Voya Senior Loan Group

In Search Of Par

- The movement toward par for a good portion of the US loan market continued this week, while distressed credits also enjoyed improving market valuation. The S&P/LSTA Leveraged Loan Index (the "Index") was up 0.22% on the week, with average bids increasing by 14 bps to 93.01.

- New issue activity improved a little this week, including the emergence of a few repricing transactions, as issuers sought better terms after a string of strong executions in prior weeks. While the forward calendar remains relatively light (net of the approximately $13.2 billion of anticipated repayments unassociated with the forward calendar, the amount of new supply expected in market totals $8.1 billion, up from $4.4 billion a week ago), acquisition activity was the talk on the street as the pipeline received a boost from financing commitments emerging around new acquisitions.

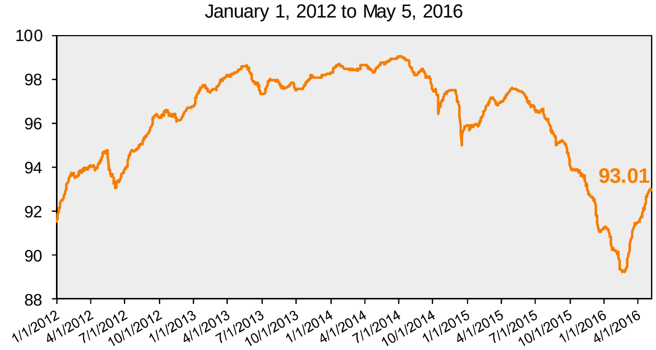
- Late April saw a significant increase in the number of loans trading in the secondary at par or slightly higher, but this week that upward movement stalled, at least for the moment. Traders attributed this to modest weakness in the high yield market, but noted as well that many loan investors are currently unwilling to bid above par given the probability of increasing refinance activity.

- There were modest outflows in the retail space this week ($324 million per the Lipper FMI universe), while CLOs enjoyed another week of more robust issuance. Approximately $766 million in new CLO issuance was priced, still historically light, but nonetheless demonstrating that late April's increase in activity was more than just a blip.

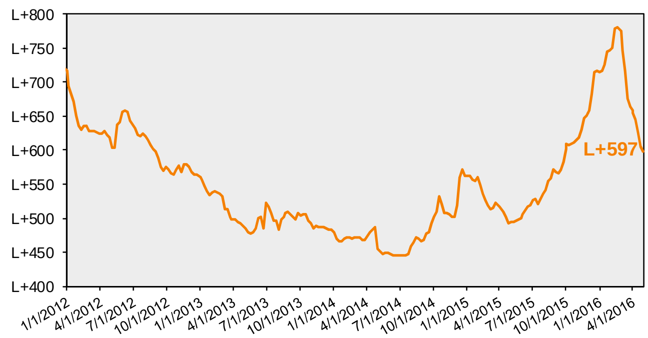
- Broken down by rating, while modest gains were posted in the higher rated tranches, distressed credits won the week. CCCs gained 2.17%, riding a 98 bps increase in the average bid, to 76.58. Single Bs were up 0.24%, as the average bid in this group rose 26 bps, to 94.78. BBs were flat, with interest offsetting an 8 bps slip in the average bid, to 98.96.

- There was one small-ish default in the Index for the week. The default rate by amount outstanding is currently 1.69%, unchanged from last week.

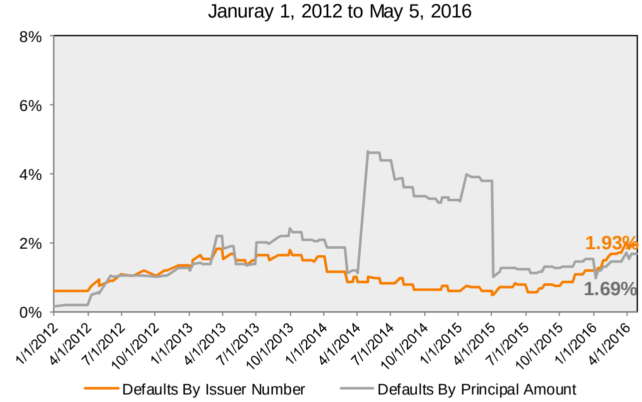
Average Bid
S&P/LSTA Leveraged Loan Index
January 1, 2012 to May 5, 2016



Average Three Year Call Secondary Spreads
S&P/LSTA Leveraged Loan Index [1,2]
January 1, 2012 to April 29, 2016



Lagging 12 Month Default Rate[3]
S&P/LSTA Leveraged Loan Index
Januray 1, 2012 to May 5, 2016



Portfolio Managers

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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 27 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.

April in Review

April was a good month for the loan market. As loan prices rose and technicals remained favorable, the Index gained 1.99%, which brought YTD returns to 3.56%. While March's strong push into the black more than compensated for a volatile and negative January and February, April built on that positive momentum. Driving forces were the energy sector rally based primarily on higher oil prices and a CLO market that showed a much-welcomed rejuvenation.

Issuer-friendly prints in late April resulted from a fairly sparse expectation of supply, as well as numerous paydowns that left investors with high cash balances to redeploy into the market. With market conditions improving and with most of the secondary wrapped around par, arrangers began to talk about refinancing transactions and dividend recaps, although little volume transacted in these categories. The supply gap encouraged investors to take advantage of transactions that did not appear subject to near-term repayment.

CLO activity and retail gains were approximately on par with March's flows; an appreciated bump from the early part of the year. A total of $4.8 billion in new CLO paper was issued in April, and while this was technically the highest monthly issuance of 2016 so far, that figure still stands below every single month of 2015.

As May begins, generally, demand for new loans continues to outpace supply. The anticipated increase in M&A and LBO activity will likely be several weeks off, leaving a continuing gap between available supply and demand. Within the secondary, borrowers are under the watchful microscope of investor focus after first-quarter earnings and a broader move toward par last month. While the bid ceiling for near and above par credits appears to be close at hand, there continues to be room for market price improvement. Further, the secondary movement of lower-rated and lower-dollar-price credits will likely continue to be correlated with the volatility of oil prices and other risk assets.

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 April 29, 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.

Group Heads

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