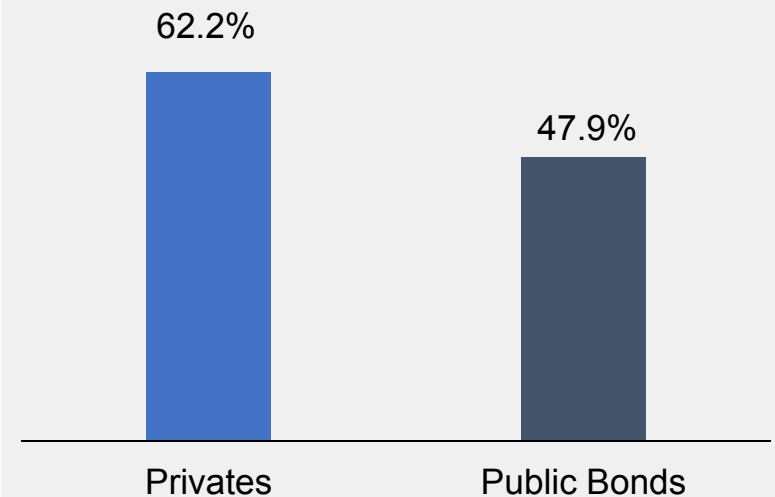
- Adding a sleeve of private placements to a public credit portfolio would capture diversifying risk exposures; few financial issuers in the opportunity set

Higher Yields and Better Recoveries: Private vs. Public Bonds

Yields



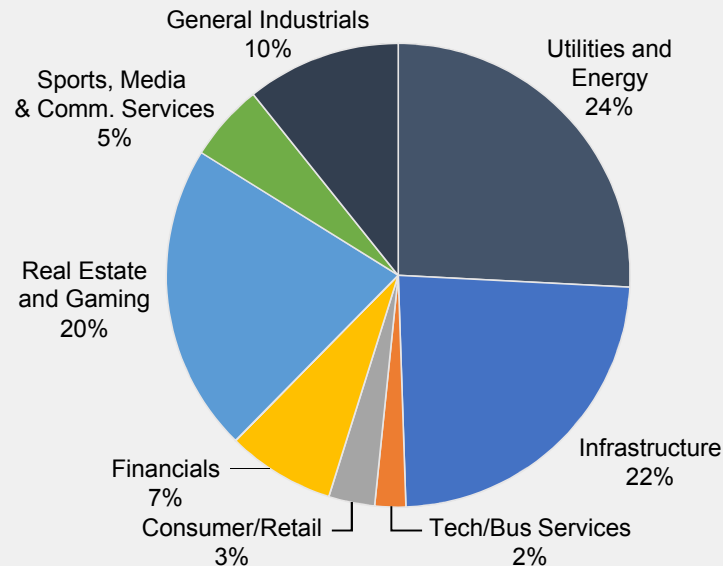
Recoveries*



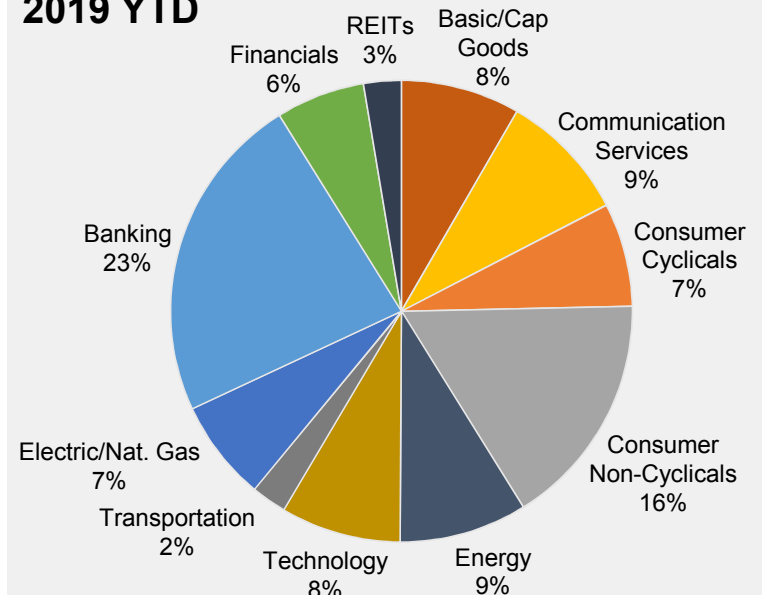
*Based on a study by the Society of Actuaries the recovery experience of private placements has consistently exceeded that of public bonds through 2015 ;
As of June 30, 2018
Source: Society of Actuaries covering 2003–2015 and AB

Issuance by Sector

Private Placement New Issuance by Sector: 2019 YTD



Corporate Index Breakdown by Sector: 2019 YTD

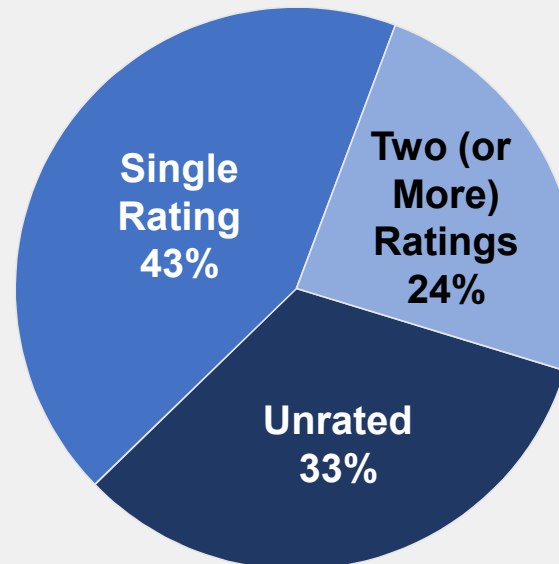


- Sector issuance trends for Private Placements are heavily weighted to non-financial industries

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



Numbers may not sum due to rounding.

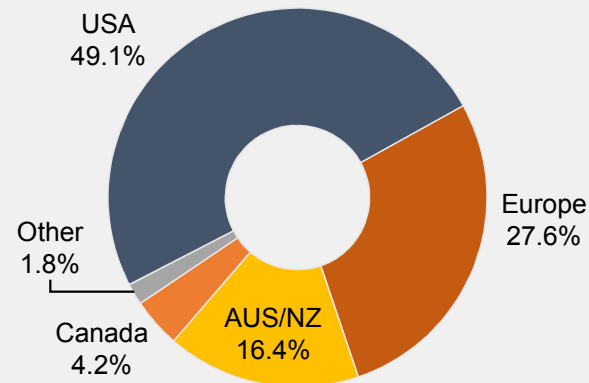
*New deals by dollar amount; based on company rating, not CUSIP rating.

As of July 8, 2019

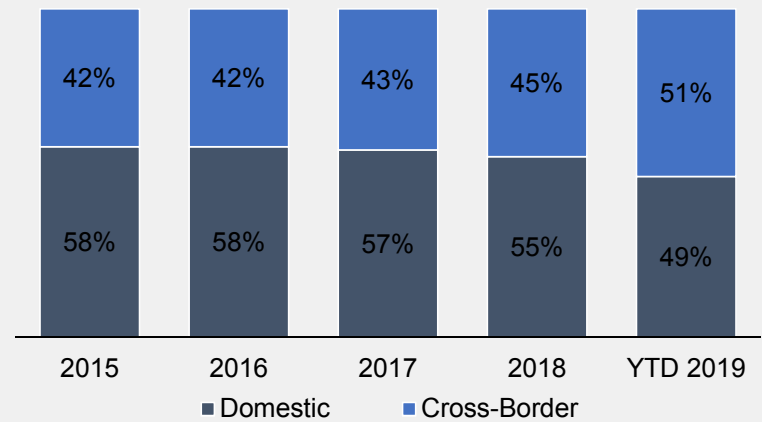
Source: Bank of America Merrill Lynch

Cross Border Issuance

YTD 2019 Domestic vs. Cross-Border



Domestic vs. 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