

Voya Senior Income Fund

Senior Loan Access through Closed-End Interval Fund

Strategy Overview

Investment Objective*

The Fund seeks to provide investors with a high level of current income.

Main Investments

The Fund generally invests in below-investment-grade, floating-rate loans. It may also invest in senior or subordinated fixed rate debt instruments, interest rate swaps and futures or forward contracts.

* There is no guarantee that this objective will be achieved.

Key Takeaways

- U.S. senior loans, as represented by the S&P/LSTA Leveraged Loan index, posted a total return of 1.68% for the second quarter
- Institutional loan issuance extended their weaker pace since the start of first quarter, while collateralized loan obligation (CLO) activity remained robust, nearly in line with 2018's record volume
- For the quarter, the Fund return underperformed the benchmark

Current Strategy and Outlook

The U.S. senior loan market down-shifted some during the second quarter, as the index returned 1.68%, compared to the first quarter's record gain of 4.00%. This reversion to a more normalized pattern was largely expected given the magnitude of the demand-shock-related drawdown of fourth quarter 2018 (-3.45%) and the ensuing first quarter technical recovery. Nonetheless, the market performed soundly during second quarter, buoyed by a firmer technical (i.e., demand vs. supply) footing, which helped boost the weighted average bid of the index by 25 basis points (bps).

Institutional loan issuance continued to lag behind last year's pace, on both a quarterly and year-to-date basis. At \$70.1 billion, the second quarter's primary volume was the lowest three-month figure since the first quarter of 2016. The main culprit behind the lull was the lack of fresh merger and acquisition (M&A) issuance. Total acquisition-related financings from private equity-controlled issuers (including leveraged buyouts as well as other M&A) was \$26.1 billion, a six-quarter low and well below the \$40 billion quarterly average over the last three years. As for investor demand, to no one's surprise mutual fund flows (historically, very highly correlated to short-term rate expectations) remained negative to the tune of \$10.1 billion for the three-month period. However, collateralized loan obligation (CLO) issuance, which constitutes the majority of loan take-up globally, was a robust \$35.8 billion for the second quarter.

Returns by rating cohorts were positive across the board for the quarter, led by the higher-rated component of the market. BB-rated loans, which experienced the strongest selloff in 2018 and currently account for roughly 30% of the index, have rebounded more strongly than lower-rated credits. For the quarter, BB-rated loans returned 1.82%, compared to B-rated loans (1.72%) and CCC-rated loans (1.12%). Default activity picked up a bit, with seven index constituents defaulting during the quarter. Still, the 12-month trailing default rate, while rising, remained relatively low at 1.34% (0.93% at the end of the first quarter).

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.

Continuing that theme, the broad fundamental credit risk landscape – generally speaking - is expected to stay fairly benign through the balance of the year, and likely into 2020. Nonetheless, overall investor sentiment remains highly correlated to macro developments, particularly as they relate to the ongoing trade negotiations between the U.S. and its key trading partners. Nervousness around the trade situation has, however, been met with the Federal Reserve (Fed) signaling (or perhaps more appropriately, the broad markets firmly expecting) a willingness to reduce rates. The prospect of a rate cut is obviously not a direct positive for floating rate asset classes.

While we are not forecasting the probability of Fed action in any case, we remain more concerned about broad market reaction to any “mis-messaging” and less concerned about the immediate impact to the internal workings of the loan market. Regardless, we anticipate volatility to remain on the high side until further clarity develops in both areas (trade and rates). We remain generally comfortable with the overall soundness of loan market fundamentals and continue to find the absolute and relative value afforded by loans as attractive. Given this view, our overall positioning has not materially changed. We continue to focus on avoiding idiosyncratic credit and undue sector risk, while maintaining an appropriate diversification profile.

Portfolio Review

For the quarter ended June 20, 2019, the Fund underperformed its benchmark, the S&P/LSTA Leveraged Loan index (index), which reflects only loan-level performance. At the investment level, the primary industry detractor was due to holdings in the retailers (except food and drug) sector. In particular, the Fund was negatively impacted by overweight positions to the following loans: Tailored Brands (previously known as Men’s Warehouse) and Jo-Ann Stores, Inc. The average bid on loans issued by both retailers were adversely effected by weaker than

expected quarterly results. This was further exacerbated by the current negative investor sentiment in the retail sector. Also detracting at the issuer level was the Fund’s holding in Lumileds, which reported weaker revenue generation and general softness across the company’s end markets (primarily industrial and automotive lighting). Additionally, the portfolio’s underweight to lower-spread BB-rated loans was a drag on performance given the strong bid for relatively higher quality assets during the quarter. On the other hand, the Fund benefited from selection in oil and gas, health care and electronics/electrical.

The largest relative positive individual contributor was an overweight to Maxar Technologies Ltd. (the electronics/ electrical sector). Its loans gained momentum on the announcement that the company would receive the full \$183 million of insurance proceeds from the loss of one of its satellites. Furthermore, Maxar Technologies reported first quarter results that were slightly better than expected and announced a new contract win from NASA. Both developments had a positive impact on investors’ outlook for the company.

The use of leverage was a benefit to performance, as the loan market experienced strong market value returns in April, which more than offset the market value losses in the months of May and June.

Diversification measures remained robust, with 322 individual issuers and 35 different industry sectors represented in the Fund.

Holdings Detail

Companies mentioned in this report – percentage of portfolio investments, as of 6/30/19: Jo-Ann Stores 0.60%, Tailored Brands 0.63%, Lumileds 0.41%, Maxar Technologies Ltd. 0.72%; 0% indicates that the security is no longer in the portfolio. Portfolio holdings are subject to change on a daily basis.

The **S&P/LSTA 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.**

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.**

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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.

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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