

# LDI Quarterly Update

## Notes on the quarter

- **1Q23 was marred by significant volatility in the banking sector**, as the collapse of Silicon Valley Bank, the rescue of First Republic bank and the purchase of Credit Suisse by UBS put depositors in a panic and investors on a flight to quality.
- **The yield curve steepened**, with the 10Y UST and 30Y UST declining 40 bp and 30 bp, respectively, on the quarter.
- **Credit spreads widened**, resulting in a decline in discount rate of 20–30 bp. For a plan with duration of 12, this translates to a 3% increase in liability.
- **The S&P 500 had a total return of 7.5%** for the quarter.

### Impact on funded status

Illustration for a 50/50 fixed income/equity portfolio with a duration of 12:

**20–30 bp decrease** in FTSE pension discount curve **-1.5%** (-3% x 0.5)

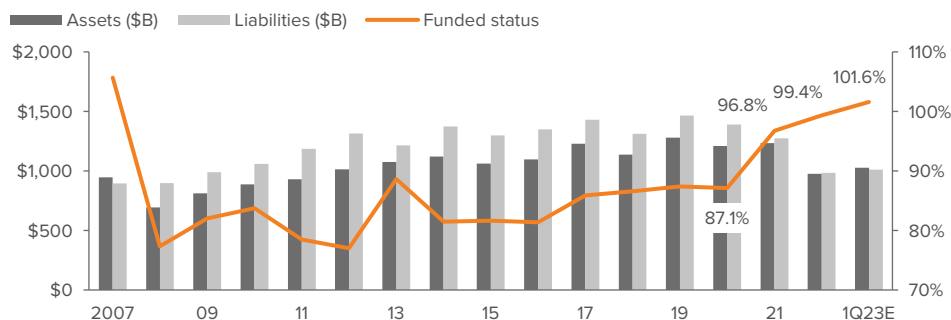
**7.5% increase** in S&P 500 **+3.8%** (+7.5 x 0.5)

**Net effect** **+2.3% increase**

Source: Voya IM calculations, FTSE, S&P.

- **IG private placements were unperturbed by the lack of issuance in the public markets:** 1Q23 was an unprecedented quarter in which IG public corporate issuance was remarkably low, while IG private placements a popular LDI diversifier, showed no sign of slowdown. (Source: Barclays Live, Bank of America.)

## Quarterly performance, US pension plans



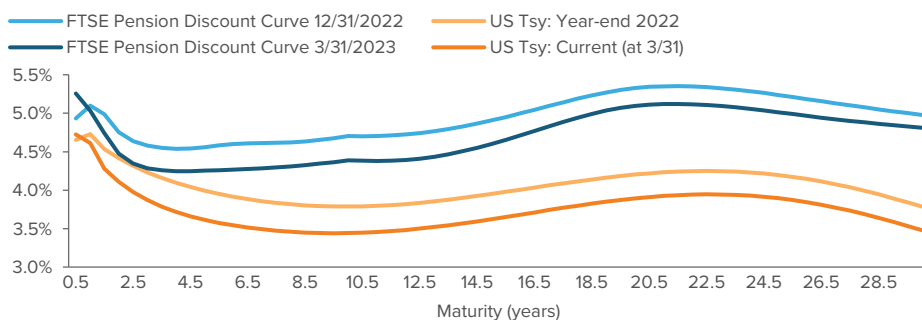
As of 03/31/23. Source: Milliman, S&P, 10-K data, Voya IM.

## Markets

	03/31/23	12/31/22	12/31/21	12/31/20
FTSE AA yield (short duration plan)	4.70%	4.95%	2.63%	2.23%
BofA 10+ AAA–A U.S. Corp yield	5.02%	5.30%	2.91%	2.53%
Bbg Long Corp AA yield	5.29%	5.60%	3.10%	2.78%
Bbg Long Corp AA – OAS spread (bp)	155	149	123	137
Bbg Long Gov/Credit yield	4.58%	4.91%	2.58%	2.28%
Bbg Long Gov/Credit – OAS spread (bp)	83	80	70	84
10Y U.S. Treasury yield	3.49%	3.88%	1.52%	0.93%
30Y U.S. Treasury yield	3.69%	3.98%	1.90%	1.66%
S&P 500 YTD return	7.5%	-19.4%	26.9%	16.3%

Source: FTSE, Barclays Live, ICE Index Platform, S&P. Investors cannot invest directly in an index and index performance does not reflect management fees or transaction costs associated with some investments. See back page for index definitions.

## Spot rate curves (%)



Source: ICE Index Platform, FTSE Pension Discount Curve.

- The U.S. Treasury spot rate curve is flatter than the FTSE pension discount curve as of 3/31/2023.
- For the 15-year tenor, the U.S. Treasury spot rate is lower as of 3/31/2023 versus 12/31/2022.
- Similarly, for the 15-year tenor, the Aa-rated corporate bond spot rate is lower as of 3/31/2023 versus 12/31/2022.

**A note about risks**

Examples of LDI (liability-driven investing) performance included in this material are for illustrative purposes only. Liability valuations can increase due to falling interest rates or credit spreads, among other things, as the present value of future obligations increases with falling rates and falling spreads. Liabilities can also increase due to actual demographic experience differing from expected future experience assumed by the plan's actuary. Diversification neither assures nor guarantees better absolute performance or relative performance versus a pension plan's liabilities. In addition, investing in alternative investment products such as derivatives can increase the risk and volatility in an investment portfolio. Because investing involves risk to principal, positive results and the achievement of an investor's goals are not guaranteed. There are no assurances that any investment strategy will be profitable on an absolute basis or relative to the pension plan's liabilities. Information contained herein should not be construed as comprehensive investment advice. For comprehensive investment advice, please consult a financial professional.

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**Index definitions**

*Index returns do not reflect fees, brokerage commissions, taxes or other expenses of investing. Investors cannot invest directly in an index.* **The ICE BofA AAA-A U.S. Corporate Index** is a subset of the ICE BofA U.S. Corporate Master Index, which tracks the performance of USD-denominated investment grade rated corporate debt publicly issued in the U.S. domestic market. This subset includes all securities with a given investment grade rating of AAA through A. **The Bloomberg U.S. Long Credit Index** represents the long component of the Bloomberg U.S. Credit Index, which includes publicly issued U.S. corporate and specified foreign debentures and secured notes that meet specified maturity, liquidity and quality requirements. **The Bloomberg U.S. Long Government/Credit Index** represents the long component of the Bloomberg U.S. Government/Credit Index, which includes Treasuries, agencies and publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity and quality requirements. **The S&P 500 Index** consists of approximately 500 leading U.S. companies with approximately 75% coverage of the U.S. stock market capitalization.

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