Voya Senior Loan Group

All Quieter on the Loan Market Front

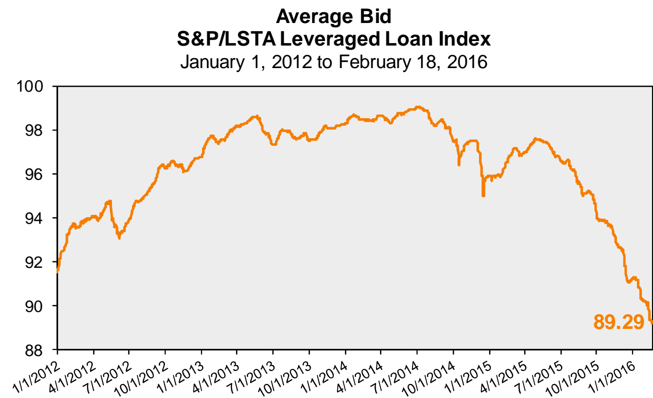
- Despite a bounce in broad capital markets, movement in the loan market was more tempered this week as a result of current market technicals. The S&P/LSTA Leveraged Loan Index (the "Index") posted a return of -0.10% and a closing average bid price of 89.29.

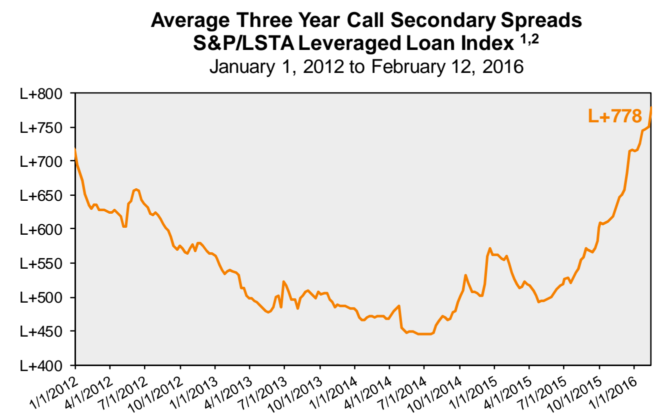
- Only two transactions launched into the primary market over the shortened trading week due to the U.S. holiday on Monday. With activity muted and a division in the market along quality lines still very much in play, the average yield on single-B new issues increased to 6.42%, from 6.17% last week, while BBs were unchanged at 5.06%.The net visible forward calendar (deducting pending inflows related to known repayments) stands at approximately $16 billion, up from $13 billion last week but still quite manageable.

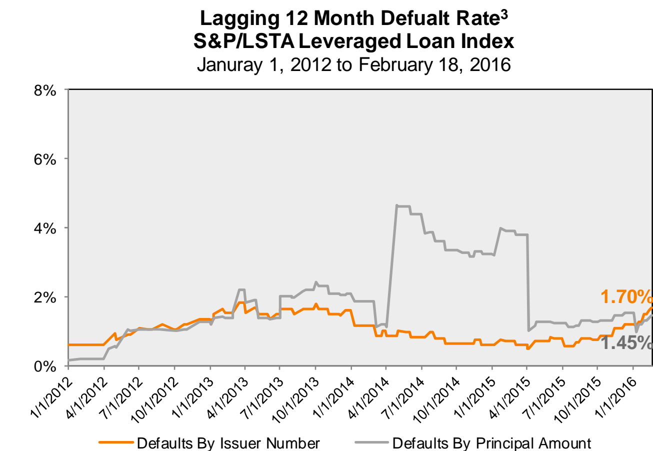
- In the secondary market, some earnings news moved a few loans, such as Community Health Systems and LPL Financial. However, despite the rally this week in high-yield bonds and equities, loans saw less of a pick-up, a function of their typically lower volatility both to the upside and to the downside. Additionally, softer demand capped the strength of any potential lift in prices for the secondary market.

- Visible demand, which excludes non-CLO institutional investors, was slightly negative overall for the week. CLOs posted $348 million in new issuance, bringing the YTD total to $1.2 billion. Outflows from retail loan funds, based on S&P/LCD's estimate for the five business days ended Feb. 17, totaled $829 million, up from $768 million for the five business days ended Feb. 10 (Lipper FMI universe). The less transparent flows from non-CLO institutional investors, at least anecdotally from managers in the loan market, have remained stable.

- Returns for rating cohorts were mixed. CCC loans, the more volatile cohort, jumped back from last week's -2.27% to post a positive 0.14% this week. BB loans returned 0.05%, while single Bs were down -0.18%.







Portfolio Managers

Dan Norman
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Voya Senior Loan Strategy

The Voya Senior Loan Group is a part of Voya Investment Management. The team is comprised of 28 investment professionals and 29 dedicated support staff. There are five portfolio management teams in Scottsdale, each of which is responsible for particular industries, and a team located in London that is responsible for sourcing overseas loans.

The Voya Senior Loan Strategy is an actively managed, ultra-short duration floating rate income strategy that invests primarily in privately syndicated, below investment grade senior secured corporate loans. Senior loans are floating rate instruments that can provide a natural hedge against rising interest rates. They are typically secured by a first priority lien on a borrower's assets, resulting in historically higher recoveries than unsecured corporate bonds.

General Risks for Floating Rate Senior Bank Loans: Floating rate senior bank loans involve certain risks. Below investment grade assets carry a higher than normal risk that borrowers may default in the timely payment of principal and interest on their loans, which would likely cause the value of the investment to decrease. Changes in short-term market interest rates will directly affect the yield on investments in floating rate senior bank loans. If such rates fall, the investment's yield will also fall. If interest rate spreads on loans decline in general, the yield on such loans will fall and the value of such loans may decrease. When short-term market interest rates rise, because of the lag between changes in such short term rates and the resetting of the floating rates on senior loans, the impact of rising rates will be delayed to the extent of such lag. Because of the limited secondary market for floating rate senior bank loans, the ability to sell these loans in a timely fashion and/or at a favorable price may be limited. An increase or decrease in the demand for loans may adversely affect the loans.

Unless otherwise noted, the source for all data in this report is Standard & Poor's/LCD. S&P/LCD does not make any representations or warranties as to the completeness, accuracy or sufficiency of the data in this report.

1 – Assumes 3 Year Maturity. Three year maturity assumption: (i) all loans pay off at par in 3 years, (ii) discount from par is amortized evenly over the 3 years as additional spread, and (iii) no other principal payments during the 3 years. Discounted spread is calculated based upon the current bid price, not on par. *[Please note that Index yield data is only available on a lagging basis, thus the data demonstrated is as of February 12, 2016.]*

2 – Excludes facilities that are currently in default.

3 – Comprises all loans, including those not tracked in the LSTA/LPC mark-to-market service. Vast majority are institutional tranches. Issuer default rate is calculated as the number of defaults over the last twelve months divided by the number of issuers in the Index at the beginning of the twelve-month period. Principal default rate is calculated as the amount defaulted over the last twelve months divided by the amount outstanding at the beginning of the twelve-month period.

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