

Voya Senior Loan Group

Riding the Wave

- Robust activity drove the U.S. loan market this week, and issuers expectedly sought to capitalize on these market dynamics with a slate of opportunistic deals. The S&P/LSTA Leveraged Loan Index (the "Index") gained 0.13%, with the average bid for loans increasing three bps to 94.06.
- Refinancings, dividend recapitalizations, and repricings dominated the twenty new transactions in market this week, while organic new issue remains persistently underrepresented as market participants eagerly await pending M&A-related issuance. Net of the approximately \$26.09 billion of anticipated repayments that are not associated with the forward calendar, the amount of pending repayments still exceeds visible supply, by \$1.79 billion. The average Single B yield ticked up five bps to 5.73%, while BBs widened from 4.14% to 4.25%. The market's strength was most prevalent in the M&A segment, where 35 deals now comprise the institutional forward pipeline.
- With the primary dominating the action and repricings constituting a major portion of that activity, the secondary remained relatively rangebound. The wave of rising prices that built from a post-Brexit trough appears to have reached a relative crest, with the par segment of the market nudging against a topside limit, though high beta credits continue to push upward. Approximately 65% of performing loans in the Index are now bid at 99 or higher, while a full 37% of the Index is bid at par or par plus.
- The greatest upside within individual ratings cohorts was felt on the lower end of the credit spectrum, with CCCs returning 0.62%, though their average bid dropped a basis point to 79.34. Single Bs returned 0.19%, while average bids increased by nine bps to 95.86. BBs returned 0.11% and their average bid remains unchanged at 99.52 as higher quality credit came closer to reaching an expected price ceiling.
- \$2.1 billion of new CLO paper priced, bringing MTD totals to \$5.4 billion and YTD totals to \$31.6 billion. Retail loan fund outflows totaled \$415 million (Lipper FMI universe).
- There were no defaults in the Index during the week. The default rate by amount outstanding remains unchanged at 2.17%.

Portfolio Managers

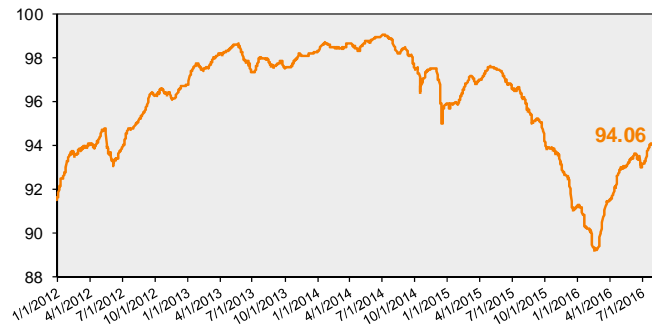


Dan Norman
Group Head

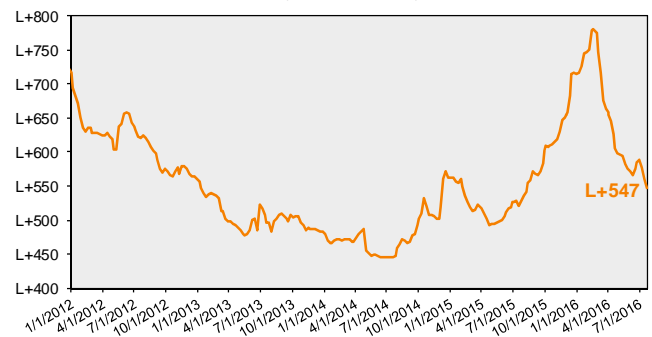


Jeff Bakalar
Group Head

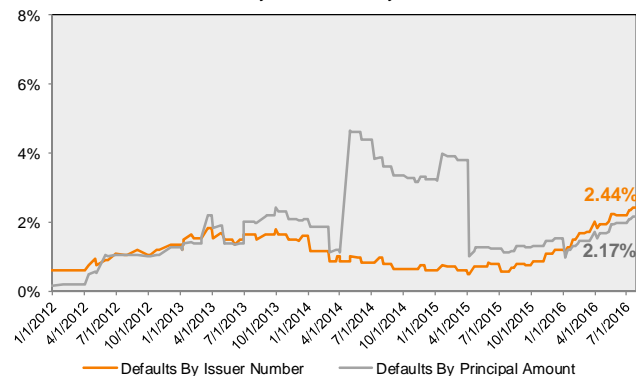
**Average Bid
S&P/LSTA Leveraged Loan Index**
January 1, 2012 to July 28, 2016



**Average Three Year Call Secondary Spreads
S&P/LSTA Leveraged Loan Index ^{1,2}**
January 1, 2012 to July 22, 2016



**Lagging 12 Month Default Rate³
S&P/LSTA Leveraged Loan Index**
January 1, 2012 to July 28, 2016



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 28 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 July 22, 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

Dan Norman

Telephone - 480-477-2112

dan.norman@voya.com

Jeff Bakalar

Telephone - 480-477-2210

jeff.bakalar@voya.com

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Voya Compliance Approval ID IM-0729-26485-0717

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