



A Guide to Investment Grade Private Credit

With attractive yields, robust covenant protection, and ample liquidity, investment grade private credit is a growing favorite of both investors and borrowers. Here's what you need to know.

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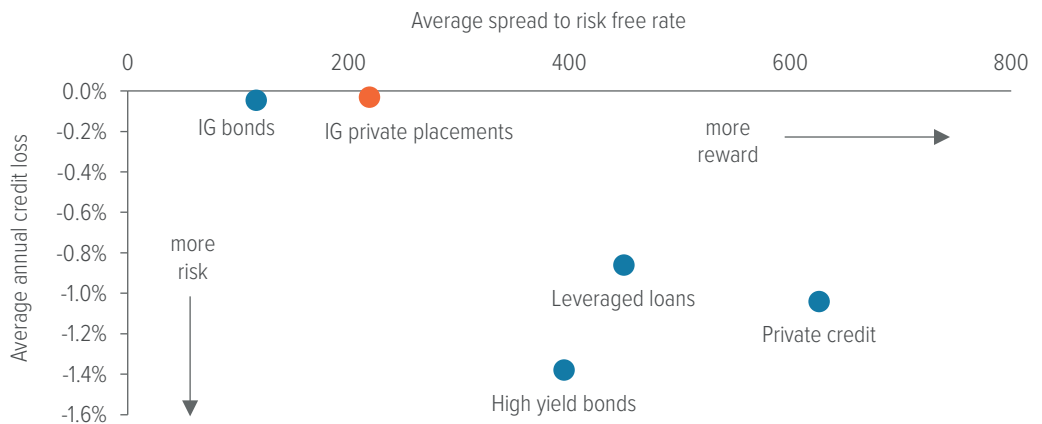
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Executive summary

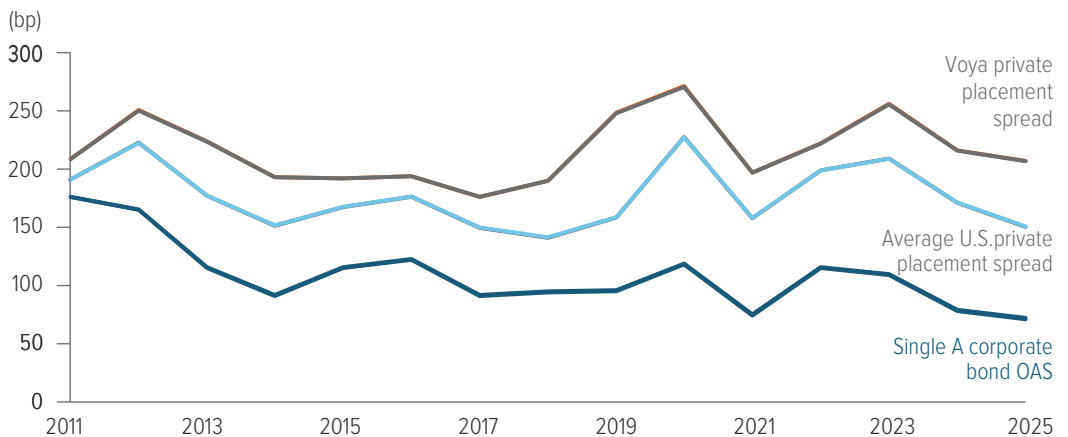
- The \$2+ trillion investment grade (IG) private credit market is used by nearly all U.S. life insurers and about half of U.S. pension funds as a complement to IG bonds for diversification and income enhancement.
- For investors, the asset class has historically offered attractive return premiums to equivalent corporate bonds, as well as enhanced loss mitigation and ample liquidity.
- For issuers, the asset class provides meaningful advantages such as customization, more certainty of execution, privacy, and the ability to handle complex collateral.
- Expanding issuer and investor bases are leading to increasing deal volumes, larger transaction sizes, and wider opportunities across the three types of IG private credit placements: corporate, infrastructure, and asset-based finance (ABF).

Exhibit 1: Investment grade private credit offers higher yield and a lower loss history than equivalent corporate bonds



As of 03/31/26. Source: Voya IM, Standard & Poors, Morningstar, Cliffwater, Pitchbook, BofA. Average annual credit loss and average spread over risk free are measured over the 10-year period 01/01/16-12/31/25; IG corporate bond credit loss derived from default rates with an assumed 45% average recovery rate.

Exhibit 2: Private placement spreads to Treasuries have remained wide, especially for tier one managers like Voya



As of 03/31/26. Source: Voya IM, BofA, FRED. Private credit spreads based on a BBB+/A- portfolio, 66% NAIC 2 assets and 33% NAIC 1 assets.

What is investment grade private credit?

When the media talks about “private credit,” it usually means speculative-grade direct lending to middle market companies, an asset class whose growth was spurred by post global financial crisis limitations on bank leveraged lending.

However, there is also a separate market for non-bank lending that grew up decades earlier in response to life insurers’ need for high-quality, long-term investments to match their liabilities: the \$2+ trillion investment grade private credit market. Historically, this was referred to as the U.S. private placement market.

Over the past decade, the investor base for investment grade private credit has diversified well beyond life insurers to pension funds, endowments, large family offices, P&C insurers, and more. Life insurers remain the largest investors, though, with some \$1.5 trillion of issuance sitting on their balance sheets.¹

Functionally, investment grade private placements are **a hybrid of a public bond and a traditional bank loan**. They share characteristics with public bonds, including being rated by a nationally recognized securities rating organization and/or the National Association of Insurance Commissioners, and having fixed maturities of 3-30 years. Similarities with bank loans include greater upfront due diligence, priority debt and financial covenant protection, and a more engaged relationship with borrowers.

Where investment grade private placements differ from both bonds and bank loans is **the ability to offer custom tenors and features** (such as delayed draws, amortization features, foreign currencies, and non-index deal sizes) as well as **a willingness to take on complex structures and collateral** that require higher levels of due diligence.

These debt offerings are private because **the notes are sold only to qualified institutional buyers (QIBs²)** and, as such, do not have to be registered with the U.S. Securities and Exchange Commission (SEC), enabling issuers to keep their financial details out of the public eye. For purposes of this paper, the terms “investment grade private credit” and “private placements” refer to Regulation D securities³ and do not include securities issued under Rule 144A.⁴

Investment grade private credit by the numbers:

\$195 billion

Private credit issuance in 2025

115 bp

Total return advantage to equivalent corporate bonds

\$375 million

Average placement size

12

Average number of deal participants

3-30 years

Maturity range

BBB+

Weighted average quality

\$7-8 billion

Annual secondary market trading

As of 05/15/26. Source: Voya IM estimates, Reg D filings, StoneCastle, BofA. Spreads calculated from the Voya Private Credit Strategy and General Account total production, 01/01/03-03/31/26.

¹As at 12/31/24. Source: American Council of Life Insurers 2025 Factbook, published 11/15/25.

²Qualified institutional buyers are large institutional investors, e.g., insurance companies with at least \$100 million of investable assets.

³The Securities Act of 1933 (“Securities Act”) requires that all securities must be registered with the SEC unless covered by an exemption to Regulation D. The exemptions allow issuers to borrow an unlimited amount of debt without registration. Generally, in these types of transactions, issuers provide audited financial statements, are responsive to potential investors’ questions, and restrict trading the offerings to “accredited investors” as defined under Reg D. The investors directly negotiate the terms of the transaction with the issuer.

⁴Rule 144A securities are also sold to QIBs and are exempt from registration under the Securities Act. But unlike traditional Reg D securities, there is less access to information, less time to review the transaction, and less opportunity to influence term.

While private placements are available in all rating categories, the **majority of issuance is done by borrowers with credit quality between A- and BBB.**⁵ The size of the borrowers varies, with revenue of issuing companies generally ranging from \$250 million to over \$200 billion.

The majority of deals (85%) are marketed by intermediaries to either the entire market of participating QIBs or a subset of the market. Only 10-15% of deal volume in the investment grade private credit market is direct, (unagented), as few investors have the scale to commit to direct transactions when the average deal size is in the hundreds of millions.⁶

An expanding opportunity

The investment grade private credit market is **currently in a dynamic growth phase**, thanks to an influx of new originators, a broadening investor base, proven and improving liquidity characteristics, and strong demand from borrowers. These borrowers are not just private companies (over 80% of U.S. companies with revenues greater than \$100 million are private⁷), but also select foreign borrowers and large public companies.

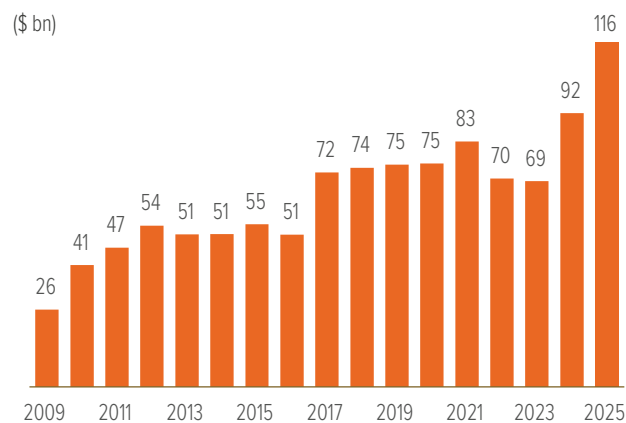
It's not just volumes that are growing. The investment grade private credit market has also seen **noticeable increases in average transaction size** over the past several years, along with **greater diversification of collateral and deal structure**.

Prior to 2000, most investment grade private placements were small transactions of less than \$100 million. **Since 2000, deal sizes have almost quadrupled**, with most now averaging about \$375 million—and \$1 billion+ transactions getting done with reasonable regularity.

Why borrowers choose the investment grade private credit market

- To obtain greater customization of tenor, amortization, tranche sizes, or other debt features (such as delayed draws)
- To maintain confidentiality of financial information
- To issue debt when the borrower doesn't issue in sufficient size or frequency to be index eligible in the public bond market, or sustain enough secondary trading volume to reduce liquidity premiums
- To undertake non-U.S. dollar transactions
- To borrow against collateral which is more complex in nature
- To raise off-balance-sheet project finance
- To undertake capital solution transactions
- To obtain certainty of pricing and execution during periods of public-market volatility.

Exhibit 3: Intermediary-led issuance of private credit has doubled in the past decade



As of 03/31/26. Source: Bank of America U.S. Private Placement Market Snapshot.

⁵Bank of America U.S. Private Placement Market Snapshot reports. 2020-2026.

⁶Deal type percentages: Voya IM estimates, based on Bank of America private placement data plus public and private communications from major investment grade private credit direct investors.

⁷As of 01/01/26. Source: CapIQ.

Exhibit 4: Private credit offers more flexible tenors and more covenant protections than public bonds

	Investment grade private credit	Investment grade public bonds
Income	Fixed or floating	Fixed
Security	Secured/unsecured	Unsecured
Ranking	Senior and cannot be subordinated	Can be subordinated
Covenants	Maintenance/comprehensive	None
Prepayment	Callable with Treasury +50 basis points make whole premium	Some callable at par
Tenor	Flexible 3–30 years	3, 5, 7, 10, 20 and 30 yrs
Liquidity	Actively traded private market	Actively traded public market
Recoveries	92%*	47%

As of 05/15/26. Source: Moody’s Default Trends and Rating Transitions report. The investment grade public bond recovery rate is measured by the ultimate recovery, the long-term average recovery rate from 1987 through 2020. Investment grade private credit recovery rate is based on Voya Private Credit Strategy.

We have recently seen landmark deals such as a pair of \$11 billion placements in 2024 from the same borrower to fund semiconductor foundries, and a mammoth \$27 billion placement in 2025 to fund data center development. Notably, these mega-placements were by subsidiaries of public companies.

We expect investment grade private credit issuance to remain robust over the next few years.

How do private placements differ from bonds?

Private placements are debt offerings similar to public bonds. In both asset classes, companies pay a fixed (or, less commonly, floating) rate of interest over a set period of time, with private placements offering significantly more customization of tenors and amortization schedules.

The investment grade private placement space also tends to focus on different industries, geographies, and ratings than its public-market equivalent (Exhibit 5).

More importantly, privates achieve additional yield and total return compared to corporate public bonds of similar credit quality and duration due to **higher up-front yields, prepayment and amendment/waiver fees, and lower actual credit losses** in the event of default.

This has led Voya’s investment grade private credit platform to have **an average total return advantage of 115 bp** over comparable public corporate bonds since

2001: 81 bp of spread, plus 23 bp of non-coupon income, plus 11 bp of lower losses.⁸

Higher spreads

The interest rate on a private placement is expressed as a nominal spread over a base rate. For fixed-rate placements, the base rate is usually the closest comparable maturity U.S. Treasury. For floating-rate placements, the base rate is the secured overnight financing rate (SOFR).

The spread on an investment grade private placement is typically higher than a similarly rated public bond because borrowers are willing to pay extra for customization that public bonds (and most banks) can’t provide, along with privacy and certainty of execution. Top-tier investors such as Voya generally achieve a higher average spread to publics than the overall market (Exhibit 2).

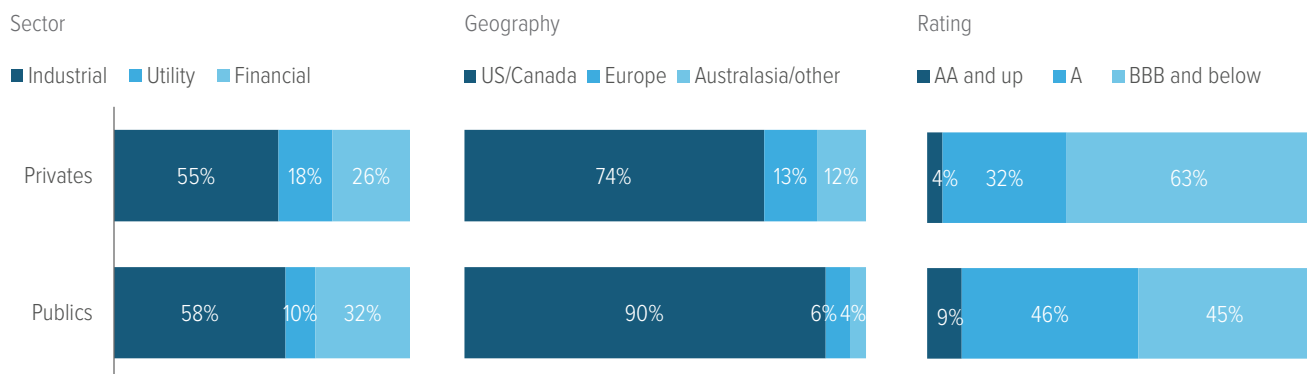
In general, spreads will increase with duration and credit risk, signified by lower credit ratings. Other factors, such as economic sector of issuance or structural complexity, may also impact spreads.

An example of the lower end of the spread spectrum might be a plain-vanilla corporate private placement on a full faith and credit guarantee. A higher spread example would be a structured ABF private placement collateralized by complex assets such as a portfolio of oil wells.

⁸Calculated from the Voya Private Credit Strategy and General Account total production, 01/01/03-03/31/26.

*Sustained demand for infrastructure capital by the energy and tech sectors.

Exhibit 5: Investment grade private credit attracts more utility issuance and non-U.S. issuers as well as more BBB borrowers than the public market



As of 03/31/26. Source: Voya IM; Bank of America. Quality distribution is the GAAP book value of the U.S. general account and third-party clients. Public is based on the Bloomberg Barclays U.S. Corporate Bond Index; Privates represents Voya Private Credit portfolio.

We measure our spreads via reference to a basket of individual public bonds of equivalent term, credit rating, and sector. This reflects **the matrix pricing methodology most commonly used to price new investment grade private placements**. However, this method tends to slightly subdue yield spreads compared to the simpler option of calculating them against an index.

More flexible tenors

Private placements come with a wide range of maturities, from 3 to 30 years. The most common are 7, 10, and 12 years, reflecting demand for longer-duration product among life insurers, the asset class’s traditional investor base.

Enhanced loss mitigation through covenants

Investment grade private placements are made under the terms of a written contract—the note purchase agreement—which sets the interest rate to be paid by the borrower. It also **sets limitations on a borrower’s business operations designed to enhance the probability that the lenders will be repaid**.

Such limitations, called covenants, are designed to monitor the financial health of a borrower and limit the ability of the borrower to incur additional debt or take any number of other actions that would be detrimental to the lenders’ interests.

Covenants provide the lender with the ability to re-price, renegotiate terms to reduce risk, reduce

exposure, or put back the loan to the company if the company’s risk profile changes substantially (Exhibit 6). Failure to adhere to covenant restrictions will lead to amendments or consent agreements that usually incur a fee paid to investors.

Covenants are unique to each transaction, can vary widely depending on circumstances and **are virtually nonexistent among investment grade public bonds**.

The covenants are designed to maintain *pari passu* (or equal) treatment with other senior creditors, and to force prepayment while the credit is still financeable by its banks or other lenders. When an exit is not possible, terms can be renegotiated to improve recovery rates in the event of a default, or to increase the yield via fees and coupon rate increases.

Generally, there are three types of covenants:

1. Those that protect the note holder’s position in the capital structure.
2. Those that protect against credit deterioration, and
3. Those that protect against “event risk,” such as the company favoring equity holders over creditors.

We have found that **the long-term excess value of covenants is 34 bp** compared to non-covenanted public bonds. Value comes from amendment and waiver fees, pre-payment fees, and coupon increases (23 bp) as well as lower losses in the event of default (11 bp).

Exhibit 6: Investment grade private credit carries an extensive array of protective covenants

Covenant types	Private credit covenants	Function	Examples	Likelihood in a deal
Capital structure protection	Liens	Restricts future borrowing against assets and preserves location in the capital structure.	Only certain types of liens are allowed.	Frequent—nearly always present but dependent upon industry
	Priority debt	Limits all types of claims that can rank ahead of the private credit holders. These types of claims generally include liens and debt at subsidiaries.	Basket = 5% total assets	Frequent—nearly always present but dependent upon industry
	Sale of assets	Limits the ability of the company to sell revenue-generating assets. Generally, there is a level of asset sales permitted, after which the company must use proceeds for replacement assets or to pay down debt.	Basket = net book value of dispositions <15% total assets	Frequent—nearly always present but dependent upon industry
	Most favored lender	Assures that if the company's main bank facility gets a different or more favorable covenant, the private credit lenders will receive the benefit of that as well.	MFL	Semi-frequent—present depending upon the industry
Financial	Leverage or DSCR test	Ensures maximum debt levels relative to cash flows of the Company.	Debt/EBITDA < 3.5x Debt service coverage ratio (DSCR) > 1.5x	Frequent—nearly always present but dependent upon industry
	Interest/ fixed coverage	Ensures minimum cash flows relative to interest obligations of the Company.	EBITDA/Net finance charges ≥ 4x	Frequent—nearly always present but dependent upon industry
	Net worth	Ensures minimum levels of value of the Company	Net worth > \$1 bn	Semi-frequent—present depending upon the industry
Event risk	Merger	Limits the types of mergers and restructuring transactions that the company may undertake.	Certain restrictions on company, parent guarantor and subsidiary guarantor mergers.	Frequent—nearly always present but dependent upon industry
	Restrictions on distributions	Limits the distributions the company may make to its shareholders.	Distributions limited if DSCR < 1.3x or upon an event of default	Less frequent—present typically in tighter credit markets
	Change of control	Allows the lenders to exit the transaction if a third party purchases a majority of the equity of the issuer.	Offer to prepay at par upon change of control	Frequent—nearly always present but dependent upon industry
	Non-payment cross default or acceleration	Provides that if the company does not pay another source of debt or is in default with another source of debt, our facility will also be in default.	Cross-default for non-payment defaults	Frequent—nearly always present but dependent upon industry

As of 05/15/26. Source: Voya IM.

Prepayment and call protection

Investment grade private placements are usually callable at any time, at the greater of the make-whole premium or par. The make-whole premium is calculated as the value of the notes being prepaid discounted at a rate equal to the sum of (a) the current rate of the U.S. Treasury with the same average life as the notes and (b) 50 bp.

During times of declining interest rates, “make whole” permits the noteholder to take the returned principal, interest and make-whole premium and invest it in a security with the same average life as the prepaid notes, yielding U.S. Treasuries plus 50 bp and remain “whole” with respect to the original yield on the investment.

In rising interest rate conditions, note holders can accept a par prepayment which is still higher than the value of the note (which has fallen due to the rise in interest rates) and then reinvest at higher yields. Make-whole fees as a percentage of the total portfolio will vary, because companies may choose to prepay loans on an ad hoc basis.

Higher historic recovery rates

Investment grade private placements are generally *pari passu* with bank lenders, and often, given secured positions in the capital stack, ahead of unsecured lenders. As a result, if a company becomes distressed and falls into bankruptcy, **investment grade private placements are in line to be repaid with the banks and often ahead of other lenders,** preferred shareholders or holders of a company’s equity. This has led to significantly higher recoveries on defaulted private placements in comparison to recoveries on similarly-rated defaulted public bonds.

From 2003 to 2025 at Voya, **private placements demonstrated a recovery rate of 92%** compared to unsecured public bonds, which have historically recovered approximately 47% (see Exhibit 4). This compares to industry average recovery rates of 63.4% for investment grade private credit as a whole, according to a 2019 Society of Actuaries study.⁹

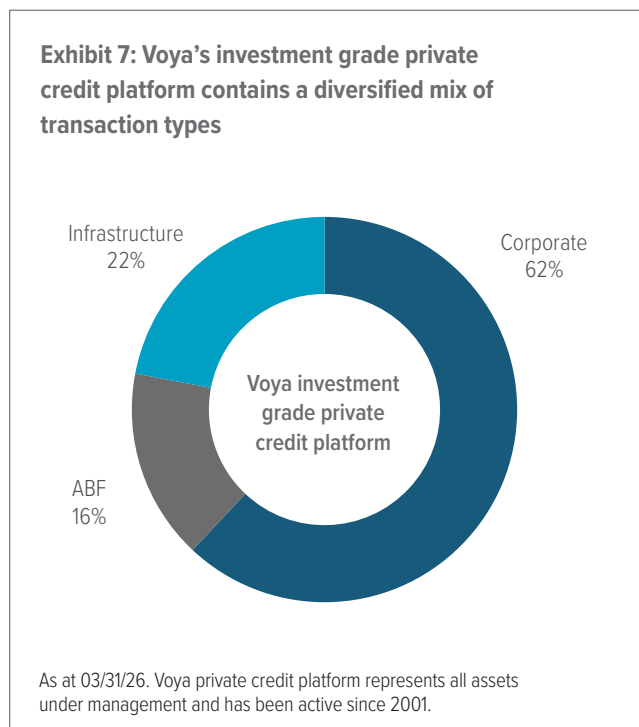
⁹The investment grade public bond recovery rate is measured by the ultimate recovery, the long-term average recovery rate from 1987 through 2020, from Moody’s Default Trends and Rating Transition reports. Investment grade private credit recovery rate is based on Voya Private Credit Strategy. Private placement market recovery rate, Society of Actuaries, 2003-2015 Credit Risk Loss Experience Study: Private Placement Bonds, 04/01/2019.

Placement types

Investment grade private placements generally fall into one of three main categories: **corporate, infrastructure, or asset-based finance (ABF)**.

There is no broadly accepted market rule for how to categorize transactions, and lenders have considerable leeway to call a deal what they want. In part, this is because the higher-spread corporate and infrastructure private placements in any particular rating class tend to be structurally complex in ways that are more similar than not to ABF (Exhibit 9).

Most private credit portfolios contain a mix of ABF, infrastructure, and corporate transactions, but the exact allocation depends on the portfolio’s goal and position within a wider investment mandate (Exhibit 7).



Asset-based finance (ABF)

ABF placements are secured by the contractual future cash flows of a pool of real or financial assets, such as aircraft leases, media rights, royalties, private equity portfolios, and commercial receivables. They are frequently structurally complex and as such tend to carry a substantial spread premium.

Characteristics: Maturities of 2-30 years and a fixed rate pricing of Treasuries plus 150-250 bp or floating rate pricing of SOFR plus 200-300 bp.

Liquidity: Low to medium; secondary pricing can be difficult due to unpredictable prepayment options such as cash sweeps.

Investment rationale: Higher spread, collateral diversification away from corporate credit, preference for shorter-dated and/or floating rate paper.

Infrastructure

Infrastructure transactions are secured by the cash flows from one or a portfolio of immovable physical assets, such as electricity generation and transmission assets, toll roads, ports, oil and natural gas pipelines, chemical plants, data centers, and sports stadiums.

Characteristics: Duration around 10-14 years, spread to Treasuries around 240 bp, primarily fixed rate.

Liquidity: High; positions can usually be sold within 2-3 weeks.

Investment rationale: Lowest historical losses; tendency to be non-cyclical; yield advantage.

Corporate private placements

Corporates are the broadest category of private credit transactions and cover everything from general corporate lending/refinancing to highly structured asset-based transactions with an overall corporate guarantee.

Characteristics: Duration around 7-11 years, spread to Treasuries around 210 bp, primarily fixed rate.

Liquidity: High; positions can usually be sold within 1-2 weeks.

Investment rationale: Issuer, industry, and geographic diversification from public corporate bonds; yield advantage.

Exhibit 8: 85% of the investment grade private credit market is intermediated deals

	Intermediary deals		Direct or proprietary deals	
	Fully distributed deals	Limited distribution deals	Club deals	Direct deals
Description	A transaction sourced by an intermediary that is marketed to all participants in the private credit market.	A transaction sourced by an intermediary that is marketed to a subset of participants in the private credit market.	Sourced by one or more private investors and participated in by only a handful of market participants. Limited to Tier 1 investors.	Sourced and funded by a single private investor.
Market size (%)	50% of investment grade production	35% of investment grade production	5% of investment grade production	10% of investment grade production
Agent involvement	Direct fee for transaction	Direct fee for transaction	No direct fee for transaction; however, it is Voya's experience that an agent is contacted to verify pricing and terms relative to market. The agent is then compensated for this service indirectly (i.e., through other bank services such as credit facilities or swap lines).	
Allocation	Medium/Low	High	High	High
Liquidity	High	High/Medium	Medium/Low	Low

Source: Voya IM.

Deal sourcing

Investment grade private credit deal sourcing has traditionally been described as intermediated vs. direct. However, this is evolving due to **the expanding definition of “intermediary,”** which has changed in the past several years from primarily investment banks acting as syndication agents to include large private equity-linked originators.

There are actually **four distinct types of investment grade private credit deals from a sourcing perspective:** fully distributed, limited distribution, direct, and club. There are significant trade-offs to investors in each of the four classifications (Exhibit 8).

A **fully distributed deal** is a transaction sourced by an intermediary that is marketed to all participants in the investment grade private credit market. Such deals comprise about 50% of all investment grade transactions. Fully distributed agented deals are the most liquid, but the overall percentage allocations to individual investors are smaller since more investors participate.

A **limited distribution deal** is sourced by an intermediary but marketed to only a subset of participants in the market (typically 5-15 investors). These deals make up about another 35% of the market.

Club deals are sourced by a handful (typically 3-5 investors) of the largest market participants and comprise about 5% of the market. Participants are

limited to Tier One investors such as Voya. A good example of this deal type is a recent \$100 million transaction sourced by Voya where we brought three other investors into the transaction.

Direct deals are sourced and funded by a single private investor, often through direct calling on corporate issuers in competition with private placement agents, and make up about 10% of the market. For both club and direct deals, there is no direct fee paid to an intermediary; however, it is Voya's experience that an agent is usually contacted to verify pricing and terms relative to market. The agent may then be compensated for this service indirectly (i.e., through other bank services such as credit facilities or swap lines).

Investors familiar with the speculative-grade private credit market have likely heard a sales pitch that revolves around the ability to achieve higher yields via direct deals sourced through sponsor relationships. While this may be so for middle market direct lending, it is not always true for investment grade private credit (Exhibit 9). **Structure and pricing can be the same or better in intermediated deals than in direct deal flow—and secondary liquidity is much higher.**

Many direct investors in the investment grade private credit market are primarily driven to satisfy significant internal demand for long-dated, high quality assets. Their massive portfolios demand a large, steady stream of private deal placements regardless of market or credit conditions.

Exhibit 9: No deal sourcing method carries a dependable spread advantage over other methods

Intermediated deals				
	Infrastructure	Corporate	Corporate	ABF
Industry	Midstream energy	Metals & mining	Oilfield services	Airlines
Rating	Voya IM: BBB- (Moody's: Baa3)	Voya IM: BBB- (Egan-Jones: BBB+)	Voya IM: BBB- (Fitch: BBB-)	Voya IM: A (class A); BBB (class B)
Size; tranches	\$1,077.8mn; 11.5-year series A & series B tranches	\$225mn; 7- and 10-year tranches	\$122mn; 3- and 7-year tranches	\$446mn; 7-year class A & class B tranches
Spread to Treasuries	230 bp; 425 bp	310 bp; 340 bp	320 bp; 360 bp	350 bp; 475 bp
Spread to public equivalent	56 bp; 217 bp	117 bp; 96 bp	196 bp; 169 bp	134 bp; 106 bp
Covenants	Change of control put at par, sale of assets limit, cross-default or cross acceleration for covenant default, debt service reserve account requirement, limit on indebtedness, restricted payments, and more.	Controls on debt/net worth, minimum net worth, a minimum current ratio, priority debt, an anti-Cookson provision, a cross default to other material financings, and a put option upon a change of control.	Interest coverage ratio test (>3.0x), total debt / distributed cash (<4.0x), minimum net worth test, and more.	Debt service coverage ratio test, overcollateralization test, look-through loan to value and concentration limits, and more.
Voya role; participants	Voya co-lead; 14 investors	Voya lead; 6 investors	Voya lead; 5 investors	Voya third largest investor; 12 investors
Direct and club deals				
	Corporate	Infrastructure	Corporate	Infrastructure
Industry	Transportation services	Midstream energy	Gaming	Midstream energy
Rating	Voya IM: BBB (Fitch & DBRS: BBB)	Voya IM: BBB	Voya IM: BBB- (S&P: BBB-)	Voya IM: BBB (Fitch: BBB+)
Size; tranches	\$500mn; 5-, 12-, 13-, and 15-year tranches	\$100mn; 15-year tranche	\$37.5mn; 7-year tranche	\$89.2mn; 29.6-year final/18.1-year WAL)
Spread to Treasuries	155b bp; 195 bp; 195 bp; 200 bp	290 bp	275 bp	247 bp
Spread to public equivalent	71 bp; 80 bp; 77 bp; 76 bp	69 bp	73 bp	59 bp
Covenants	Leverage test, EBITDAR/ fixed charge coverage test, priority debt test, sale of assets test, restrictions on acquisitions, standard T+50bps call provision.	Combined net leverage test, net leverage test inclusive of off-balance-sheet guarantees, interest coverage test, sale of assets test, restricted payments test, cross-default, and a two-way MFL.	Net debt/EBITDA test of 3.75x with incremental 75 bps coupon step-up above 3.5x, EBITDA/interest test of 3.0x, net debt/cap test of 75%, sale of assets test of 15% per year with a cumulative cap of 25%, a priority debt test of 10% of tangible assets, cross default, event of default if certain casino licenses ending have a material adverse effect, coupon step-up of 125 bps if downgraded to below investment grade, an MFL, standard T+50 bps call provision.	Debt incurrence limit, change of control put at par, 6-month debt service reserve, and more.
Voya role; participants	Voya lead; 11 investors	Direct	Voya co-lead; 2 investors	Club; agented

Source: Voya IM.

While Voya participates in all four channels, **we focus on maximizing fully distributed and limited distribution deals, in order to achieve sufficient diversification of lenders for exit liquidity.** We are active in club and direct deals, and access to these deals does increase deal flow. However, it is our experience that direct deals do not reliably offer covenant or yield advantages over the agent deals.

Pricing and investment process

Pricing in the investment grade private credit market is usually accomplished through **matrix pricing against equivalent public bonds** of similar term, rating, and sector. This approach works best for private placements that closely resemble public bonds. More complex or bespoke transactions are still priced relative to the nearest public comparables, but generally carry a premium due to the lack of direct benchmarks. Even when third-party services are brought in to price a transaction, such as when an intermediary consults on a direct deal, those third parties are themselves using matrix pricing.

In our experience, **pricing in the investment grade private credit market has been reliable**, as evidenced by the fact that investors have generally been able to sell holdings at close to marked levels.

Historically, participants have marked investments to market monthly by reapplying the matrix. This was originally driven by insurance companies' need to validate large private credit portfolios (up to thousands of CUSIPs in a single general account) for audit purposes.

The market is now shifting towards daily pricing, reflecting its evolution beyond its life insurance roots.

Specifically, daily pricing permits greater defined benefit and defined contribution pension involvement in the market and facilitates the use of duration overlays.

When an intermediary launches a new transaction into the marketplace, it is reviewed by the largest participants, who submit bids on pricing and terms. If their bid is accepted, the investor is included in the deal. **Often, investors will have comments on the legal documents or covenants, making each transaction a uniquely negotiated deal.** Each tier one investor has minimum and maximum bid sizes allocated to them based on the overall deal size; Voya Investment Management is consistently ranked in the top tier of allocations versus peers.¹⁰

Once the deal points are negotiated, the investors commit to (or “circle”) the transaction. After that, the investors conduct further due diligence—generally an on-site visit, touring key facilities of the company and meeting the next line of operational management. In certain cases (such as repeat issuers to the private market, a directly originated deal with an existing borrower, or a project finance deal that is not yet under construction), a conference call with senior management may suffice. With a project finance deal, an analyst will make an on-site review once significant construction progress is achieved. After due diligence is completed, investors will finalize the documentation.

Due to the bespoke nature of the asset class, **most investors prefer to access the market through portfolio mandates with the largest purchasers in the private placement market.** These mandates are flexible, allowing exposures to be tailored to specific client needs.

¹⁰Voya IM; Crédit Agricole.

Liquidity in the investment grade private credit market

There is an active secondary market for investment grade private credit. Voya estimates that 3-4% of annual issuance, or about \$7-8 billion, is traded in any given year. This is helped along by the fact that **85% of market deals involve an intermediary with knowledge of other participants** who may be wanting to increase allocations.

It is worth noting that **investment grade private credit is much easier to sell than buy** due to the seemingly bottomless appetite of investors for the asset class. This means that the time to ramp up a portfolio may vary depending on the portfolio guidelines. However, **sell-side liquidity is available, even in extreme markets**. We estimate that two-thirds of an investment grade private credit portfolio could be sold within three weeks at less than a 10% discount during an event like the global financial crisis.

This discount may even narrow over the next few years due to the market's move to daily pricing and the rising popularity of private credit secondaries funds among both retail and institutional investors.

Legally, a holder can sell its position in a private placement subject to the securities laws and any contractual limitations in the relevant note purchase agreement. **A majority of private placements do not have any contractual limitations on transfer**; the most common limitation is to limit sale of the notes to

a competitor of the issuer, which is generally not much of a limitation.

The Voya advantage

The last decade has seen investment grade private credit grow from its origins as a mainstay of insurance company general accounts into a broader institutional investor base; the next decade is likely to continue or even accelerate this trend as the switch to daily pricing increases both the market's available portfolio data and its number of participants.

We believe the asset class will continue to build on this momentum, driven by its attractive characteristics:

- History of higher income with greater downside mitigation than comparable public bonds
- Wide diversity of investment opportunities
- Enhanced loss mitigation through covenants
- Proven (and improving) liquidity.

As the largest manager of third-party insurance assets in the investment grade private credit market,¹¹ Voya has **helped dozens of new entrants to the market** build successful portfolios, as well as assisting investors with an existing portfolio to have **a more personalized experience along with better deal flow and allocations**. We would welcome the opportunity to discuss how investment grade private credit could enhance your portfolios.

¹¹Clearwater Analytics, Insurance Investment Outsourcing Report 2023 (released 09/23), 2024 (released 05/24), 2025 (released 05/25), and 2026 (released 05/26)

A note about risk

Private placements are generally investment grade assets, and like all investments, there are risks associated with investing in a portfolio of private placements. Risks described below are not all-inclusive, and before making an investment in a portfolio of private placements, investors should carefully consider such an investment.

The primary risk to an investment in private placements is credit risk. Credit risk is the risk of non-payment of scheduled interest or principal payments on a debt instrument. In the event a borrower fails to pay scheduled interest or principal payments on its debt, a portfolio of private placements would experience a reduction in its income and a decline in market value.

Private placements generally involve less risk than unsecured or subordinated debt and equity instruments of the same issuer because the payment of principal and interest on private placements is a contractual obligation of the issuer that, in most instances, takes precedence over the payment of dividends, or the return of capital to the borrower's shareholders and payments to public bond holders. In the event of the bankruptcy of a borrower, a creditor could experience delays in receiving regular payments of interest and principal and may not receive the full repayment of its principal.

Portfolios of private placements are also subject to interest rate risk. One risk related to interest rates is the potential for changes in the interest rate spreads for private placements in general. To the extent that changes in market rates of interest are reflected not in a change to the base rate, the U.S. Treasury, but in a change in the spread over the base rate which is payable on loans of the type and quality in which a portfolio invests, a portfolio of private placements could also be adversely affected. This is because the value of a debt is partially a function of whether it is paying what the market perceives to be a market rate of interest, given its individual credit profile and other characteristics.

However, unlike changes in market rates of interest for which there is only a temporary lag before a portfolio reflects those changes, changes in a placement's value based on changes in the market spreads on loans may be of longer duration. If spreads rise as described above, for example, in response to deteriorating overall economic conditions and/or excess supply of new loans, the principal value of private placements

may decrease in response. On the other hand, if market spreads fall, the value of private placements may increase in response, but borrowers also may renegotiate lower interest rates on their debts or pay off their debts by refinancing at such lower rates. In that case, the borrowers would be required to pay a make-whole amount, which would mitigate the risk. Private placements trade in a private, unregulated market directly between loan market participants; although most transactions are facilitated by broker-dealers affiliated with large commercial and investment banks. As a result, purchases and sales of private placements typically take longer to settle than similar purchases of bonds and equity securities. In addition, because private placement transactions are directly between investors, there can be greater counterparty risk.

Moreover, despite the increase in the size and liquidity of the private placement market, the market is still relatively illiquid, particularly when compared to the markets for bonds and equities. As a result, portfolios invested in private placements may experience difficulties and delays in purchasing or selling private placements, with resulting adverse impacts upon the prices obtained. During periods of severe market dislocation, such as occurred at the end of 2007 and during 2008, the market can experience severe illiquidity and significantly depressed prices.

Finally, many borrowers are private companies and/or companies that have not issued other debt that is rated by rating agencies such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings. As a result, investment decisions related to private placements may be based largely on the credit analysis performed by the adviser to the fund or portfolio making the investments, and not on rating agency evaluation. This analysis may be difficult to perform.

Information about a private placement and the related borrower generally is not in the public domain, since private companies and companies that have not issued public debt or securities are not subject to reporting requirements under federal securities laws. However, borrowers are required to regularly provide financial information to lenders, typically in much greater detail than is available in the public markets. Furthermore, information about borrowers may be available from other private placement participants or agents who originate or administer private placements.

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