Voya Senior Loan Group

Slow on News, Steady on Return

- In a week light on headline-grabbing news, the loan market held steady, despite further moderation of the issuer-friendly technicals that have dominated most of 2017. The S&P/LSTA Leveraged Loan Index (the "Index") gained 0.09%, while the average bid remained unmoved at 98.31.

- New issue pricing appears to be loosening up some, as, after a long stretch of credit spread-tightening repricing activity, arrangers actually flexed (i.e., widened) spreads on a number of transactions this week. Nonetheless, the average yield-to-maturity for new issue Single B loans came in 8 bps, to 5.21%. While downward flexes have been more common than upward ones over the past month, the average margin increase has been greater. During the 30-day period ending Thursday, approximately 12% of new issue loans saw pricing increase during syndication by an average of 48 bps. By contrast, reverse flexes comprised approximately 23%, with the average spread sliced 23 bps.

- Index outstandings contracted slightly, as heavy repayments outpaced the forward calendar. Net of the approximately $13.9 billion of anticipated repayments not associated with the forward calendar, repayments currently outstrip supply by $1.18 billion, versus net new supply of $5.39 billion the week prior.

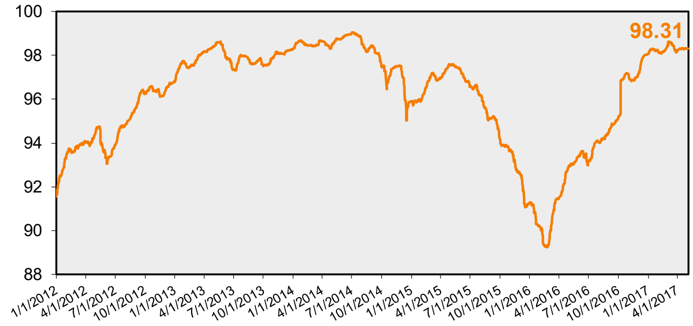
- It was a lively last few days for secondary trading, though levels remain generally flat. While the market remained firm, deal specific news brought price fluctuations to certain issuers. Secondary trading volume was up 21% in the first quarter, reaching a new high of $178.7 billion.

- CLO issuance was strong this week, as eight transactions priced. May issuance to date is $1.8 billion, and YTD issuance stands at $29.5 billion. Retail loan funds in the Lipper FMI universe received $273 million of inflows.

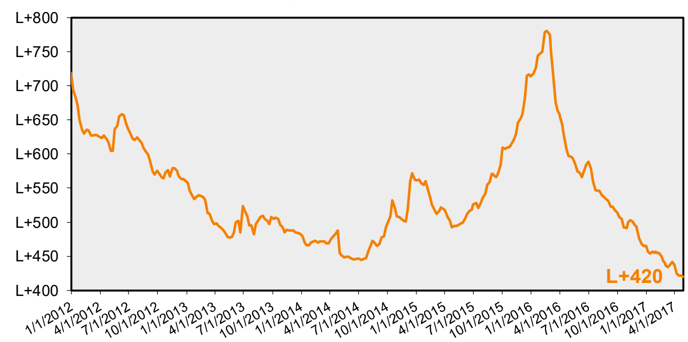
- Returns were modest but in the black across ratings cohorts. BBs gained 0.06%, and their average bid decreased by two bps, to 100.06. Single Bs returned 0.12%, their average bid having risen by a single basis point, to 98.83.

- There were no defaults in the Index this week. The default rate by amount outstanding sits at 1.43%.

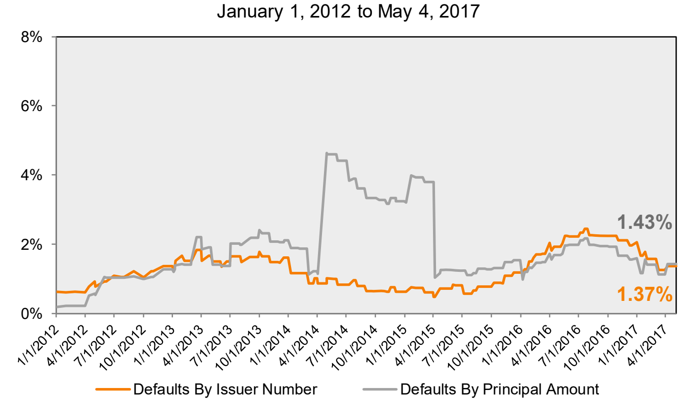
Average Bid
S&P/LSTA Leveraged Loan Index
January 1, 2012 to May 4, 2017



Average Three Year Call Secondary Spreads
S&P/LSTA Leveraged Loan Index [1,2]
January 1, 2012 to April 28, 2017



Lagging 12 Month Default Rate[3]
S&P/LSTA Leveraged Loan Index
January 1, 2012 to May 4, 2017



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 32 investment professionals and 23 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

The Index returned 0.44% in April, which makes for fourteen consecutive months of positive performance for the asset class, and a cumulative return of approximately 13% during that period. Loans YTD have returned an attractive1.59%.

The average bid within the Index maintained an upward trajectory, increasing by nine bps to 98.31. That marks a 23 bps rise from the start of the year's 98.08 level. Performing loans trading at par or higher now constitute 71% of the Index, up from March's 67%.

Continuing a YTD trend, refinancing activity dominated April, as issuers took advantage of market technicals to reduce their cost of funding. Refinancings have accounted for 75% of lending so far in 2017. M&A volume YTD stands at $64 billion, versus $91 billion for the same period in 2016. LBO activity amounts YTD to $26 billion. The biggest sectors by new issuance in 2017 have been technology, financial services, and healthcare.

The forward calendar grew despite the high levels of repayments. April net new supply was $41 billion, which is the second highest monthly level in four years, after February's $44.7 billion. From a two-month view, March and April were the second busiest stretch for new issue prints (after January and February) in the last ten years, totaling $112 billion.

$10.2 billion of CLO issuance occurred in April, up from $7.9 billion in March. Issuance was at its highest since November 2016. Assets under management for U.S. CLOs now stands at $451 billion.

Across the below-investment grade credit spectrum, loans enjoyed positive returns for the month, with higher-quality credits posting smaller gains than their lower-rated cohorts. Among BBs and Single Bs, which respectively returned 0.28% and 0.40%, the difference resulted from the higher coupons in the riskier cohort, as the two sub-indices experienced essentially identical market value movements. Consistent with a less risk sensitive environment, CCCs returned 1.23% for April.

General Risks for Floating Rate Senior Loans: Floating rate senior 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 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 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 28, 2017.]*

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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