Voya Senior Loan Group

Steadily Awaiting Earnings

- It was a relatively uneventful week in the US loan market; activity remained steady and technicals reasonably balanced, with most investors eyeing a ramp-up in Q3 earnings reports. Against that backdrop, the S&P/LSTA Leveraged Loan Index (the "Index") gained 0.09%, notwithstanding a three bps slip in average bid, to 98.20.

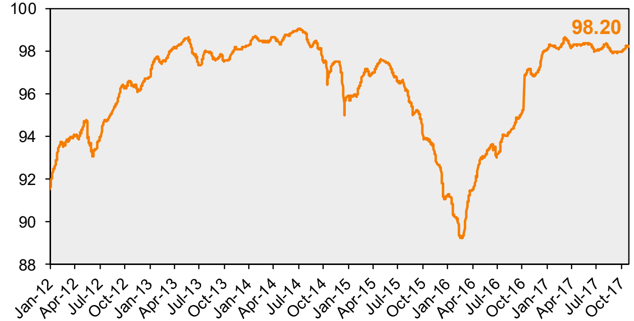
- A healthy amount of new deals emerged in the primary market during the week, including a pickup in repricing activity. Twelve new deals launched, compared to six during the prior week. An uptick in opportunistic activity is not surprising given the market is experiencing a bit of a wane in acquisition-related supply. In the secondary market, trading desks stayed busy with a fair number of new deals allocating.

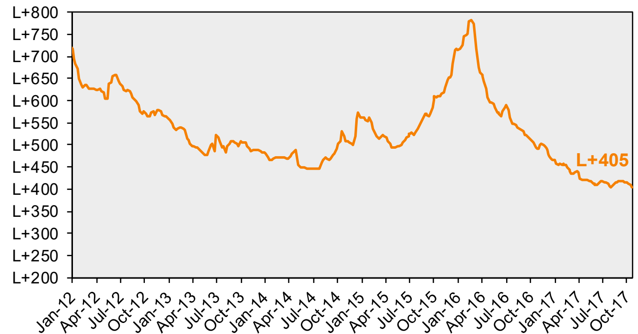
- Net of all expected repayments, the forward calendar now stands at approximately $12.5 billion, a modest increase from last week's total of $9.12 billion.

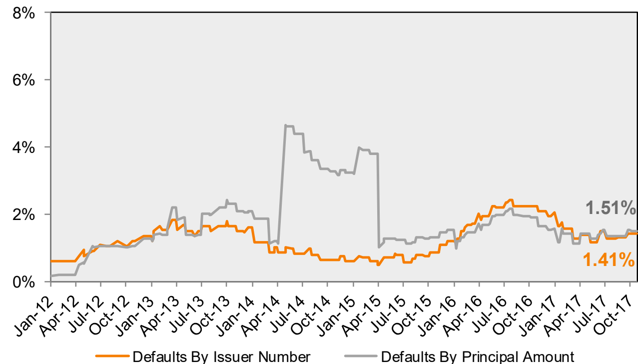
- There were four CLOs issued during the week, bringing MTD and YTD totals to $9.3 billion and $91.8 billion, respectively. CLO origination is expected to remain robust through the balance of the year. Lipper FMI retail loan funds continued to see moderate levels of outflows, totaling $376 million.

- Returns were positive across the below-investment grade spectrum. CCCs gained 0.13%, and their average bid increased by 32 bps, to 84.77. Single Bs returned 0.11%, while BBs matched the wider Index return of 0.09%. Average bid prices held steady for single B and BB loans, with only a single basis point increase for each rating cohort, moving their bids to 99.03 and 100.05, respectively.

- There were no defaults in the Index this week. The default rate by amount outstanding is 1.51%.







Portfolio Managers

Dan Norman
Group Head

Jeff Bakalar
Group Head

Voya Senior Loan Strategy

The Voya Senior Loan Group is a part of Voya Investment Management. The team is comprised of 33 investment, trading and credit risk professionals, and supported by a dedicated treasury, operations and administration staff of 23. 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.

INVESTMENT MANAGEMENT

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 October 20, 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.

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