

# Voya Senior Loan Strategy

Strategy-At-A-Glance	
Objective <sup>1</sup>	To seek superior long-term risk-adjusted total returns over a full credit and interest rate cycle by investing primarily in a broadly diversified portfolio of senior secured floating rate loans
Value Added Sources	Issuer Selection: 60-70% Sector Allocation: 15-20% Primary/Secondary Market Access: 15-20%
Inception Date	04/01/01
Strategy Assets <sup>2</sup>	\$24.3 billion
Benchmark	S&P/LSTA Leveraged Loan Index
Available Vehicles	Separate Account Collective Trust Common Trust Mutual Fund SICAV

<sup>1</sup> There is no guarantee that this objective will be achieved.  
<sup>2</sup> AUM as of 12/31/20

## Strategy Overview

The Senior Loan strategy seeks superior long-term risk-adjusted total returns over a full credit and interest rate cycle by investing primarily in a broadly diversified portfolio of senior secured floating-rate loans.

## Investment Philosophy

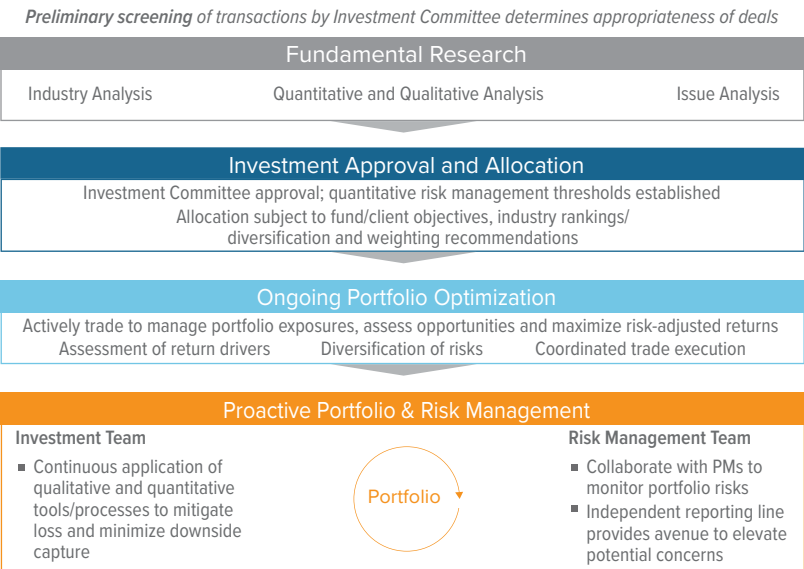
Traditional, fundamental credit underwriting and monitoring are the foundation of our investment philosophy and process. Our disciplined investment style and through-cycle investment approach seeks to deliver reliable results for our clients.

The following key beliefs underpin our investment philosophy:

- Investing in senior loans require a lender's mentality
- Risk vs. return is asymmetrical; Alpha is ultimately created by avoiding loss
- Proactive management allows for downside protection

## Investment Process

Supported by an over 50-person dedicated investment team, our investment process focuses on fundamental credit analysis, relative value assessment and high levels of diversification. We conduct top-down analysis to target industries with strong operating momentum or improving credit conditions, while avoiding those sectors prone to the clustering of defaults. The other major component of our process, specific borrower selection, is based on fundamental bottom-up credit analysis that includes independent credit research, in-depth collateral review and relative value analysis.



Not FDIC Insured | May Lose Value | No Bank Guarantee

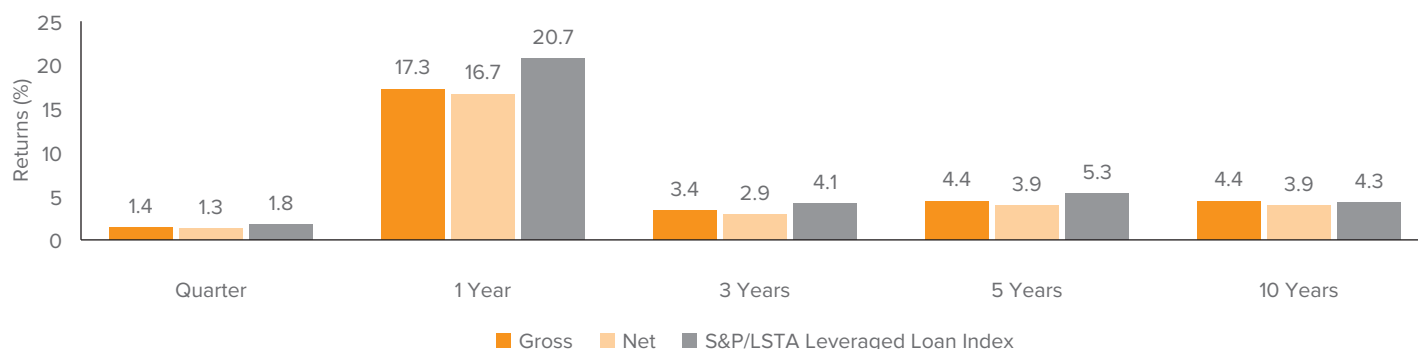
For financial professional or qualified institutional investor use only. Not for inspection by, distribution or quotation to, the general public.

INVESTMENT MANAGEMENT



## Performance

### Voya Senior Loan Composite



## Investment Commentary

### Portfolio Review

For the quarter, class I euro shares of the Fund returned 1.44% on a gross-of-fees basis, while the euro-hedged index returned 1.55%. Relative to the euro-hedged index, the Fund faced modest headwinds in the single-B- and CCC-rated loans selection. By industry, notable detractors included selection in the following sectors: radio and television, electronics and electrical, oil and gas and business equipment and services. Drilling into specific issuers, the Fund's primary relative laggard was an overweight to Diamond Sports Group, LLC, followed by an overweight to Glass Mountain Pipeline, LLC and the avoidance of Cineworld. Diamond Sports Group, LLC has been negatively impacted by uncertainties related to the timing of a full return to live sporting events and a currently unsustainable debt capital structure, while Glass Mountain Pipeline, LLC posted poor quarterly and annual results during the timeframe. The term loan of Cineworld found stronger bid support following the announcement of a convertible bond offering to shore up liquidity.

In contrast, the Fund benefited from its underweight in BBB-rated loans, which have lagged lower-quality credits amid the ongoing price recovery. Further, an underweight in utilities and selection in both- the nonferrous metals and minerals and retailers (except food and drug), were positives for relative returns. At the individual issuer level, the most notable contribution resulted from owning a non-benchmark position in Belk Inc., which was cautiously upgraded by the ratings agencies after a short stint in bankruptcy. Other solid performance boosters were overweights to AMC Entertainment Inc., Harvey Gulf International Marine, LLC and Global Tel\*Link Corporation.

The Fund experienced one default during the quarter (Belk Inc., noted above), as compared to two new defaults for the index. Diversification

measures remained robust, with 34 industries and 341 individual issuers represented.

### Current Strategy and Outlook

The loan market performed soundly during the quarter, buoyed by healthy market technical factors and stronger secondary trading levels. The S&P/LSTA Leveraged Loan index (the "index") delivered a total return of 1.78% for the period, with market value gains and interest income both contributing to performance. Returns were in the black across all rating cohorts but clearly favored lower-quality, as investors maintained a strong "risk-on" bias. With an outsized gain of 6.38%, CCC-rated loans were the top performers for a fourth consecutive quarter. Moving up the ratings-quality scale, single-B- and BB-rated loans posted returns of 1.60% and 0.75%, respectively. From a fundamental credit perspective, the loan market experienced muted default activity.

As we look ahead, the broad macro picture should continue to improve as economic reopening progresses, vaccinations ramp up and a general pivot back to pre-pandemic activities accelerates. The global vaccine roll-out has improved the outlook for COVID-19, as infection rates are expected to continue to fall. However, the road to herd immunity will remain turbulent, particularly for countries with slower rates of vaccination. Nonetheless, the most material downside risks have diminished considerably, and the upward trend in corporate earnings should continue against the backdrop of strong, near-term GDP growth. Apart from the pandemic, market participants are also focused on inflation and rate volatility, both of which recently have been ignited by prospects of additional government spending. Should there be a further leg up in longer-end rates, we expect loans to benefit, given the inherent rising-rate protection offered by the asset class.

**Past performance does not guarantee future results. There is no guarantee that any forecasts or opinions in this material will be realized.** Manager commentary is for informational purposes only and does not constitute investment advice and is not a recommendation to purchase or sell any of the securities referenced.

**To learn more on the GIPS® compliance Schedule of Composite Performance go to:** <https://institutional.voya.com/document/product/gips.pptx>.

The Composite performance information represents the investment results of a group of fully discretionary accounts managed with the investment objective of outperforming the benchmark. Information is subject to change at any time. Gross returns are presented after all transaction costs, but before management fees. Returns include the reinvestment of income. Net performance is shown after the deduction of a model management fee equal to the highest fee charged. Benchmark source: Standard & Poor's

The **S&P/LSTA Leveraged Loan Index** - S&P/LSTA (Loan Syndications and Trading Association) Leveraged Loan Index (LLI) is a total return market value index that tracks fully funded, senior secured, first lien term loans syndicated in the U.S., as well as dollar-denominated overseas loans, including 90-95% of the institutional universe.

**Indexes do not reflect fees, brokerage commissions, taxes or other expenses of investing, and investors cannot directly invest in an index.**

**For financial professional or qualified institutional investor use only. Not for inspection by, distribution or quotation to, the general public.**

## Portfolio Highlights

Returns-Based Characteristics (5 years ending 03/31/21)	Composite	S&P/LSTA Leveraged Loan Index
Standard Deviation (%)	6.38	6.81
Tracking Error (%)	0.72	–
Information Ratio	-1.17	–
Alpha (annualized %)	-0.57	–
Beta	0.93	1.00
R-Squared	0.99	1.00
Sharpe Ratio	0.52	0.61

Characteristics	
Number of Industries	37
Average per Industry	\$76,165,987
Average per Industry as % of AUM	2.70
Number of Issuers	403
Average per Issuer	\$6,992,907
Average per Issuer as % of AUM	0.25
AUM Current Month End	2,818,141,502
AUM Previous Month End	2,816,160,625
Weighted Average Spread	3.65%
Weighted Average Maturity in Years	4.94
Weighted Average Market Price	98.80%

Ratings Distribution	% of Market Value
BBB or Above	0.96
BB	12.16
B	79.35
CCC	6.56
CC or Below	0.06
NR	0.92

Top Ten Issuers (\$ millions)	Market Value (\$)	% of AUM
Asurion, LLC	39.99	1.42
Ply Gem Industries, Inc.	33.60	1.19
Caesars Resort Collection	26.28	0.93
Acrisure, LLC	23.08	0.82
Sedgwick Holdings, Inc.	22.54	0.80
Edelman Financial Services	22.51	0.80
Internet Brands, Inc.	22.12	0.79
Nexstar Broadcasting, Inc.	21.16	0.75
McAfee, LLC	20.99	0.74
Novolex (aka Flex Acquisition Company, Inc)	20.96	0.74

Top 10 Industries (\$ millions) <sup>3</sup>	Market Value (\$)	% of AUM
Electronics/Electrical	463.18	16.44
Business Equipment & Services	308.32	10.94
Health Care	283.06	10.04
Diversified Insurance	180.73	6.41
Telecommunications	175.18	6.22
Building & Development	143.67	5.10
Radio & Television	110.44	3.92
Automotive	109.85	3.90
Containers & Glass Products	109.47	3.88
Lodging & Casinos	102.90	3.65

<sup>3</sup> Industry allocation for the Composite is tracked using S&P Industries.

**Ratings Distribution** – The Standard & Poor's rating scale is as follows, from excellent (high grade) to poor (including default): AAA to D, with intermediate ratings offered at each level between AA and CCC. Anything lower than a BBB- rating is considered a non-investment grade or junk bond. Any security that is not rated by Standard & Poor's is placed in the NR (Not Rated) category.

**Past performance does not guarantee future results.** The return-based characteristics presented are based on the gross-of-fee composite returns. Characteristics are based on a representative account in the composite that we believe best represents the portfolio management style of the composite. Holdings are subject to change. The information shown is supplemental only. Totals may not equal due to rounding.

**For financial professional or qualified institutional investor use only. Not for inspection by, distribution or quotation to, the general public.**

## Portfolio Managers



**Jeff Bakalar**

**Group Head**

Years of experience: 35

Years with firm: 23

## Voya Investment Management

Voya Investment Management is the asset management business of Voya Financial, a Fortune 500 company with over 6,000 employees seeking to help clients plan, invest and protect their savings. Voya Investment Management manages approximately \$255 billion\* in assets across fixed income, senior loans, equities, multi-asset strategies and solutions, private equity, and real assets. Drawing on over 40 years of experience and the expertise of 250+ investment professionals, the firm's capabilities span traditional products and solutions as well as those that cannot be easily replicated by an index.

At Voya Investment Management, a heritage of partnership and innovation serves clients at every step. Our award winning culture is deeply rooted in a client-centric approach to help investors meet their goals — from insurance companies, corporate and public pension funds, sovereign wealth funds, endowments and foundations, and consultants to intermediaries, as well as individual investors.

\*As of 12/31/20. Voya IM assets are calculated on a market value basis and include proprietary insurance general account assets of \$68 billion.

**Disclaimer:** The commentary provided was based in part upon attribution analysis from FactSet and is for informational purposes only and is not intended as investment advice. The commentary may reference current holdings as well as holdings that may have been sold during the period. Performance figures for individual sectors and individual holdings in FactSet attribution are gross of fees. Results are on a gross of fees basis.

**Performance Attribution:** During the period from January 1, 2017 to July 31, 2020, an unaffiliated data provider, which is used by the Funds to identify individual senior loans and groups of senior loans that detracted from or contributed to portfolio performance on an absolute or relative basis (commonly known as "attribution analysis"), provided the Funds with inaccurate data. As a result, the attribution analysis used to explain and analyze a portfolio's performance against a particular benchmark was inaccurate in some instances during the period. Importantly, the Funds' actual performance information and performance comparison to their respective benchmark which appeared in various Fund commentaries during this period were correct and were not impacted by the inaccurate data. The data provider has identified and corrected the issue that caused the transmission of inaccurate information, and correct information is reflected in attribution analysis used in commentaries prepared after September 30, 2020.

The attribution analysis from FactSet compares loan level performance of the portfolio to the index. FactSet attribution does not include any other fund performance attribution impact (e.g., structural impacts, intraday trade prices, fee income, cash, etc.). Further, certain assumptions are made in FactSet's model for the calculation of daily total returns for loans in the portfolio, including how FactSet accrues income and calculates coupon, both of which may have an impact on the derived total return used in the attribution analysis. FactSet obtains daily weights and returns for the index directly from S&P/LCD. The calculated returns used in the attribution analysis are not accounting-based returns. Investment performance presented differs from actual performance and was not constructed according to the input, calculation, presentation, and disclosure requirements of the Global Investment Performance Standards (GIPS). Attribution analysis is intended only to directionally understand drivers of performance and is not intended to convey unintended precision or accuracy. FactSet attribution results can vary, even for historical periods, from previously run attribution reports for those same periods. These variances can be a result of changes to FactSet's system, improvements or revisions to calculation methodology, or data reconciliation efforts. Voya IM believes that attribution and statements based on attribution are directionally useful for understanding performance, but Voya IM does not represent that such information is accurate or complete.

The fees charged by Voya Investment Management U.S. (Voya IM) are described in Part II of its Form ADV. This report sets forth the composite's portfolio holdings for the period ended on the above date. It should not be assumed that positions held in the composite portfolio are profitable or will equal the performance of the positions mentioned herein. Voya IM did not use performance-based criteria in determining which account to include in the composite set out above. These holdings represent only the noted composite and may not reflect the actual holdings of other portfolios managed by Voya IM. The performance of other portfolios may be better or worse than that of composite. **Past performance is not indicative of future results.**

**Risk is inherent in all investing. The following are the principal risks associated with investing in senior loans. Credit risk:** Senior loans are below-investment-grade instruments that carry a higher than normal risk that borrowers may not make timely payments of principal and interest. Failure by borrowers to make such payments may cause the yield and/or the value of your investment to decline. **Interest rate risk:** The yield on senior loans is directly affected by changes in market interest rates. If such rates fall, the yield may fall. Also, if overall interest rates on loans decline, the yield may fall and the value of the assets may decrease. When market interest rates rise, there may be a delay in the rise in the yield due to a lag between changes in such rates and the resetting of the floating rates on the loans. **Limited secondary market for loans:** Loans do not trade on an established exchange. There is a limited secondary market for loans. **Demand for loans:** An increase in demand for loans may adversely affect the rate of interest payable on new loans, and it may also increase the price of loans in the secondary market. A decrease in the demand for loans may adversely affect the price of loans, which could cause the value of loans to decline. **Use of leverage:** The strategy may engage in leverage for some portfolios. The use of leverage in a portfolio may have a magnifying effect on the returns for a portfolio, both positively and negatively. **Foreign currency:** The strategy may invest in loans denominated in currencies other than the U.S. dollar. While the strategy seeks to hedge foreign currency risk to the greatest extent practicable, such hedging may not be effective.

**This is not, and is not intended to be, a description of all risks of investing in senior loans. The applicable offering documents should be read carefully before investing.**

This information is proprietary and cannot be reproduced or distributed. Certain information may be received from sources Voya Investment Management ("Voya IM") considers reliable; Voya IM does not represent that such information is accurate or complete. Certain statements contained herein may constitute "projections," "forecasts" and other "forward-looking statements" which do not reflect actual results and are based primarily upon applying retroactively a hypothetical set of assumptions to certain historical financial data.

Actual results, performance or events may differ materially from those in such statements. Any opinions, projections, forecasts and forward-looking statements presented herein are valid only as of the date of this document and are subject to change. Nothing contained herein should be construed as (i) an offer to buy any security or (ii) a recommendation as to the advisability of investing in, purchasing or selling any security. Voya IM assumes no obligation to update any forward-looking information.

©2021 Voya Investments Distributor, LLC · 230 Park Ave, New York, NY 10169 · All rights reserved.  
(800) 992-0180 Individual Investors | (800) 334-3444 Investment Professionals  
FFIB-SENLN (0401-040121-ex073021) 163660

For financial professional or qualified institutional investor use only. Not for inspection by, distribution or quotation to, the general public.