Commentary | 4Q22

Voya Credit Income Fund

Access to a Broad Range of Credit Sectors through Closed-End Interval Fund

Strategy overview

Actively managed, ultra-short duration floating-rate income strategy that invests primarily in privately syndicated, below investment-grade senior secured corporate loans.

Key takeaways

- Both the loan and the high yield (HY) market benefitted from an improved macro backdrop, although HY outperformed given the decline in government bond yields.
- The Fund underperformed its benchmark, the 50% Bloomberg High Yield Bond —2% Issuer Constrained Composite Index/ 50% Morningstar LSTA US Leveraged Loan Index (the benchmark) during the quarter on a net asset value (NAV) basis.
- We believe 2023 has many of the same issues in store that affected markets in 2022, but we also hope to see some resolution as the cycle matures.

Portfolio review

Yields continued to zig-zag in 4Q22, with the bond market influenced by inflation and the US Federal Reserve actions. The start of 4Q22 saw a continued rise in interest rates, driven primarily by additional upside surprises in inflation and payroll reports. The Fed hiked rates an additional 75 basis points (bp) in November but then laid the groundwork for smaller hikes going forward. The more dovish comments fueled a rally across rates and credit markets which was extended when November Consumer Price Index data came in better than expected adding to the optimism that inflation may have finally peaked.

Both the loan and the HY market benefitted from this macroeconomic news, although HY outperformed given the decline in government bond yields. Starting with the loan market, the Morningstar® LSTA ® US Leveraged Loan Index (loan Index) returned 2.74% during the quarter. The average loan index bid price increased by 24 bp to 92.44, primarily attributable to firmer trading levels in the first two month of the quarter, as December experienced some modest price declines. In line with the prior two quarters, a continued flight to quality theme was evident, with returns for BB, B and CCC rated loans coming in at 3.93%, 2.80%, and –2.05%, respectively. In HY, the Bloomberg U.S. High Yield 2% Issuer Constrained Index (high yield Index) returned 4.17% for the period. Spreads narrowed meaningfully, ending the quarter 93 bp tighter with an option-adjusted spread (OAS) of 469 bp. By ratings, the HY market produced positive returns across the credit stack, with BB rated bonds returning 4.30%, B rated bonds returning 4.93% and CCC rated bonds returning 0.51%.

New-issue supply remained muted in both markets given difficult backdrop for new issuance along with a touch of seasonality, while investor demand was stronger in the loan market given persistent collateralized loan obligation (CLO) bid. Leveraged Commentary & Data reported institutional loan volume of $35.7 billion during the quarter, while HY bond issuance was just $15.4 billion in aggregate across both secured and unsecured volumes. CLO issuance totaled $22 billion in 4Q22, while measurable retail fund flows were negative in loans and positive in HY.

An investor should consider the investment objectives, risks, charges and expenses of the Fund(s) carefully before investing. For a free copy of the Funds' prospectus, or summary prospectus, which contains this and other information, visit us at www.voyainvestments.com or call (800) 992-0180. Please read the prospectus carefully before investing.

Class I shares of the Fund underperformed the benchmark on a NAV basis. As of June 30, 2022, the Fund's strategy, benchmark and portfolio management team have changed, and the Fund was renamed to Voya Credit Income Fund. Since the effective date of those changes, we have been transitioning the portfolio of investments from the former Senior Income Fund Strategy to the new Credit Income Fund Strategy. Over the quarter, a decision was made to underweight in HY bonds, relative to the 50/50 benchmark, given the current interest rate environment. The Fund's underweight in HY bonds and overweight to senior loans was a slight negative to relative returns, given the outperformance of HY bonds versus loans over the quarter. Within the individual allocations, the loan allocation was negatively impacted by technical trading pressures on smaller, less illiquid term loans in the distressed portion of the loan market, namely 24 Hour Fitness Worldwide, Inc, GTT Communications, Inc. and Yak Mat. The drag created by these exposures was only partially offset by not owning a position in Cineworld, a movie theater operator that continues to struggle following the Covid shutdown. In the HY allocation, sector level outperformance was driven by credit selection in retailers (offset somewhat by allocation), metals and mining, as well as chemicals. Our positioning in gaming and media and entertainment detracted from performance, with the former due to an underweight in Macau-based casinos, which rallied on news of changes in China's Covid policy. On a ratings basis, our CCC and BB rated issuer names outperformed their respective HY cohorts, while our B rated issuer positions underperformed. Away from investment-level performance, the Fund's use of leverage helped boost returns given the increase in average loan and bond prices experienced during the period.

Current strategy and outlook

We believe 2023 has many of the same issues in store that affected markets in 2022, but we also hope to see some resolution as the cycle matures. In this report, we highlight our main views for the new year and identify the various risks and opportunities in leveraged credit markets today. Notable macro themes for 2023 include slower global growth with a heightened possibility of a recession, deceleration from peak inflation levels, less aggressive and less synchronized central bank policy, lower rate volatility, and continued geopolitical risks. While macro news will have an impact on technical factors, fundamental factors will likely be a bigger story given weaker earnings environment, prospect of elevated downgrades and defaults and continued ratings and sectoral dispersion among weaker credit profiles (particularly in loans). However, some of the downside is already reflected in current valuations (loans prices in low-90s and HY OAS at roughly 470 bp) and combined with high starting all-in yields, we believe leveraged credit still offers fairly attractive relative value but acknowledge the need for credit selection and careful monitoring given the late-cycle backdrop.

Holdings detail

Companies mentioned in this report – percentage of Fund investments, as of 12/31/22: 24 Hour Fitness Worldwide, Inc. 0.33%, GTT Communications, Inc. 0.16%, Yak Mat 0.27% and Cineworld 0%; 0% indicates that the security is no longer in the portfolio. Portfolio holdings are subject to daily change.

The **Morningstar® LSTA ® US Leveraged Loan index** is an unmanaged total return index that captures accrued interest, repayments, and market value changes. The index does not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an Index.**

Bloomberg U.S. High Yield 2% Issuer Constrained Index is an unmanaged index that covers U.S. corporate, fixed-rate, non-investment grade debt with at least one year to maturity and at least $150 million in par outstanding. Index weights for each issuer are capped at 2%.

Principal Risks: All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield. **Investment Risks:** The Fund invests primarily in below investment grade, floating rate senior loans (also known as "high yield" or "junk" instruments), which are subject to greater levels of liquidity, credit, and other risks than are investment grade instruments. There is a limited secondary market for floating rate loans, which may limit the Fund's ability to sell a loan in a timely fashion or at a favorable price. If a loan is illiquid, the value of the loan may be negatively impacted and the manager may not be able to sell the loan in order to meet redemption needs or other portfolio cash requirements. The value of loans in the Fund could be negatively impacted by adverse economic or market conditions and by the failure of borrowers to repay principal or interest. A decrease in demand for loans may adversely affect the value of the Fund's investments, causing the Fund's net asset value to fall. Because of the limited market for floating rate senior loans, it may be difficult to value loans in the Fund on a daily basis. The actual price the Fund receives upon the sale of a loan could differ significantly from the value assigned to it in the Fund. The Fund may invest in foreign instruments, which may present increased market, liquidity, currency, interest rate, political, information, and other risks. These risks may be greater in the case of emerging market loans. Although interest rates for floating rate senior loans typically reset periodically, changes in market interest rates may impact the valuation of loans in the portfolio. In the case of early prepayment of loans in the Fund, the Fund may realize proceeds from the repayment that are less than the valuation assigned to the loan by the Fund. In the case of extensions of payment periods by borrowers on loans in the Fund, the valuation of the loans may be reduced. The Fund may also invest in other investment companies and will pay a proportional share of the expenses of the other investment company. **Derivative Instruments:** Derivative instruments are subject to a number of risks, including the risk of changes in the market price of the underlying securities, credit risk with respect to the counterparty, risk of loss due to changes in interest rates and liquidity risk. The use of certain derivatives may also have a leveraging effect which may increase the volatility of the Fund and reduce its returns. Other investment risks of the Fund include, but are not limited to: **Equity Securities, Foreign Investments, High-Yield Securities, Leverage, Liquidity, Prepayment and Extension. Investors should consult the Fund's prospectus and statement of additional information for a more detailed discussion of the Fund's risks. An investment in the Fund is not a bank deposit and is not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.**

This commentary has been prepared by Voya Investment Management for informational purposes. Nothing contained herein should be construed as (i) an offer to sell or solicitation of an offer to buy any security or (ii) a recommendation as to the advisability of investing in, purchasing or selling any security. Any opinions expressed herein reflect our judgment and are subject to change. Certain of the statements contained herein are statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (1) general economic conditions, (2) performance of financial markets, (3) interest rate levels, (4) increasing levels of loan defaults (5) changes in laws and regulations and (6) changes in the policies of governments and/or regulatory authorities. **Past performance is no guarantee of future results.**

The opinions, views and information expressed in this commentary regarding holdings are subject to change without notice. The information provided regarding holdings is not a recommendation to buy or sell any security. Portfolio holdings are fluid and are subject to daily change based on market conditions and other factors.

The Fund discussed may be available to you as part of your employer sponsored retirement plan. There may be additional plan level fees resulting in personal performance to vary from stated performance. Please call your benefits office for more information.

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.performance. Please call your benefits office for more information.

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.

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