

Voya Leveraged Credit Group – Senior Loan Talking Points



Jeff Bakalar
Group Head, Chief
Investment Officer,
Leveraged Credit
Group



Mohamed Basma, CFA
Managing Director,
Head of Senior
Loans & Global
CLO



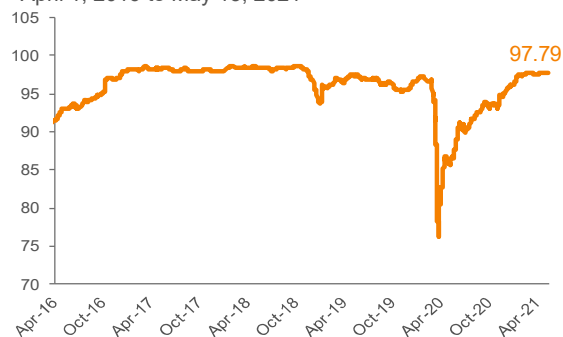
Tamara Wiegand
Vice President,
Client Portfolio
Manager

Weekly Notables

- In a week marked by volatility in broad risk markets related to concerns around inflation, the U.S. loan market maintained a steady pace, as the S&P/LSTA Leveraged Index (the “Index”) posted an advance of 0.09% for the seven-day period ended May 13. While returns were mostly driven by interest-carry, market value gains were also captured with the average Index bid price moving up two basis points in the weekly reading.
- Turning to supply, issuance in the primary market amounted to \$9.4 billion, surpassing last week’s total of \$7.2 billion. LBO and M&A-related transactions were the primary drivers for the uptick, as refinancing activity was relatively quiet. In the forward pipeline, repayments now outstrip new supply by about \$2 billion, compared to net new supply of \$1.2 billion in the prior estimate.
- In the secondary market, levels were generally unchanged from last week. On the other hand, the pace of allocations has slowed relative to the robust pace seen for most of the year.
- Demand for floating rate assets remained in high gear this week, as both segments of measurable investor demand (CLO activity and retail fund flows) showed strength. CLO managers issued six new deals, bringing the YTD level to \$55.8 billion. Meanwhile, loan funds posted an aggregate inflow of \$761 million for the week ended May 12 according to Lipper; YTD inflows are at \$15.6 billion.
- The Index experienced another default-free week.

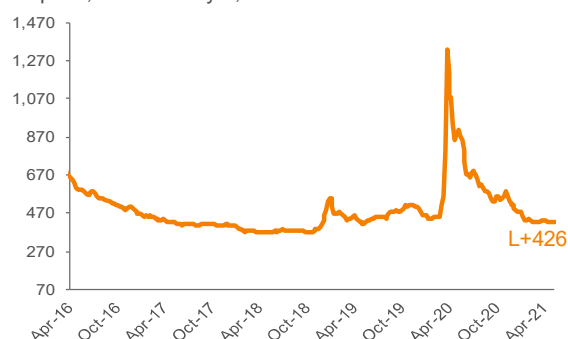
Average Bid: S&P/LSTA LLI

April 1, 2016 to May 13, 2021



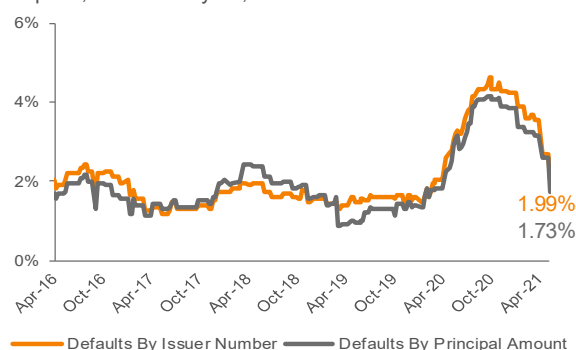
Average 3-YR Call Secondary Spreads: S&P/LSTA LLI ^{1,2}

April 1, 2016 to May 7, 2021



Lagging 12-Month Default Rate: S&P/LSTA LLI³

April 1, 2016 to May 13, 2021



| Index Stats | | | | | | |
|----------------|----------------|--------------------|------------------|------------------|------------------|------------------|
| | Nominal Spread | Weighted Avg Price | MTD Total Return | MTD Price Return | YTD Total Return | YTD Price Return |
| S&P/LSTA Index | 3.67% | 97.79 | 0.13% | -0.02% | 2.43% | 0.94% |
| BB Loans | 2.75% | 99.09 | 0.05% | -0.06% | 1.08% | -0.04% |
| B Loans | 3.98% | 99.00 | 0.13% | -0.03% | 2.24% | 0.63% |
| CCC Loans | 5.15% | 91.90 | 0.41% | 0.20% | 8.21% | 5.90% |

Source: S&P/LCD, S&P/LSTA Leveraged Loan Index and S&P Global Market Intelligence. Additional footnotes and disclosures on back page. **Past performance is no guarantee of future results. Investors cannot invest directly in the Index.**

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 May 7, 2021.

² Excludes facilities that are currently in default.

³ Comprises all loans, including those not tracked in the 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.

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.

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) changes in laws and regulations and (4) changes in the policies of governments and/or regulatory authorities. 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. Fund holdings are fluid and are subject to daily change based on market conditions and other factors.

Voya Investment Management Co. LLC ("Voya") is exempt from the requirement to hold an Australian financial services license under the Corporations Act 2001 (Cth) ("Act") in respect of the financial services it provides in Australia. Voya is regulated by the SEC under US laws, which differ from Australian laws. This document or communication is being provided to you on the basis of your representation that you are a wholesale client (within the meaning of section 761G of the Act), and must not be provided to any other person without the written consent of Voya, which may be withheld in its absolute discretion.

Past performance is no guarantee of future results.

Approved for client/investor use. Compliance ID 1649875