Voya Floating Rate Fund

An Attractive Income Option for a Strategic Allocation

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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

- The fourth quarter of 2024 was characterized by resilient labor market dynamics, strong economic growth and sticky inflation.
- On a net asset value (NAV) basis, Class I shares of the Fund outperformed the Index.
- Looking forward, we expect economic growth to remain resilient.

Portfolio review

The fourth quarter of 2024 was characterized by resilient labor market dynamics, strong economic growth and sticky inflation. The impact on fixed income performance was mixed, with yields rising and credit spreads tightening, leading to modestly negative returns for most fixed income sectors. However, loans remained resilient, finishing the quarter strong with a positive return of 2.27%, up from 2.04% in 3Q24. This brings the 2024 full-year return to 8.95%, marking the second-best performance in eight years, behind 13.32% in 2023. The average bid price gained 62 basis points (bp), closing out the year at 97.33. Looking at ratings, single-B rated loans outperformed this quarter, posting gains of 2.51%, followed by double B and CCC-rated loans with positive returns of 2.21% and 0.17%, respectively. On a year-to-date basis, single-B rated loans outperformed with a total return of 9.55%.

Strong demand has sparked a record wave of repricing activity. Total repricing volume was $153 billion in December, bringing 2024 total repricing volume to a record of $800 billion. Excluding repricings and amendments, total institutional volume was about $98.4 billion in 4Q24 and roughly $502 billion YTD (more than double the 2023 and 2022 volume). On the investor side, both institutional and retail demand increased this quarter as compared to the previous quarter. Collateralized loan obligations issuance grew to $59.5 billion, versus $40.6 billion in 3Q24 and $31.9 billion in 4Q 2023. 2024 full-year issuance set a new annual record at $201 billion with AAA rated loan spread meaningfully declining. On the retail side, the asset class saw a huge inflow of $6 billion, versus an outflow of $4.6 billion last quarter. Overall, 2024 was a positive year for the asset class, with retail funds recording a net inflow of $9.6 billion, a significant turnaround from the $17 billion net outflow in 2023.

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

There were five defaults in the Index during the quarter. The trailing 12-month default rate by principal amount increased to 0.91% from 0.80% in September.

On a NAV basis, Class I shares of the Fund outperformed the Index. By ratings, the Fund's primary relative contributor stemmed from selection in single-B rated loans. Additionally, underweight and selection in CCC rated loans added to performance. By industry, selection in the software space, IT Services, food products and healthcare providers and services contributed to this quarter's performance. At an issuer level, the fund benefited from the avoidance of underperforming loans, most notably the avoidance of Newfold Digital Holdings Group, Inc. and Quest/One Identity. Away from loan-level performance, the Fund's exposure to high yield (HY) bonds slightly detracted from performance, as the HY bond market underperformed loans in 4Q24 (0.17% return for the Bloomberg U.S. Corporate High Yield Index).

Portfolio and positioning changes were both mostly minimal during the period. The number of individual names in the portfolio decreased from 343 to 330.

Current strategy and outlook

Looking forward, we expect economic growth to remain resilient. The recent election outcome further strengthens this view given the focus on growth and deregulation. On the other hand, uncertainties around United States–China relations remain an area of focus given the prospects for tariffs and ongoing trade tensions in the era of Trump 2.0. We believe the rhetoric from the administration will serve as a negotiating tactic, but actual policy will be watered down to have less of a negative impact.

Overall, the current backdrop will remain favorable for loans. Although demand should remain strong due to expected strong CLO issuance, stronger net supply will counterbalance technical factors as mergers and acquisitions activity ramps up. The strong macro backdrop and easing cycle is expected to provide ongoing support to credit fundamental factors. While valuations are on the richer side, high carry should continue to cushion returns and protect from spread-widening events absent an external shock. Credit selection remains key, as the market continues to be bifurcated between the "haves" and "have-nots." In terms of positioning, we continue to maintain our high single B rated loan profile and remain cautious on cyclically challenged media and telecom sectors.

Holdings detail

Companies mentioned in this report-percentage of Fund investments, as of 12/31/2024: Newfold Digital Holdings Group, Inc. 0% and Quest/One Identity 0%. 0% indicates that the security is no longer in the portfolio. Portfolio holdings are subjected to change on a daily basis.

Read our Fund Fact Sheet

The **Morningstar LSTA Leveraged Loan Index** is designed to measure the performance of the 100 largest facilities in the US leveraged loan market. Index constituents are market-value weighted, subject to a single loan facility weight cap of 2%.Index returns do not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an index.**

All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. You could lose money on your investment and any of the following risks, among others, could affect investment performance. The following principal risks are presented in alphabetical order which does not imply order of importance or likelihood: Asset-Backed Securities; Bank Instruments; Cash/Cash Equivalents; Collateralized Loan Obligations and Other Collateralized Obligations; Covenant-Lite Loans; Credit (Loans); Credit Default Swaps; Currency; Demand for Loans; Derivative Instruments; Environmental, Social, and Governance (Fixed Income); Equity Securities Incidental to Investments in Loans; Foreign (Non-U.S.) Investments/ Developing and Emerging Markets; Foreign (Non-U.S.) Investments for Floating Rate Loans; High-Yield Securities; Interest in Loans; Interest Rate for Floating Rate Loans; Limited Secondary Market for Loans; Liquidity for Floating Rate Loans; Market Disruption and Geopolitical; Other Investment Companies; Prepayment and Extension; Repurchase Agreements; Sovereign Debt; Valuation of Loans. **Investors should consult the Fund's Prospectus and Statement of Additional Information for a more detailed discussion of the Fund's risks.**

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.

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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. **Past Performance does not guarantee future results**

Credit quality is calculated based on S&P, Moody's and Fitch ratings. Generally accepted, AAA is the highest grade (best) to D which is the lowest (worst). If the ratings from all 3 rating agencies are available, securities will be assigned the median rating. If the ratings are available from only two of the agencies, the more conservative of the ratings will be assigned to the security. If the rating is available from only one agency, then that rating will be used. Any security that is not rated is placed in the NR (Not Rated) category. Ratings do not apply to the Fund itself or to the Fund shares. Ratings are subject to change.

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