Voya Credit Income Fund

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

Strategy overview

Actively managed strategy that may invest across a broad range of credit sectors, including corporate debt securities, loans, high yield debt securities, and collateralized loan obligations ("CLOs").

Key takeaways

- The first quarter of 2025 was marked by volatility in fixed income markets, primarily driven by tariff policies and associated economic uncertainty.
- Class I shares of the Fund underperformed the benchmark on a net asset value (NAV) basis, the 50% Bloomberg High Yield Bond—2% Issuer Constrained Composite Index/ 50% Morningstar LSTA US Leveraged Loan Index (benchmark).
- The macro outlook is less supportive for spreads, as uncertainty around trade policy will continue to lead to higher volatility in risk markets.

Portfolio review

Class I shares of the Fund underperformed the benchmark on a NAV basis for the quarter. The underperformance was driven by fees, as the Fund outperformed on a gross basis. Broadly speaking, the Fund's underweight to the stressed tail and more defensive posture within sectors most sensitive to tariff news and negative macro headlines provided a benefit to relative performance. Across sectors, the Fund benefited from security selection within the technology as well as healthcare and pharma sectors due to its exposure to select outperforming credits, as well as energy, primarily due to its preference for midstream over exploration and production (E&P). In contrast, the Fund was negatively impacted by security selection within the building materials space. Meanwhile, asset allocation impact was modestly negative given the Fund's slight overweight to the loan market during the quarter.

VOYA® INVESTMENT MANAGEMENT

The first quarter of 2025 was marked by volatility in fixed income markets, primarily driven by tariff policies and associated economic uncertainty. Despite robust job gains and a low unemployment rate, risk assets underperformed on the quarter. Uncertainty around the timing and magnitude of tariffs targeting Mexico, Canada and China, which were announced by President Trump at his inauguration, and the potential for an escalating trade war, drove credit spreads wider. Similarly, rates fell during the quarter in response to lower growth expectations, which helped deliver positive total returns for most fixed income sectors. The U.S. Federal Reserve maintained a cautious stance during the quarter, resisting further interest rate cuts after having cut rates by 100 basis points (bp) in 2024. The Fed cited stronger than expected economic data as reasons for not cutting rates further. However, in response to tariffs, the updated Summary of Economic Projections (SEP) released following the March meeting showed the median projection for growth moving lower, while inflation projections were higher; however, there was no change to rate expectations, with the median projection still indicating one to two cuts through year end.

The backdrop softened for leveraged credit. Loan prices fell by roughly a point during the quarter, while high yield (HY) bond spread widened by 60 bp on an option-adjusted spread (OAS) basis. Despite this, both segments still produced positive total returns for the period, as the Morningstar LSTA US Leveraged Loan Index returned 0.48%, while the Bloomberg U.S. High Yield 2% Issuer Constrained Index gained 1.00%. Looking at credit quality—unlike the prior quarter and much of 2024—lower quality underperformed as risk appetite soured due to the increased uncertainty in the market. BB, B and CCC rated loans returned 0.93%, 0.35% and –0.57%, respectively, while BB, B and CCC rated bonds delivered respective returns of 1.94%, 0.74% and –0.44%. The new-issue market remained active, although volumes continued to primarily reflect refinancing supply. On the demand side, investor flows into leveraged credit remained strong across the measurable investor segments. Collateralized loan obligation (CLO) issuance had a solid quarter to start the new year, while flows remained broadly positive within retail mutual funds and ETFs.

Current strategy and outlook

The macro outlook is less supportive for spreads, as uncertainty around trade policy will continue to lead to higher volatility in risk markets. Recent economic numbers have shown some pullback in activity as consumers and companies ponder the potential impact of U.S. trade policy. While we still believe growth remains sufficient to support credit fundamental factors, which also benefit from a relatively solid starting point, the risk of policy error and a more material slowdown in growth has increased in our view. As expected, market technical factors can turn quickly in a risk-off market with outflows picking up recently, but the underlying technical remains fairly positive with only modest expected net issuance. Although the risk of spread moving wider in the near term remains elevated, valuations have improved with the recent back-up in spreads, and the elevated carry will continue to make it difficult for leveraged credit to print negative total returns for an extended period of time, barring an unforeseen shock.

In terms of asset allocation, we remain slightly overweight to loans, which continue to have a carry advantage over HY. By rating, we maintain a Single-B average credit profile and remain focused on name-specific risk given the increased bifurcation in performance among borrowers. As macro and policy uncertainties remain top of mind, our overall sector positioning remains defensive. To that end, we continue to favor defensive sectors such as healthcare and pharma and remain underweight in autos where tariff risks remain high and have become more selective in retail, favoring businesses that have manageable exposures to tariffs. Within cyclicals, we remain cautious with the view of global growth weakening.

Holdings detail

Companies mentioned in this report—percentage of Fund investments, as of 03/31/25: N/A.

Read our Fund Fact Sheet

The **Morningstar® LSTA® US Leveraged Loan Index** tracks performance of institutional leveraged loans on a market-weighted basis, and the **Bloomberg 2% High Yield Issuer Constrained Composite Index** measures the performance of high yield corporate bonds, with a maximum allocation of 2% to any one issuer.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: Company; Covenant-Lite Loans; Credit; Credit Default Swaps; Credit Facility; Credit (Loans); Currency; Demand for Loans; Derivative Instruments; Duration; Floating Rate Loans; Foreign (Non-U.S.) Investments; Foreign (Non-U.S.) and Non-Canadian Issuers; High-Yield Securities; Interest in Loans; Interest Rate; Interest Rate for Floating Rate Loans; Interest Rate Swaps; Leverage; Limited Liquidity for Investors; Limited Secondary Market for Loans; Liquidity; Market; Market Disruption and Geopolitical; Other Investment Companies; Prepayment and Extension; Securities Lending; Special Situations; Temporary Defensive Positions; Valuation in Loans; When-Issued, Delayed Delivery, and Forward Commitment Transactions. **Limited Liquidity for Investors** the Fund does not repurchase its shares on a daily basis and no market for the Fund's Common Shares is expected to exist. To provide a measure of liquidity, the Fund will normally make monthly repurchase offers for not less than 5% of its outstanding Common Shares. If more than 5% of Common Shares are tendered for repurchase by investors, investors may not be able to completely liquidate their holdings in any one month. Shareholders also will not have liquidity between these monthly repurchase dates. **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**

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