8. Juni 2017

Senior Loans – attraktive Assetklasse trifft innovative Administration

Investmentrechtliche Rahmenbedingungen und Gestaltungsmöglichkeiten aus Sicht einer deutschen KVG

Die BayernInvest Gruppe
Vorstellung

Die BayernInvest Gruppe – das Kompetenzzentrum für institutionelles Asset Management im Konzern der BayernLB

- Die **BayernInvest Kapitalverwaltungsgesellschaft mbH** wurde 1989 gegründet:
  - Sitz ist München
  - 192 Mitarbeiter
  - Als 100%ige Tochter der BayernLB verwaltet die BayernInvest **76,18 Mrd. Euro** in
    - **Spezial-AIF**
    - **Publikumsinvestmentvermögen**
    - **Institutionellen Vermögensverwaltungsmandaten**

- Die **BayernInvest Luxembourg S.A**. wurde 1991 gegründet:
  - Sitz in Luxemburg
  - 100%ige Tochter der BayernInvest in München
  - Kerngeschäft ist der Investmentfondsservice gruppeneigener Fonds und von Drittfondsinitiatoren (Private Labelling)
  - Maßgeschneiderte Fondslösungen als Luxemburger Investmentvehikel (UCITS / AI Fonds)

Agenda

1. Das Asset Private Debt
2. Erwerbbarkeit
3. Strukturierungsmöglichkeiten
4. Konkretes Strukturierungsbespiel
5. Reporting am Beispiel eines bestehenden Spezial-AIF
6. Ihre Ansprechpartner

Klarstellung und Präzisierung

Private Debt Funds / Kreditfonds / Darlehensfonds - Präzisierung:

Originäre Kreditfonds	Sekundäre Kreditfonds
Darlehensvergabe durch den Fonds	Erwerb von Krediten – bspw. PRIVATE DEBT

Loan Participation Fund
als Synonym für
Sekundäre Kreditfonds

1. Das Asset Private Debt

1. Das Asset Private Debt

Grundsätzliche Definition und rechtliche Einordnung

Lexikalische wirtschaftliche Grunddefinition:

- Bereitstellung / Erhalt von Fremdkapital
- Außerhalb des Kapitalmarktes und Bankensektors
- Durch zumeist institutionelle Investoren
- Häufig an Unternehmen ohne Investment Grade Rating

  → **Kredite**

Rechtliche Definition und Einordnung:

- Darlehensforderung
- kein Wertpapier
- keine Verbriefung

  → **Unverbriefte Darlehensforderung i.S.d. § 221 Abs. 1 Nr. 4 KAGB**

2. Erwerbbarkeit

2. Erwerbbarkeit

Erwerbbarkeit durch OGAW-Fonds

Art. 88 Abs. 1 OGAW-Richtlinie: **Inländische und EU-OGAW** (richtlinienkonforme Publikumsfonds)

Umsetzung in Deutschland: § 20 Abs. 8 KAGB

2. Erwerbbarkeit

Erwerbbarkeit durch Alternative Investment Funds

2. Erwerbbarkeit

Erwerbbarkeit durch deutsche Alternative Investmentfonds (AIF)
Grundsätze

Inländischer Publikums-AIF: Sonstiges Investmentvermögen i.S.d. § 220 ff. KAGB

- Zulässiger Vermögensgegenstand nach § 221 Abs. 1 Nr. 4 KAGB

  ABER: Grundsätzlich Anlagebeschränkung auf **30% des NAV**

Inländischer Spezial-AIF mit festen Anlagebedingungen nach § 284 KAGB

- Zulässiger Vermögensgegenstand nach § 284 Abs. 2 KAGB
- Keine Begrenzung; Abweichung von 30%-Beschränkung möglich
- WICHTIG: Einhaltung des Grundsatzes der Risikomischung
- OGAW V UmsG: **Prolongation** und **Restrukturierung** von erworbenen Darlehen

  → Mehr Handlungsspielraum, effektivere Verwaltung, keine Einbindung einer Fronting Bank notwendig

Gesetzlich umgesetzt in:
§ 20 Abs. 9 S. 2 KAGB

2. Erwerbbarkeit

Erwerbbarkeit durch Luxemburger AIF

Luxemburger Spezialfonds

(Rechtsgrundlage: Gesetz vom 13. Februar 2007 inkl. Änderung 15. Juli 2013 über Spezialfonds)

- Zulässiger Vermögensgegenstand
- Keine Begrenzung
- Einhaltung des Risikostreuungsprinzips (IML 91/75 und CSSF RS 02/80)
- Im Einklang mit der Anlagepolitik

Publikums-AIF: Luxemburger Teil 2 Fonds - OGA

(Rechtsgrundlage: Gesetz vom 17. Dezember 2010 über Organismen für gemeinsame Anlagen)

- Zulässiger Vermögensgegenstand
- Keine Begrenzung
- Einhaltung des Risikostreuungsprinzips (IML 91/75 und CSSF RS 02/80)
- Im Einklang mit der Anlagepolitik

Exkurs: VAG-Anleger

Erwerbbarkeit durch deutsche Spezial-AIF
Einschränkungen VAG-Anleger

Restriktionen aus AnlV und BaFin Rundschreiben 4/2011 (VA):

- § 2 Abs. 4 Nr. 1 AnlV: Direkte und indirekte Anlage in Konsumentenkredite und Betriebsmittelkredite nicht zulässig
- Anteilsrückgabe: innerhalb von max. 7 Monaten

- Keine Quotenbeschränkung – Voraussetzung:
  Einordnung in **§ 2 Abs.1 Nr. 16 AnlV**
  → **maximal 30 %** Investition in unverbriefte Darlehen

- Quotenbeschränkung für reine *Debt Funds*:
  Einordnung in **§ 2 Abs.1 Nr. 17 AnlV**
  →Anrechnung auf die Mischungsquote für Alternative Anlagen
  →max. 7,5 % des gebundenen Vermögens

3. Strukturierungsmöglichkeiten

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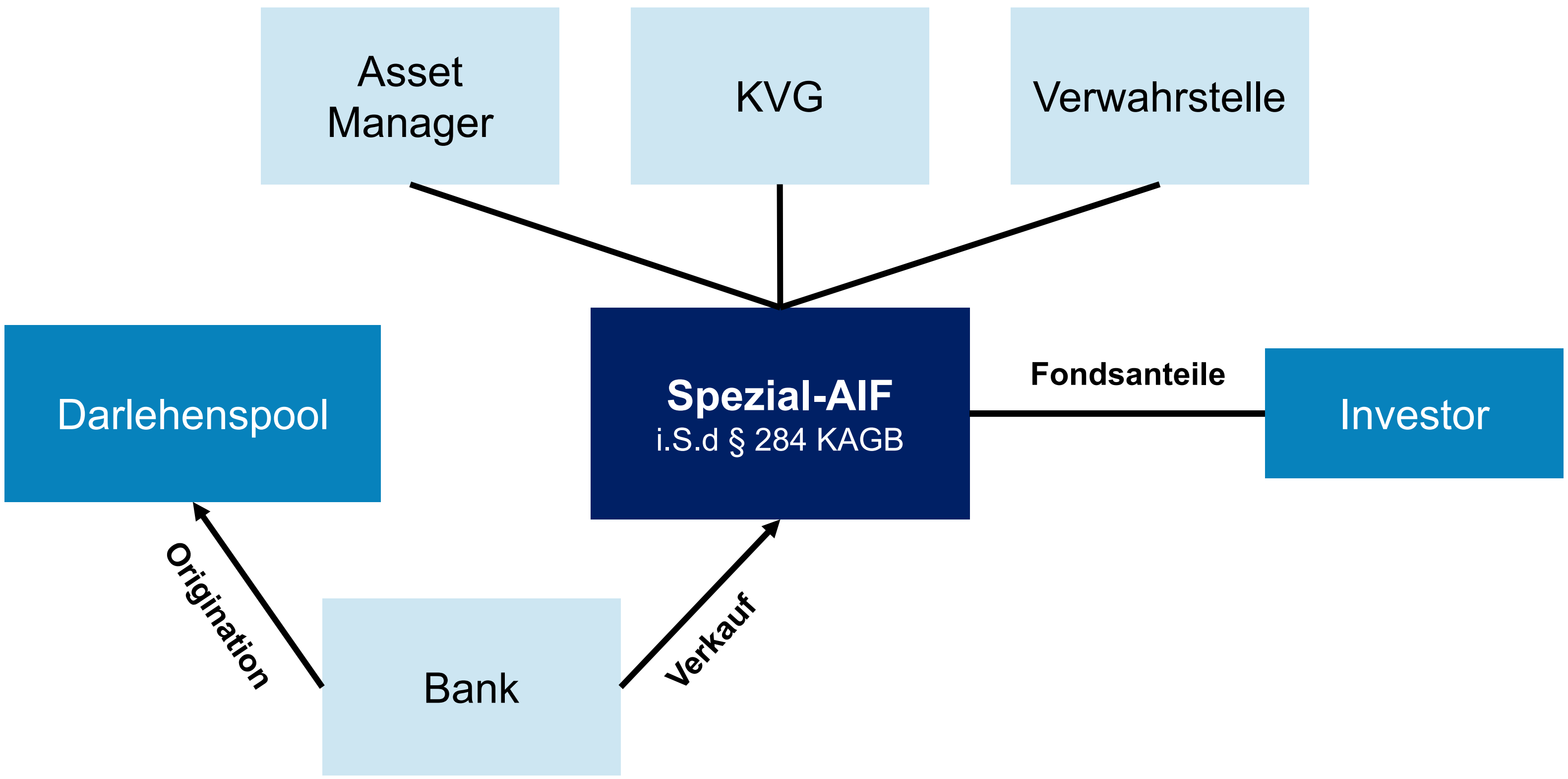
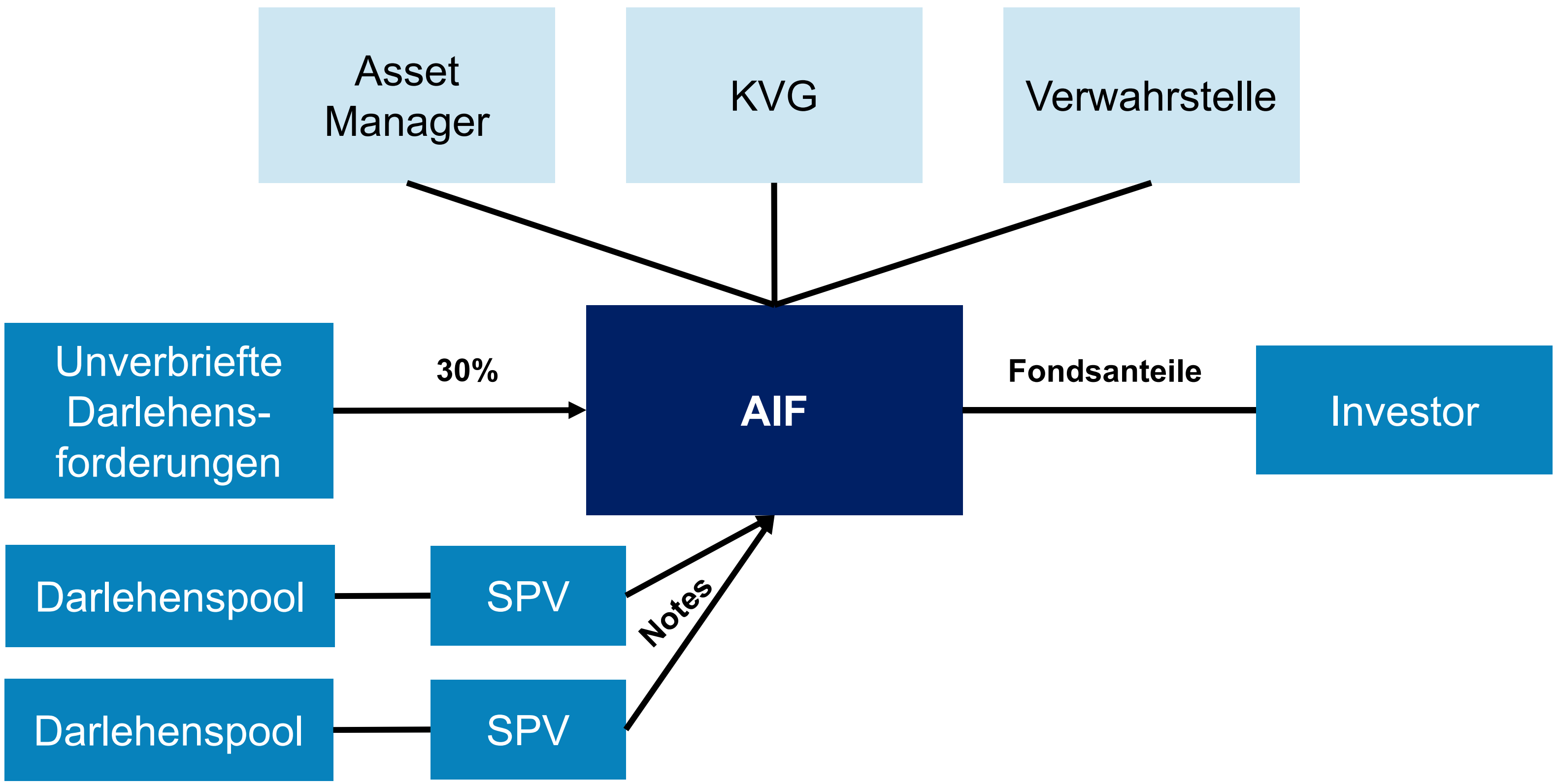
3. Strukturierungsmöglichkeiten

Klassisches Fonds Konzept
Einhaltung der aufsichtsrechtlichen Vorgaben für deutsche offene Spezial-AIF



3. Strukturierungsmöglichkeiten

Klassisches Fonds Konzept
Erwerb von Darlehen < 30% & indirekter Darlehenserwerb über SPV



4. Konkretes Strukturierungsbeispiel

4. Konkretes Strukturierungsbeispiel

Der Luxemburger Teil 2 Fonds als Publikums-AIF

Flexibilität hinsichtlich der Rechtsform:

- Vertragsform: FCP ~ dt. Sondervermögen
- Gesellschaftsform:
  - SICAV (Aktiengesellschaft - S.A.)
  - SICAF
    - Aktiengesellschaft (S.A.), Kommanditgesellschaft auf Aktien (S.C.A.), GmbH (S.à r.l.) Genossenschaft in Form einer AG (S.C.o. S.A.);
    - Kommanditgesellschaft S.C.S, Spezialkommanditgesellschaft S.C.Sp.

Anlagepolitik:

- Alle Arten von Aktiva

Anleger:

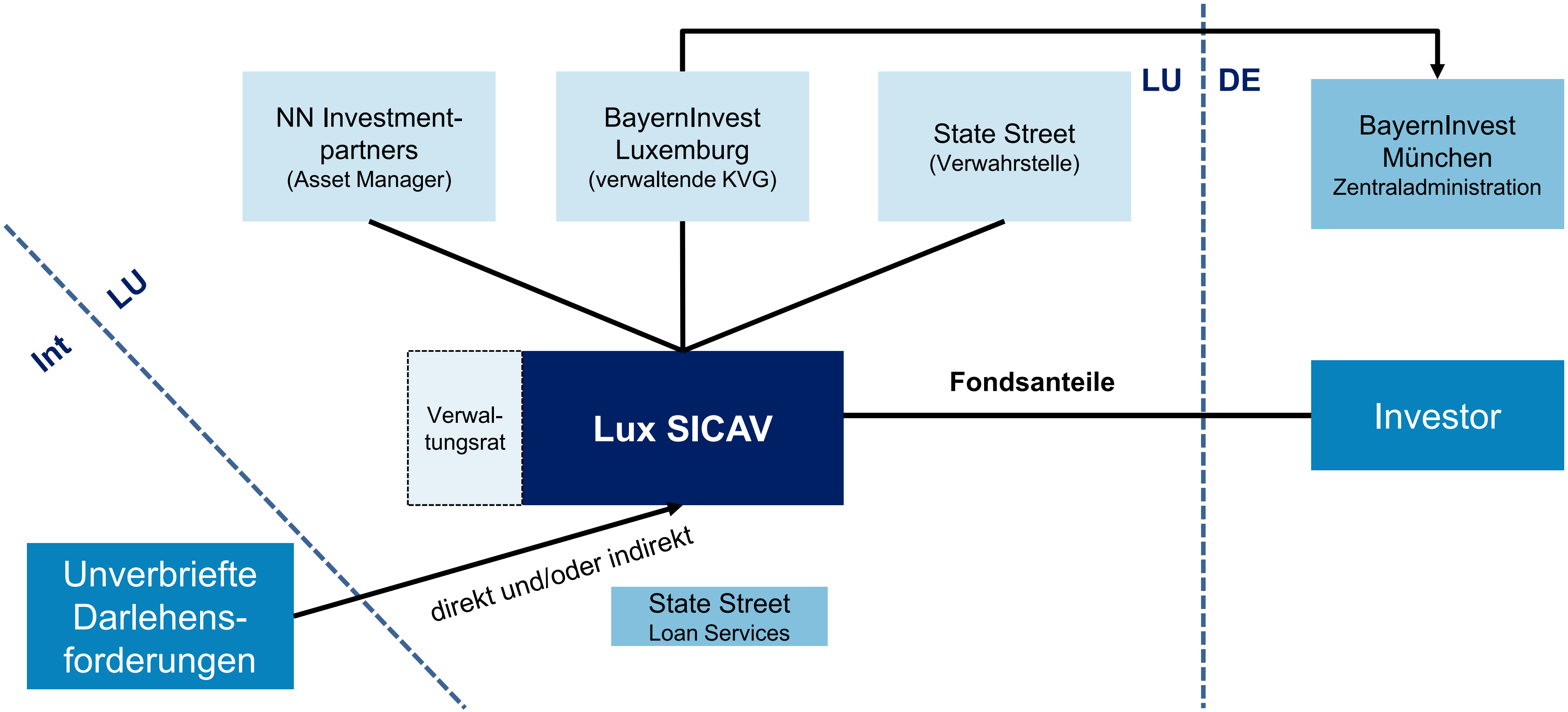
- Keine Einschränkungen, aber verstärkte Prüfungen der CSSF bei Anlegerkategorie Private

Vertrieb

- Vertrieb in Deutschland (mit Zulassung) an Professionelle und Semi-Professionelle

4. Konkretes Strukturierungsbeispiel

Der Luxemburger Teil 2 Fonds als Publikums-AIF



4. Konkretes Strukturierungsbeispiel

Herausforderungen bei der Administrierung nach Fondsstrukturierung

Prozess Setup

- Bewertung
- Reporting
- Risikomanagement
- Schnittstellen

Investition

- Standardisierter und gesicherter Erwerbsprozess
- Post-Trade-Compliance
- Abwicklung im Back-Office

Verwaltung

- Datenabgleich mit Verwahrstelle und Loan Servicer
- Reporting
- Laufende Bewertung

Reporting am Beispiel eines bestehenden Spezial-AIF

Reporting

Breites Spektrum an Reportingdienstleistungen

Reportings	Beschreibung
Fondspreisblatt und Positionen	Tägliche Fondsbewertung
Risikoreport	Täglicher Risikoreport inkl. detaillierter Risikoanalyse
Wochenreport	Wöchentlicher Performance- und ex-post Risikoreport
Monatsreport	Monatliches Standardreporting mit Performance- und ex-post Risikokennzahlen
Master-Report	Monatlicher „CIO-Report“ auf Basis des Masterfonds mit den wichtigsten Kennziffern des Fonds
Fondsanalyse	Monatlicher Report mit detaillierter Risiko-/ Rendite-Auswertung und Performancebeitragsrechnung bzw. Attributionsrechnung
Umsätze	Auflistung der Wertpapier-Umsätze inkl. Angaben zur Umschlaghäufigkeit

Eine individuelle Zusammenstellung der Reports ist möglich, z.B. im E-Reporting.

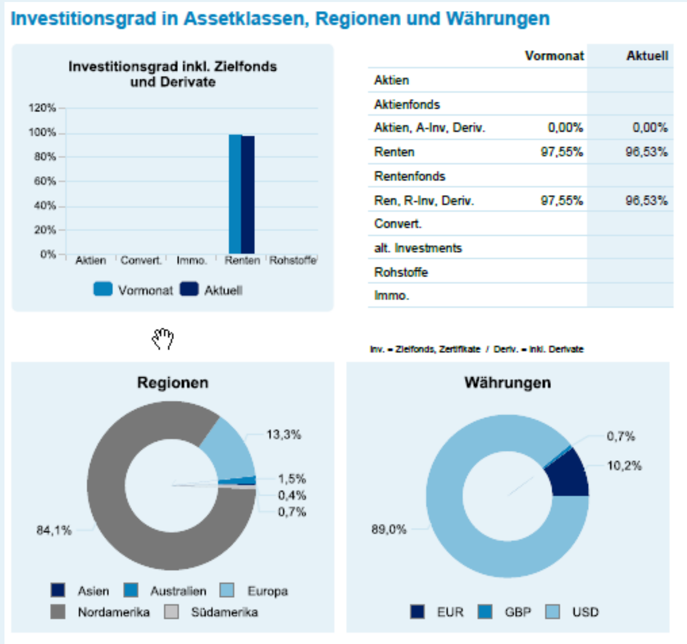
Reporting
am Beispiel eines repräsentativen Spezial-AIF

Monatsreport

Performance seit Auflage

BVI, seit Auflage	19,32%
BVI, p.a. s. Auflage	3,64%
IRR, seit Auflage	17,86%
IRR, p.a. seit Auflage	3,39%
Auflagedatum	**23.04.12**

Assetklassen Übersicht



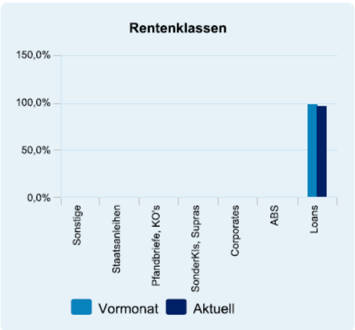
BayernInvest eigene Berechnungen; exemplarische Darstellung

Reporting
am Beispiel eines repräsentativen Spezial-AIF

Monatsreport

Rentenklassen und Zinsrisiko

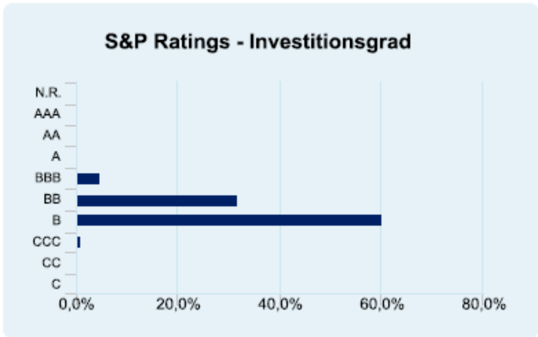
Rentenklassen und Zinsrisiko

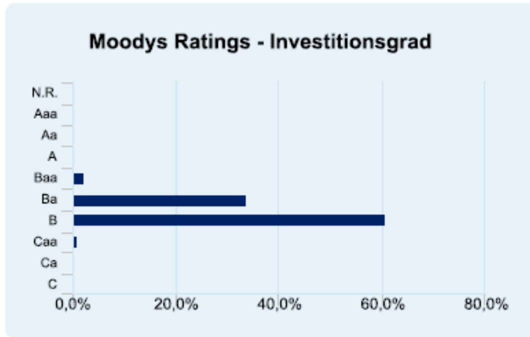


Rentenklasse	Vormonat	Aktuell
Sonstige	0,00%	0,00%
Staatsanleihen	0,00%	0,00%
Pfandbriefe, KO's	0,00%	0,00%
SonderKls, Supras	0,00%	0,00%
Corporates	0,00%	0,00%
ABS	0,00%	0,00%
Loans	97,24%	96,36%

Zinsrisiko Fonds	
1 bp Zinsänderung	3.648,58
25 bp Zinsänderung	91.214,38
Mod. Dur. inkl. Derivate	0,11

Ratinggewichte



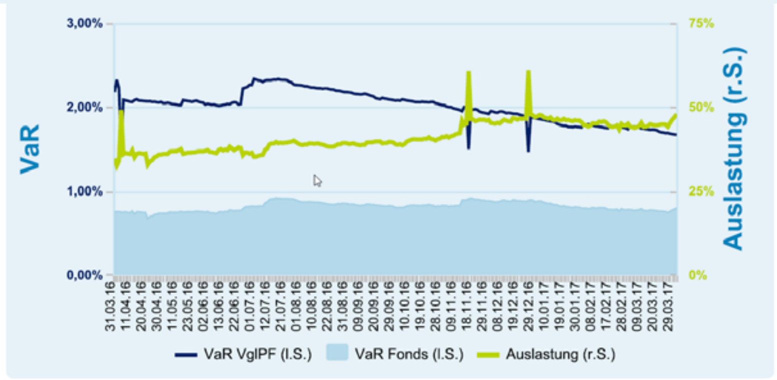


BayernInvest eigene Berechnungen; exemplarische Darstellung

Reporting
am Beispiel eines repräsentativen Spezial-AIF

Risikoreport

Value at Risk (VaR) - Auslastung

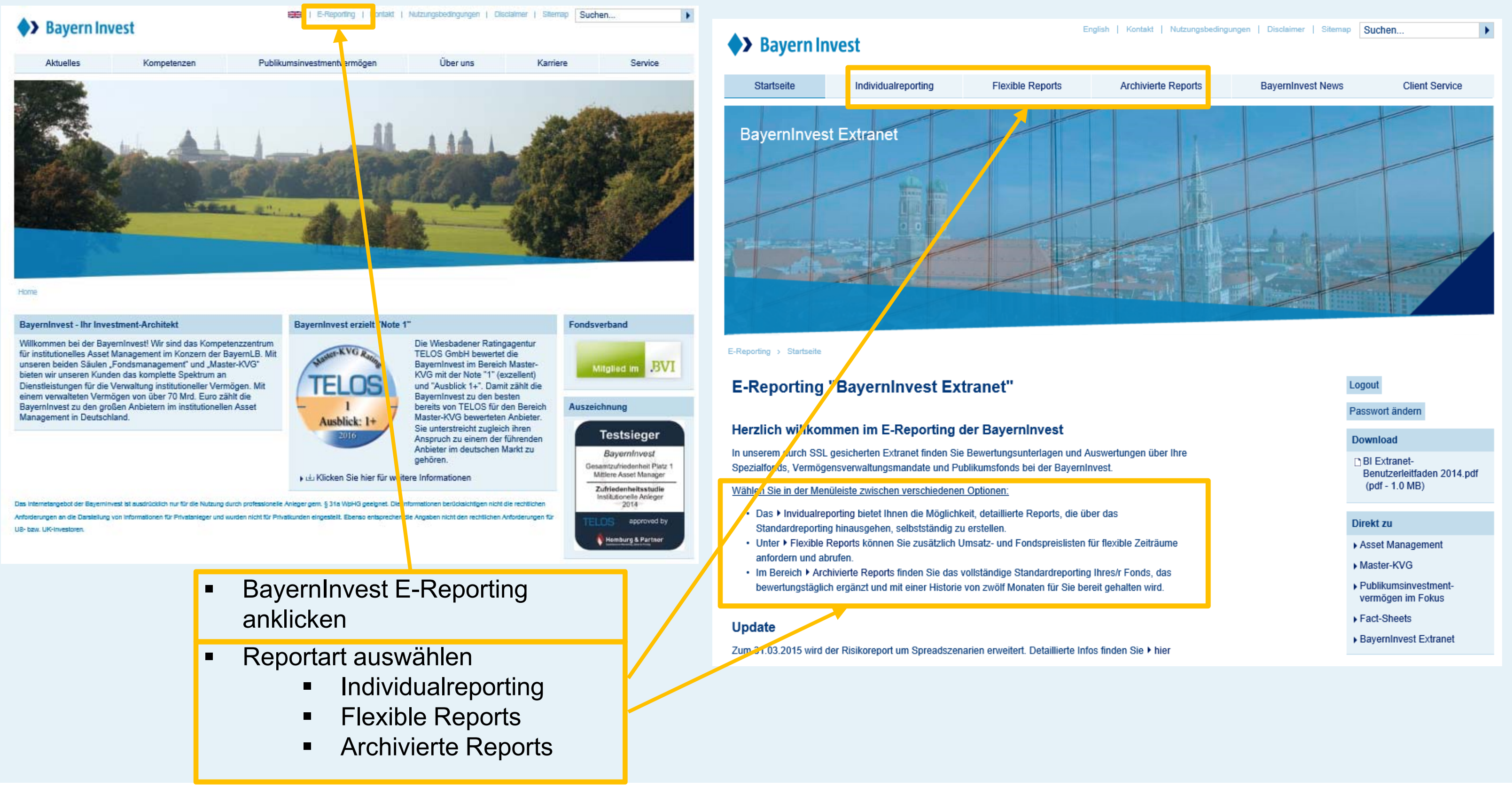


Ex-ante Risikokennzahlen

Fonds inkl. Sicherheitsauf. (20%)		... und 15%	Fonds	VglPF/VaR-Limit
VaR (95%, 1T)	0,30%	0,29%	0,25%	0,53%
VaR (95%, 5T)	0,68%	0,65%	0,57%	1,18%
VaR (95%, 10T)	0,96%	0,92%	0,80%	1,67%
VaR (95%, 10T) x 2	1,92%	1,84%	1,60%	3,35%
VaR (95%, 63T)	2,42%	2,31%	2,01%	4,20%
VaR (95%, 250T)	4,81%	4,61%	4,01%	8,36%
TE (1T)	0,35%	0,33%	0,29%	
TE p.a.	5,46%	5,23%	4,55%	
Vola p.a.	2,93%	2,80%	2,44%	5,08%
VaR (99%, 1T)	0,43%	0,41%	0,36%	0,75%
VaR (99%, 5T)	0,96%	0,92%	0,80%	1,67%
VaR (99%, 10T)	1,36%	1,30%	1,13%	2,37%
VaR (99%, 20T)	1,92%	1,84%	1,60%	3,34%
VaR (99%, 63T)	3,42%	3,27%	2,85%	5,94%
VaR (99%, 250T)	6,80%	6,52%	5,67%	11,83%
CVaR (95%, 1T)	0,38%	0,37%	0,32%	0,66%
CVaR (95%, 5T)	0,85%	0,82%	0,71%	1,48%
CVaR (95%, 10T)	1,21%	1,16%	1,01%	2,10%
CVaR (95%, 63T)	3,03%	2,90%	2,52%	5,26%
CVaR (95%, 250T)	6,03%	5,78%	5,03%	10,48%

BayernInvest eigene Berechnungen; exemplarische Darstellung

Interaktives E-Reporting

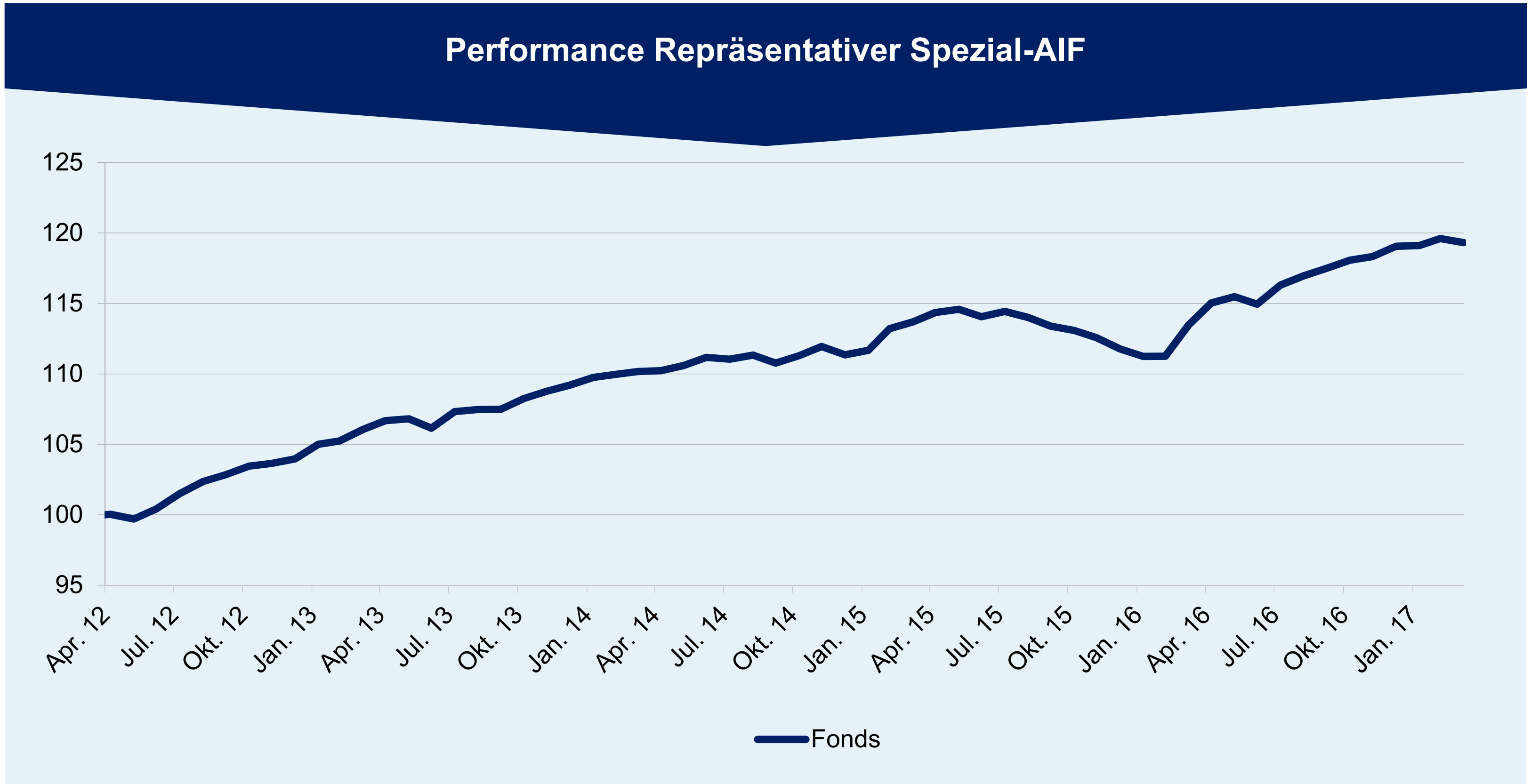


- BayernInvest E-Reporting anklicken
- Reportart auswählen
  - Individualreporting
  - Flexible Reports
  - Archivierte Reports

Auf unserer Homepage www.bayerninvest.de haben Sie Zugriff auf das gesamte Reporting Ihres Fonds.

Neben den Basis- und Premium Reports stehen verschiedene interaktive Reports zur Verfügung.

Repräsentativer Spezial-AIF mit Asset Manager NN Investment Partners und Fondsadministration BayernInvest Kapitalverwaltungsgesellschaft mbH



BayernInvest eigene Berechnungen; Fonds = repräsentativer Spezial-AIF; Zeitraum: 22.04.2012 – 31.03.2017

Bayern Invest

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Vielen Dank
für Ihre Aufmerksamkeit

Bayern Invest

NN (L) Flex – Senior Loans Fund

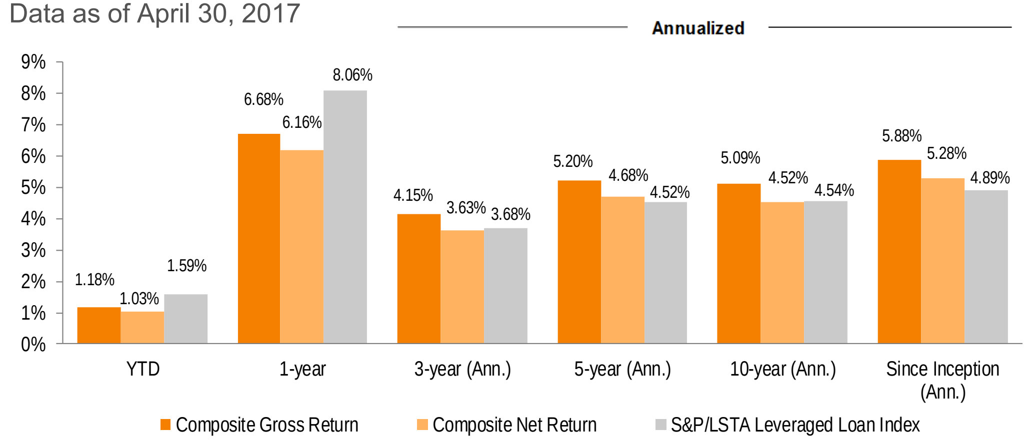
Olivier Struben
Senior Vice President, Regional Head Europe
Voya Senior Loan Group

June 8, 2017

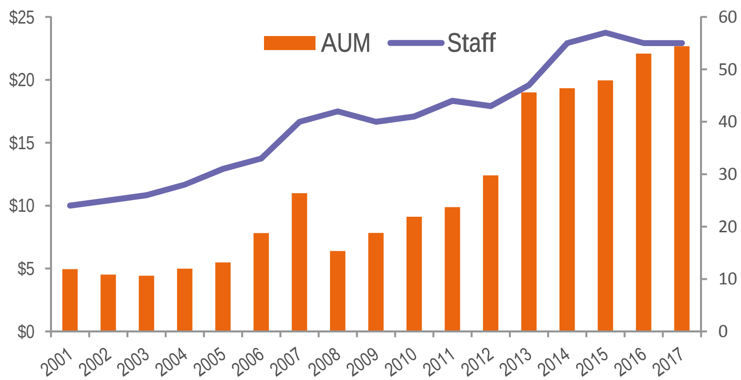
Competitive Strengths

- **One of the most experienced managers in the asset class**
- **Currently managing $22.7 billion of senior loan assets across multiple vehicles/structures**
- **Dedicated bank loan manager**
  - Focused strategy → full resource allocation to loan asset class
  - Private side investor → information advantage; no inherent conflict
- **Cycle-proven, consistent strategy**
  - Through-cycle investment objective, predicated on credit rigor and loss mitigation
  - Well-defined and replicable investment strategy has delivered historical benchmark out-performance
- **Well-resourced investment team**
  - Extensive credit and loan business management expertise
  - Very stable team with low turnover and significant bench strength
  - Significant organizational capacity for growth
- **Diversified global investor base**
  - Active institutional and retail clients in over 25 countries
- **Top tier average allocation among institutional managers**[2]

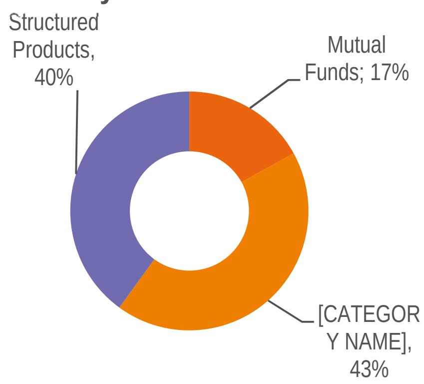
Voya Senior Loan Unleveraged Composite
Data as of April 30, 2017



Historical AUM (billions) vs. Group Staff Count
Data as of March 31, 2017



AUM by Product Line



Past performance does not guarantee future results and there is the possibility of loss. Gross performance shown includes all fees other than the management fee. Net performance assumes 55 bps per annum management fee. Returns include reinvestment of interest and income. Composite and S&P/LSTA Leveraged Loan Index YTD returns are for a partial year and are not annualized. The Index is a total return index that tracks the current outstanding balance and spread over LIBOR for fully funded term loans in the Index. **Investors cannot invest directly in the Index.**

1. The Composite's date of inception was April 2, 2001. Composite and Index since inception returns include a partial year for 2001 which is not annualized. Information for the Composite is presented as supplemental information under GIPS. Please see the GIPS-compliant Composite that follows. Source: Voya Investment Management; S&P/LCD.
2. As of December 31, 2016. Includes all accounts that S&P LCD ("LCD") was able to track with three or more commitments $10 million or more in estimated allocations. The data is based on LCD's collection and therefore is, by definition, incomplete. LCD's collection does not include loans that are not syndicated; materially different rankings could result from a change in collections or ranking methodology. Past performance is not a reliable indicator of future performance.

Senior Loans – The Basics

What are Senior Loans?

In general, senior loans are …

- Extensions of credit to **non-investment grade corporate borrowers** originated by major banks
- Issued by mid- to large-sized companies to **finance acquisitions and other growth initiatives**
- **Senior** in the capital structure; **secured** by a first priority lien on a borrower's assets
  - First priority on borrower's cash flows
  - Collateral typically provides higher recoveries
- **Floating rate** with coupon return comprised of a nominal credit spread over LIBOR (or LIBOR floor)
  - Rates reset every 45 - 60 days on average
- Structurally less liquid (longer settlement times) but **actively traded** in an established secondary market
  - Average trade volumes in excess of $500 billion annually over the past 5 years

Key Takeaway: Senior loans and high yield bonds are often considered interchangeable, but they DO NOT carry the same risks or long-term return profile

- Large, syndicated loans to non-investment grade companies
- Secured by the borrower's assets
- Rank highest in a borrower's capital structure
- Floating rates of interest

Seniority and Security

Seniority and Collateral for Senior Loans

Borrower Assets
Cash (in certain cases)
Receivables
Inventory
Plant & Equipment
Property (including real estate)
Intangible Assets (patents, trademarks)
Downstream guarantees from a holding co.
Upstream guarantees from subsidiaries

Pledged to:

Borrower Liabilities	% of Borrower Liabilities
Senior Secured Loans	40%-60%
Senior Unsecured Notes High Yield Bonds	20%-40%
Preferred/Common Equity	20%-40%

Paid First

Paid Last

Comparison of High Yield Asset Classes

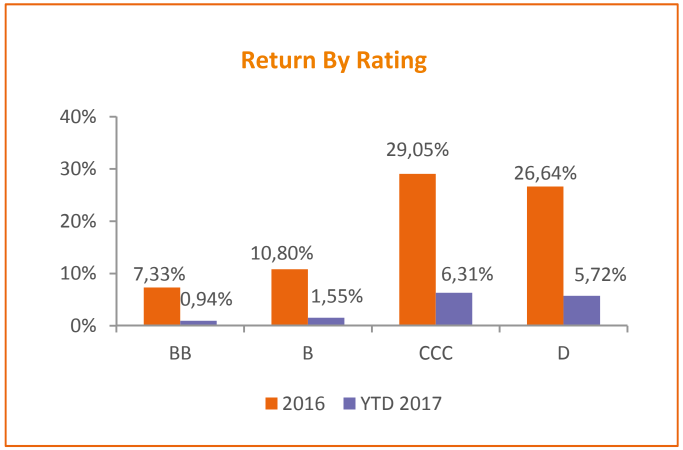
	Senior Loans	High Yield Bonds
Coupon	Floating	Fixed
Security	Secured	Unsecured
Investor Type	CLOs, Retail and Institutional asset managers, Banks	Retail and Institutional asset managers, Hedge funds
Covenants	Restrictive (payments, debt, incurrence, etc.)	Incurrence-based; Less restrictive
Credit Spread	200-500 bps over LIBOR	200-500 bps over Treasuries
Prepayment	Generally callable at any time, sometimes have 1 year call premium	Usually 3-5 years non-call period
Tenor	5-8 years	8-10 years
Size (range)	$250mm to Multi-billion	Same
Tradability	Actively traded private market	Actively traded public market
Information	Public and private – monthly/quarterly	Public – quarterly
Historical Average Recoveries	80%+	20%-65%
Settlement Times	T+7 target	T+3

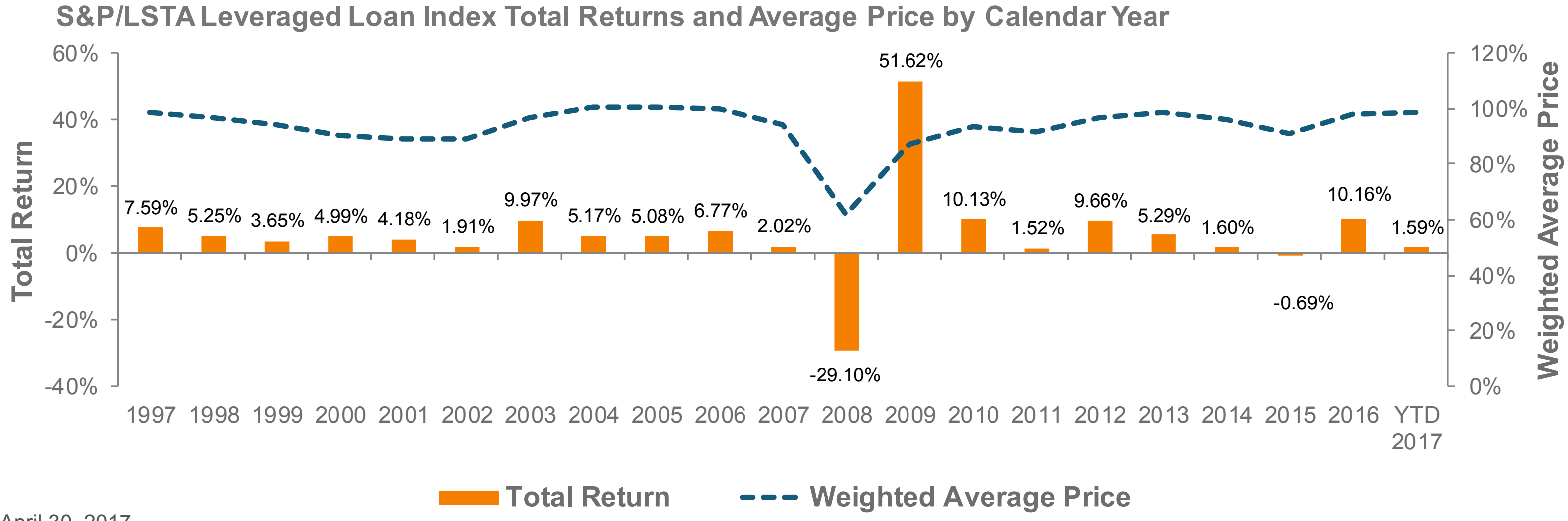
- Floating rate senior loans provide an alternative to fixed rate investments
- Senior loans are secured by a first priority lien on the borrower's assets
- Recovery rates following default are higher for senior loans compared to high yield bonds

Market Update

Senior Loans over the long-term: A historically resilient asset class

- Structural features and floating coupon have supported historical returns and prices with few exceptions
- Only 2 negative years in Index history: 2008 and 2015
  - 2008 performance factors quite unique and well-documented
  - 2015 a function of weakness in commodity-related sectors/issuers and persistently strong new issue supply relative to demand
- Average Annualized Total Return 1997 – 2007: 5.12%
- Average Annualized total Return 2010 – 2016: 5.29%





As of April 30, 2017

1 - The S&P/LSTA Leveraged Loan Index is an unmanaged total return index that captures accrued interest, repayments, and market value changes. **Investors cannot invest directly in an index. Past performance is no guarantee of future results.** Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index

The four building blocks of the senior loan investment thesis – all providing value in today's market

Attractive yields

- Competitive yields on both an absolute basis and relative basis, particularly when adjusting for duration and potential credit loss

Lower volatility

- Structural advantages (i.e., floating rate, senior and collateral backing)
- Differentiated and diverse global investor base works to dampen volatility
- Lower volatility and high income create attractive Sharpe Ratios

Floating rate coupon

- Ultra–short duration; directly correlated with changing short-term rates
- No active rebalancing necessary

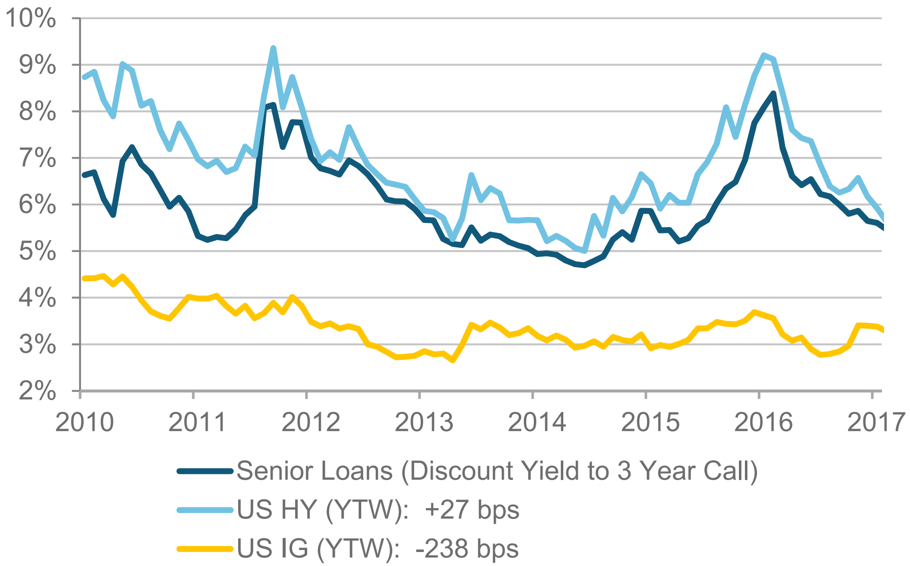
Key structural downside protections

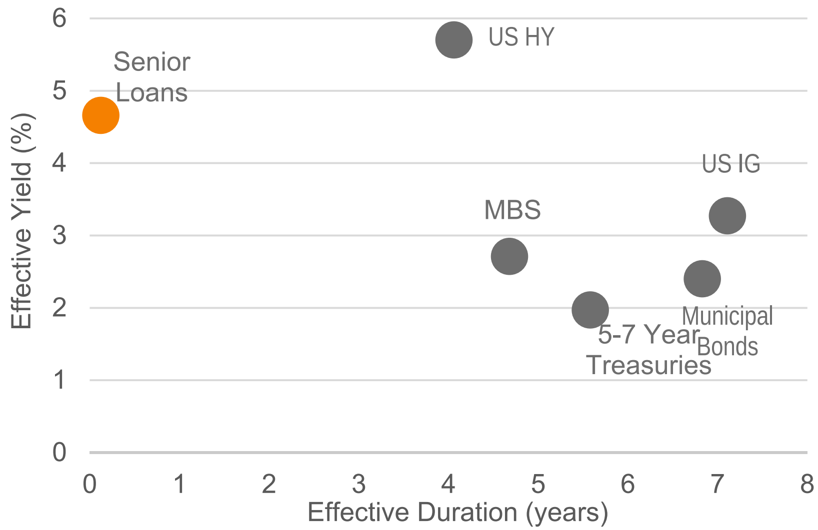
- Structural Protection: Senior secured position and pledge on borrower assets has resulted in significantly lower historical loss rates than those for subordinated and unsecured debt obligations
- Capital Preservation: Loan demand/prices positively influenced by rising rates (i.e., the opposite of bonds)

Building Block #1: Senior Loans have provided an attractive risk-adjusted yield relative to other income asset classes

- Historically competitive yield with virtually no duration risk

Yield and Duration Comparisons
S&P/LSTA Leveraged Loan Index and Various Asset Classes
Data as of April 30, 2017





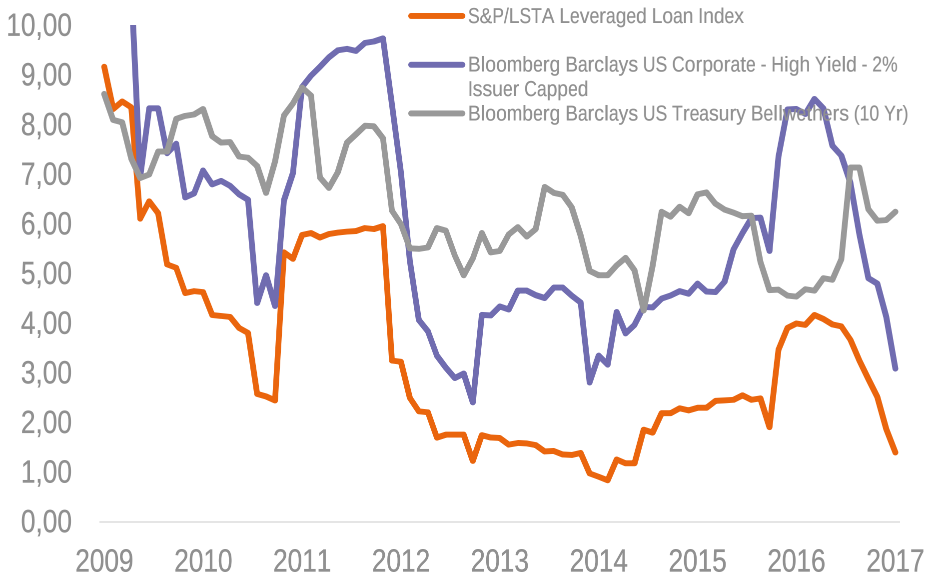
*Discount Yield to 3 Year Call uses Secondary Spread for the S&P/LSTA Leveraged Loan Index Index plus 3 Month LIBOR at month-end. Three year maturity assumption: (i) all loans pay off at par in 3 years, (ii) discount from par is amortized evenly over the 3 years as additional spread, and (iii) no other principal payments during the 3 years. Secondary spread is calculated based upon the current bid price, not on par. The Index is not subject to any fees or expenses. Investors cannot invest directly in an index. Past performance does not guarantee future results and there is the possibility of loss. The S&P/LSTA Leveraged Loan Index is an unmanaged total return index that captures accrued interest, repayments, and market value changes.

Source charts: S&P/LCD, BAML and Bloomberg

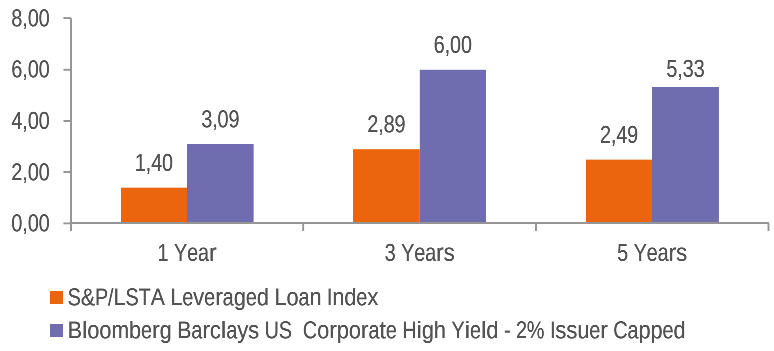
Building Block #2: Senior Loans have exhibited lower volatility and attractive Sharpe Ratios

- Loans have continued to experience less volatility as compared to most traditional income asset classes, particularly high yield bonds
- Provides a unique asset allocation tool and has resulted in attractive Sharpe Ratios

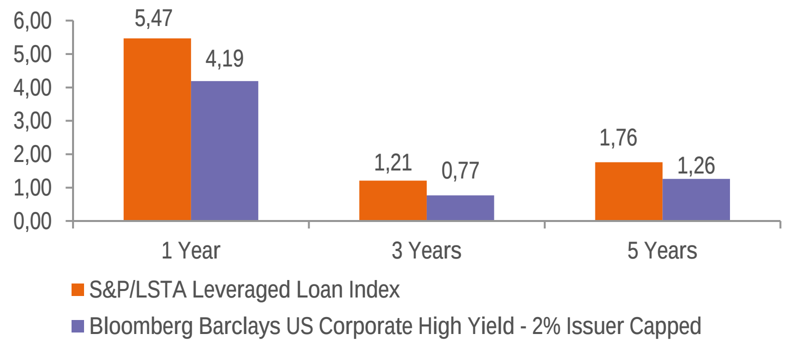
Rolling 12-month Annualized Standard Deviation of Returns
January 2009 to April 2017



Annualized Standard Deviation
Data as of April 30, 2017



Sharpe Ratio
Data as of April 30, 2017



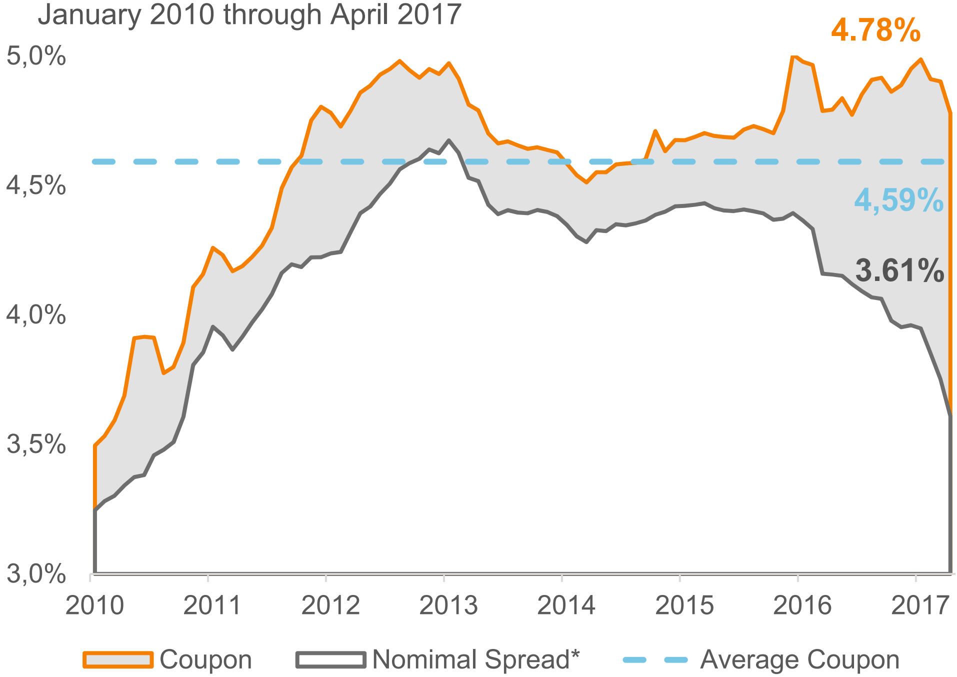
The Indices are not subject to any fees or expenses. An investor cannot invest directly in an index. Past performance does not guarantee future results and there is the possibility of loss.

Source charts clockwise left to right: FactSet

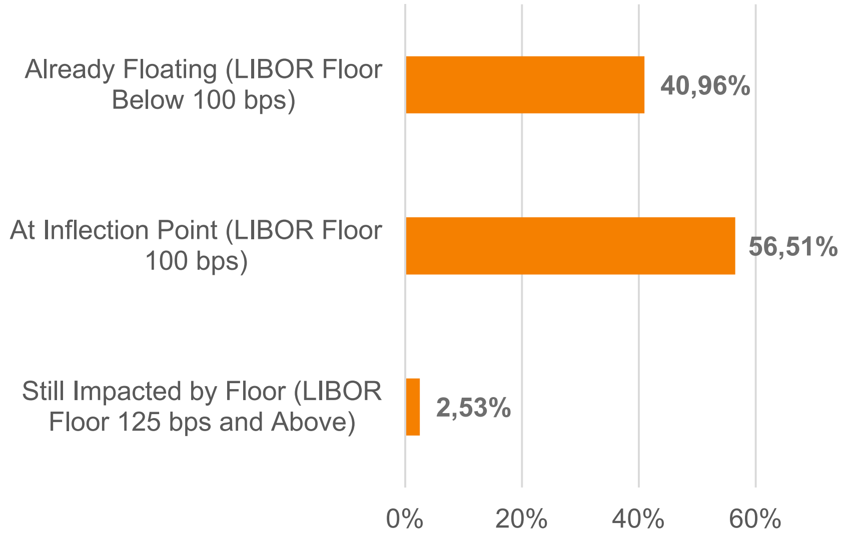
Building Block #3: Rising Short-Term Rates Have Increased the Gross Yield (Coupon) for Senior Loans

- Coupons resume floating as LIBOR levels rise above the LIBOR floors
- Rising short-term rates have historically led to a pick-up in demand for the asset class, which may cause short-term spread compression, but should not materially impact coupons, which are above the average post-Global Financial Crisis average of 4.59%

Senior Loan Coupons
January 2010 through April 2017



Breakout of Index by LIBOR Floor Level
As of April 2017

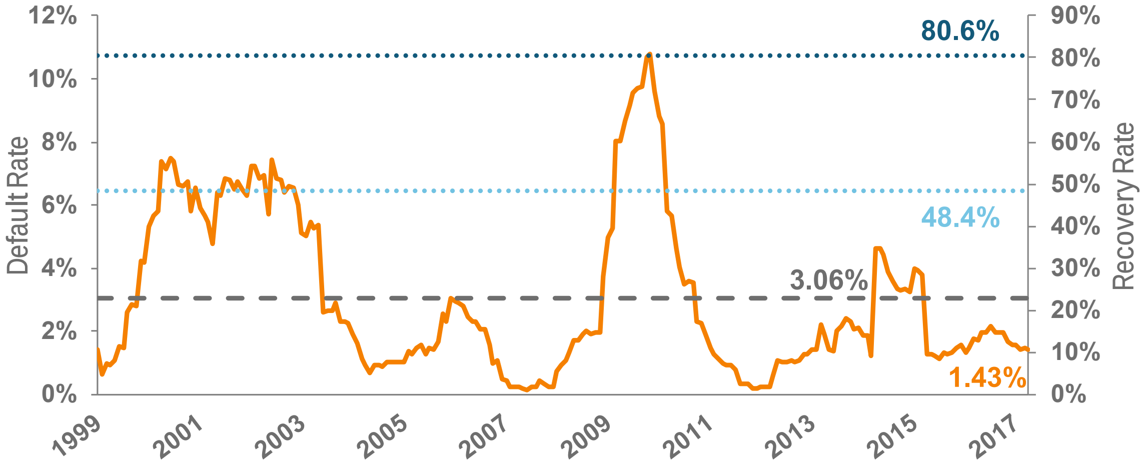


Coupon uses Weighted Average Nominal Spread for the S&P/LSTA Leveraged Loan Index plus 3 Month LIBOR at month-end. Nominal spread data excludes all facilities in default. Nominal spread shows the excess spread over LIBOR, and includes LIBOR floors (where applicable). The S&P/LSTA Leveraged Loan Index is an unmanaged total return index that captures accrued interest, repayments, and market value changes. **The Index is not subject to any fees or expenses. Investors cannot invest directly in an index. Past performance does not guarantee future results and there is the possibility of loss. Source: S&P/LCD; S&P/LSTA Leveraged Loan Index**

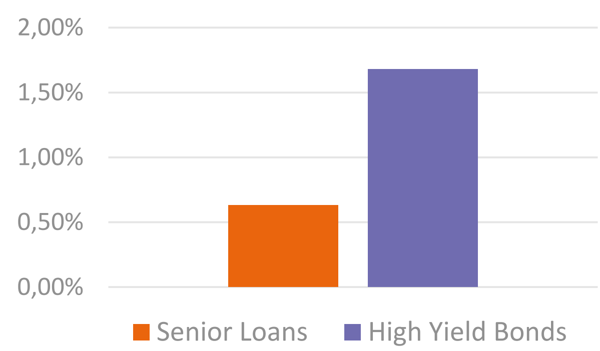
Building Block #4: The Senior and Secured Position of Loans Has Resulted in Lower Historical Loss Given Default than Unsecured Bonds

- Liens on issuer collateral have contributed to consistently lower loss upon default in senior loans versus unsecured bonds

LTM Default Rate[1] (December 1998 to April 2017)
Avg. Corporate Debt Recovery Rates[2] (1987 to 2016)



Estimated Loss Given Default[3]



[1]S&P/LSTA Index lagging twelve-month default rate comprises all loans, including those not tracked in the LSTA/LPC mark-to-market service. Vast majority are institutional tranches. Principal default rate is calculated as the amount defaulted over the last twelve months divided by the amount outstanding at the end of the prior period. **The Index is not subject to any fees or expenses. Investors cannot invest directly in an index. Past performance does not guarantee future results and there is the possibility of loss.**

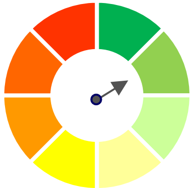
[2]Ultimate Recovery is based on the value that a creditor actually receives at the resolution of the default, usually at the time of emergence from bankruptcy. Loan Ultimate Recovery Rate information is obtained from the Moody's Ultimate Recovery Database, which includes over 5,200 loans and bonds from more than 1,000 North American corporate defaulters. Criteria: Pre-1996: L+250 and Higher; 1996 to Date: L+225 and Higher; Prior to 2011, media and telecom deals were excluded. There were too few deals in 1991 to form a meaningful sample.

3 Estimated Loss Given Default assumes the same default rate for both asset classes in order to demonstrate the difference in loss calculation realized through different recovery levels, as reported by Moody's for the 1987 to 2015 time period.

Source charts: Standard and Poor's LCD, S&P/LSTA Leveraged Loan Index and Moody's Investors Service

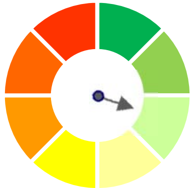
2017: Expectations Dashboard

Potential Total Return



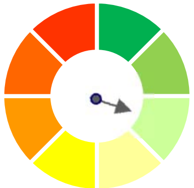
In the range of 4.5-5.0%, with upside stemming from potentially higher short-term rates. With average loan prices at or near par, market value gains are not expected to be a material contributor.

Defaults



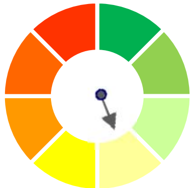
Late cycle evidence appears to be accumulating, but expectations for 2017 default activity are reasonably benign. Managing idiosyncratic risk will be the challenge.

Technicals



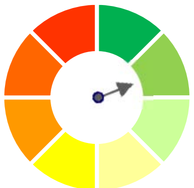
Given the expected direction of rates, investor demand should be quite good. The market will need new issue supply to keep pace in order to ward off unwanted consequences, such as credit spread compression.

Volatility



Many markets are currently priced to perfection; any major disappointment could leave risky assets vulnerable. Loans should fare better than most, but would not be immune.

Fed Policy



The Fed appears to have taken on a decidedly hawkish tone. Should they follow through, without being overly aggressive, floating rate loans will likely be one of the most visible beneficiaries.

Macro Headwinds

All eyes have shifted to the potential impact of a Trump administration. The uncertainties run the board, from fiscal and economic policies, to geopolitical considerations. Any and all negative surprises could impact risk taking.

Investment Objective & Process

Investment Objective and Strategy

Investment Objective

- Seek superior long-term risk-adjusted total returns over a full market cycle
  - Loss mitigation: avoid realized losses related to defaults
  - Avoid chasing yield in high-risk environments

Investment Strategy

- Target non-investment grade loans that exhibit attractive relative value within the asset class
- Target loans with greater relative liquidity to enhance active portfolio management
  - Typically demonstrate lower credit-related volatility and allow for superior trade execution in times of stress
- Selective investment in the "middle market"
- Invest in a broadly diversified portfolio of senior secured bank loans
- Consistently apply a disciplined, proven investment process
  - Manage by investment committee rather than a single portfolio manager
  - Use fundamental credit analysis to identify relative value opportunities
  - Assess market values daily with third party pricing services to increase transparency
- Maintain strong relationships with market leaders
  - Provides sufficient access to deal flow
  - Contributes to above average allocation to new loans

- Through-cycle investment strategy
- Diversified portfolios
- 100% senior secured loans
- Outperformance through capital preservation
- Greater underlying portfolio liquidity
- Extensive fundamental credit underwriting and monitoring

Investment Process

Stage 1
Macro Strategy / Sector Analysis

- Macro strategy and sector analysis generates top-down sector views
  - *Goal*: Avoid clustering of defaults/losses

Stage 2
Preliminary Screening

- Transactions are screened at the Investment Committee/Team Leader level to determine appropriateness

Stage 3
Independent Credit / Structural Analysis

- Independent credit underwriting identifies fundamental creditworthiness. Focus is on free cash flow generation under internal multiple-case sensitivities, and quality/valuation of underlying collateral. Structural analysis assesses the quality/sufficiency of applicable loan documents, such as credit, security and inter-creditor agreements

Stage 4
Relative Value Analysis

- Valuation relative to other similar investment instruments is assessed to ensure appropriate return for underlying risk

Stage 5
Technical Analysis

- Analysis of elements that influence market acceptance and pricing activity

Stage 6
Credit Approval / Portfolio Construction

- Investment Committee approval of best of breed issuers within creditworthy industry sectors; extensive sector and borrower diversification

Stage 7
Ongoing Monitoring / Risk Management

- Risk control and portfolio monitoring performed on a real-time and regularly scheduled basis

Appendix

- Voya Senior Loan Group Biographies
- Principal Risk Factors
- Global Investment Performance Standards Data

Presenter Biography and Contact

Olivier Struben
Senior Vice President, Regional Head Europe
Years of investment experience: 20
Years with company: 18

Olivier Struben is a senior vice president, regional head Europe of the Voya Investment Management senior loan group. Olivier held various former research and management roles with the high yield and investment grade teams of ING Investment Management Europe. Prior to joining the firm in Europe, Olivier worked for the Kas Bank N.V. and the custody and settlement bank for the Dutch Stock Exchange, in the treasury and control department. Olivier received his Master's degree in economics from the University of Amsterdam.

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Email: thomas.wendt@nnip.com

Principal Risk Factors — Voya Senior Loans

Risk is inherent in all investing. The following are the principal risks associated with investing in NN (L) Flex – Senior Loans.

- Credit Risk: The Fund invests primarily in below investment grade loans that carry a higher than normal risk that borrowers may not make timely payments of principal and interest. Failure by borrowers to make such payments may cause the yield and/or the value of the Fund to decline.
- Interest Rate Risk: The yield on senior loans is directly affected by changes in market interest rates. If such rates fall, the yield may fall. Also, if overall interest rates on loans decline, the yield may fall and the value of the loans may decrease. When market interest rates rise, there may be a delay in the rise in the yield on loans due to a lag between changes in such rates and the resetting of the floating rates on the loans. There may also be a delay due to the effect of LIBOR floors, which establish a lower limit on the LIBOR portion of a loan's yield. Rises in market interest rates must exceed applicable LIBOR floors before such rises will affect the yield on a loan with a LIBOR floor.
- No Daily Redemptions: The Fund does not redeem its shares on a daily basis and there is no market for its shares. Shareholders can only redeem their shares twice a month, and if redemption requests from all shareholders exceed 5% of the Fund's total assets in a particular month, the Fund will reduce such requests pro rata and redeem only an amount equal to 5% of it total assets.
- Limited secondary market for loans: Because of the limited secondary market for loans, the Fund may be limited in its ability to sell loans in its portfolio in a timely fashion and/or at a favorable price.
- Demand for loans: An increase in demand for loans may adversely affect the rate of interest payable on new loans acquired by the Fund, and it may also increase the price of loans in the secondary market. A decrease in the demand for loans may adversely affect the price of loans in the Fund, which could cause the Fund's value to decline.

This is not, and is not intended to be, a description of all risks of investing in the Fund. The prospectus for the fund should be read carefully before investing. Consider the fund's investment objectives, risks, and charges and expenses carefully before investing. The prospectus contains this information and other information about the fund.

Schedule of Composite Performance

Voya Senior Loan Unleveraged Composite

Year	Gross Returns (%)	Net Returns (%)	S&P LSTA Leveraged Loan Returns (%)	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)	Dispersion of Portfolio Returns (%)		Number of Portfolios	Assets in this Composite ($mm)	Total Firm Assets ($mm)
						High	Low			
2015	1.43	0.93	(0.69)	1.70	2.11	1.66	0.97	7	3,632	94,574
2014	2.55	2.04	1.60	1.91	2.10	3.05	2.38	7	3,633	100,577
2013	6.49	5.96	5.29	3.74	3.77	6.67	6.01	6	2,492	93,084
2012	11.27	10.72	9.66	4.40	4.42	10.64	9.98	≤5	958	76,532
2011	2.01	1.40	1.52	8.51	8.43	2.71	1.47	≤5	2,637	65,776
2010	9.98	9.33	10.13	14.11	13.86	10.11	9.34	≤5	2,288	60,236
2009	52.84	51.95	51.62	14.09	13.88	56.48	42.10	≤5	2,354	61,643
2008	(29.26)	(29.70)	(29.10)	10.78	10.55	(28.54)	(31.01)	≤5	1,919	56,044
2007	3.04	2.43	2.02	2.51	2.69	3.21	2.41	≤5	4,294	74,322
2006	8.06	7.41	6.77	0.84	0.74	8.64	5.80	≤5	4,697	66,276

Voya Investment Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS Standards. Voya Investment Management has been independently verified for the period January 1, 1996, through December 31, 2015. Verification assesses whether (1) the firm has complied with all of the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Voya Senior Loan Unleveraged Composite has been examined for the periods 2010-2015. The verification and performance examination reports are available upon request.

Notes:

Firm Definition:

Voya Investment Management (the "Firm") is defined as all discretionary accounts managed by Voya Investment Management Co. LLC and its subsidiary Voya Investment Trust Co., but not including collateralized debt obligation structures, long/short hedge funds, structured mortgage derivative portfolios, or specialized accounts supporting the reinsurance arrangements of affiliated insurance companies. Effective May 1st, 2014, the firm changed its name from ING Investment Management to Voya Investment Management. No changes to composites nor to investment groups & processes resulted from this event.

Composite Definition:

This is an actively managed, ultra-short duration floating rate income strategy that invests primarily in privately syndicated, below investment grade senior secured corporate loans without the utilization of borrowed funds (leverage). Portfolio valuations and returns for this composite are computed and stated in U.S. dollars. Effect July 1, 2015 a $100 million minimum has been set for inclusion in the composite. Previously, the minimum was $50 million, and prior to September 1, 2008, no portfolios were excluded based on size. The name of this composite changed in May 2014. The composite was known as the ING Senior Loan Unleveraged Composite for the period from December 2011 to April 2014, and as the ING Senior Loan Unleveraged Fixed Income Composite for the period from August 2009 to December 2011. Prior to that it was knowns as the ING Senior Loan U.S. Dollar-based Unleveraged Composite. This composite incepted on April 1, 2001 and created in August 2009.

Benchmark Definition:

Returns are benchmarked to the S&P LSTA Leveraged Loan Index, which does not incur management fees, transaction costs, or other expenses associated with a composite portfolio. The S&P LSTA Leveraged Loan Index is a market value weighted syndicated loan indexes based upon market weightings, spreads and interest payments. The S&P LSTA Leveraged Loan Index covers the U.S. market back to 1997. Securities prices used to value the benchmark index for the purposes of calculating total return may or may not differ significantly from those used to value securities held within composite portfolios.

Treatment of Fees & Expenses:

Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Net-of-fees returns are calculated by deducting a hypothetical management fee from the gross return on a monthly basis and geometrically linking the results to produce annual returns shown. The hypothetical management fee is equal to the highest fee from any fee schedule offered at the time for the strategy shown. While fee schedules can change over time, any amended fee resulting from a change will not be retroactively applied to performance history, but will rather be applied on a prospective basis from the point of change. The annual management fee will vary according to the size of the account, and will depend on the type of investment vehicle selected. The current fee schedule for this strategy is: 0.48% on the first $200 million; 0.40% on the next $300 million; and 0.30% over $500 million. However, fee schedules may differ for pooled trusts or other types of investment vehicles. Further information regarding applicable fee schedules is available upon request.

Explanation of Risk Measures:

"Dispersion of Portfolio Returns" presented for each annual period is based on gross-of-fees returns and is equal to the highest and lowest annual return among the portfolios that are included in the composite for the full year. "Composite 3-Yr St Dev" and "Benchmark 3-Yr St Dev" are rolling 3-year standard deviation calculations, which measure the variability of the monthly performance returns for the composite and benchmark index return over the preceding 36-month period on an annualized basis. If the composite has not been in existence for at least 3 years as of a particular year-end, then "NA" will be displayed.

Other Notes:

Policies for valuing portfolios, calculating performance, and preparing compliant presentations, as well as a complete list of composite descriptions, are available upon request. Past performance is no guarantee of future results.

Disclosure

This information is proprietary and cannot be reproduced or distributed. Certain information may be received from sources Voya Investment Management ("Voya IM") considers reliable; Voya IM does not represent that such information is accurate or complete. Certain statements contained herein may constitute "projections," "forecasts" and other "forward-looking statements" which do not reflect actual results and are based primarily upon applying retroactively a hypothetical set of assumptions to certain historical financial data. Actual results, performance or events may differ materially from those in such statements. Any opinions, projections, forecasts and forward-looking statements presented herein are valid only as of the date of this document and are subject to change. Nothing contained herein should be construed as (i) an offer to buy any security or (ii) a recommendation as to the advisability of investing in, purchasing or selling any security. Voya IM assumes no obligation to update any forward-looking information.

Past performance is no guarantee of future results.

This is not, and is not intended to be, a description of all risks of investing in senior loans. The applicable offering documents should be read carefully before investing. Voya Compliance Approval ID #IM0206-30797-0218.