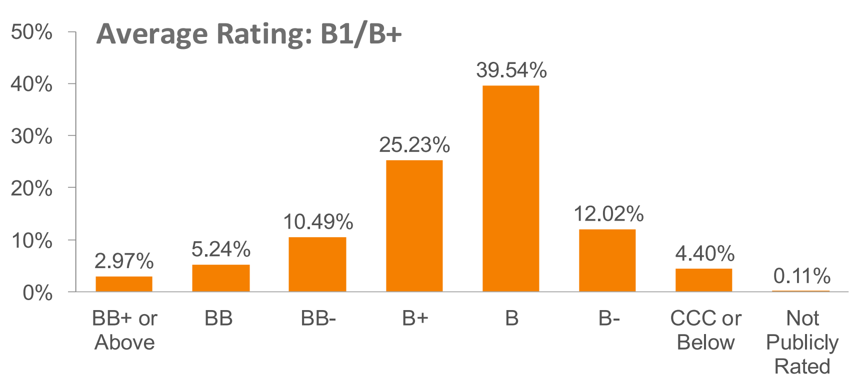
NN (L) Flex – Senior Loans

Monthly Report: August 2019 – Germany, refer to the disclaimer

Characteristics[1]	Fund	S&P/LSTA Index
Number of Industries[2]	35	38
Number of Issuers[2]	331	1175
Average per Issuer (in USD)[2]	8,486,716	
Average per Issuer (as % of AUM in USD)[2]	0.30%	
% of Total Assets in Non-USD Loans	4.66%	
Portfolio Net Assets / Index Outstanding	$2,809,103,132	$1,130.37 Billion
Portfolio Net Assets (EUR)	€ 2,550,831,448	
Previous Month End	€ 2,656,188,303	
Weighted Average Spread	3.60%	3.47%
Weighted Average Coupon[3]	5.66%	5.74%
% of Loans with LIBOR Floors[2]	41.27%	
Weighted Average LIBOR Floor[2]	0.97%	
Discounted Yield to 3-year Call[4]	7.12%	7.17%
Weighted Average Days to Reset	36.7	
Weighted Average Maturity (years)	5.16	4.96
Weighted Average Market Price	96.10%	96.34%
Leverage for Investment Purposes (%)	0.00%	

Top 10 Industry Allocations (%)[2]	Portfolio	Index
Electronics/Electrical	12.90%	14.76%
Business Equipment & Services	12.65%	9.31%
Health Care	10.47%	9.45%
Telecommunications	5.99%	4.97%
Diversified Insurance	5.13%	3.19%
Containers & Glass Products	4.40%	2.10%
Leisure Goods/Activities/Movies	4.24%	4.08%
Retailers (Except Food & Drug)	3.60%	3.68%
Automotive	3.25%	2.47%
Lodging & Casinos	3.23%	4.31%

Ratings Distribution (Senior Secured Ratings)



Top 10 Loan Issuers (%)[2]	% of Net Assets
Asurion, LLC	1.27%
Quest Software US Holdings Inc.	0.87%
Internet Brands, Inc.	0.85%
Nexstar Broadcasting, Inc.	0.83%
Caesars Resort Collection	0.82%
Novolex (aka Flex Acquisition Company, Inc)	0.76%
Alliant Holdings, I, LLC	0.76%
Envision Healthcare Corporation	0.72%
Berry Plastics Corporation	0.70%
Maxar Technologies Ltd. (f/k/a MacDonald, Dettwiler and Associates Ltd. a/k/a MDA)	0.69%

Loans by Country[2]	% of MV
United States	85.29%
United Kingdom	3.46%
Canada	2.84%
Netherlands	1.56%
France	1.12%
Germany	1.10%
Other	4.63%

Loans by Currency	% of MV
U.S. Dollar	91.29%
Euro[1]	8.71%

Asset Breakdown (%)	Portfolio
Senior Loans	93.85%
- First Lien	97.21%
- Second Lien	2.79%
- Secured	100.00%
- Unsecured	0.00%
NN (L) Flex - European Senior Loans	3.90%
Fixed Rate Notes/Bonds	0.00%
Structured Products	0.00%
Cash & Other Net Assets[5]	2.24%
Total	100.00%

Source: Voya IM and S&P/LCD.
All data are as of the last business day of the month unless otherwise noted. Please see Notes related to footnotes to tables on the last page of this report.

Total Returns	1 Month	YTD
I Capitalisation EUR (Gross)	-0.61%	3.36%
I Capitalisation EUR (Net)	-0.69%	2.76%
I Capitalisation USD-Hedged (Gross)	-0.33%	5.51%
I Capitalisation USD-Hedged (Net)	-0.41%	4.88%

Total Returns	1 Month	YTD
S&P/LSTA Index (Hedged to EUR)	-0.54%	4.10%
S&P B/BB Index (Hedged to EUR)	-0.52%	4.28%
S&P/LSTA Index	-0.27%	6.30%
S&P B/BB Index	-0.25%	6.48%

Total return is based on an initial investment on the last business day before the first day of the stated period, with the total returns (NAV change and distributions) compounded each month during the stated period. Returns are reported only for the I Capitalisation EUR and I Capitalisation USD-Hedged share classes for the purposes of this report. Capitalisation returns include reinvestment of interest and income. Share class performance is compared against the gross returns of the S&P/LSTA Leveraged Loan Index ("S&P/LSTA Index") and the S&P/LSTA B/BB Leveraged Loan Index ("S&P B/BB Index"). The S&P/LSTA Leveraged Loan Index is a total return index that tracks the current outstanding balance and spread over LIBOR for fully funded term loans. The S&P B/BB Index is a subset of the full S&P/LSTA Leveraged Loan Index, which contains all loans rated "B" or "BB" by S&P. Investors cannot invest directly in an Index.

Portfolio Manager Commentary

Exacerbated to some degree by seasonally slower liquidity conditions, August was a relatively weak month for the U.S. loan market as investors struggled to shake off recession fears and escalating trade uncertainties. The S&P/LSTA Index lost -0.27% for the month (+80 bps in July), led lower by a 72 bps reduction in the average Index bid price. Contrasting the average monthly gain of 0.92% for the year, August's performance marked the lowest reading since the Index fell -2.54% during market turmoil in December. Despite the setback, the asset class continues to outperform prior years, returning 6.30% in 2019 through Aug 31, which has outpaced any year-to-date return of the past 10 years.

Somewhat paradoxically, the overall market value decline came during the second monthly supply shortage in a row, as new issue activity remained subdued. Typically, a supply shortfall is a technical tailwind; however, that didn't exactly pan out in August as "high quality" (i.e., solid BB/better, which represents a relatively low percentage of paper available) remained, in most cases, very well bid, while all else was flat to lower (numbers attached in a moment). In the last two months, repayments exceeded new issuance by roughly $25 billion, the largest two-month mismatch in a while. This has led to a reduction in the size of the Index for a second consecutive month, to $1.17 trillion, from a record $1.20 trillion in June.

On the other side of the technical ledger, investor demand continued to follow a trend that we have largely been accustomed to this year. CLO issuance remained active as managers priced roughly $7.3 billion worth of new vehicles (a good number for August although off the $9.8 billion monthly average set over the LTM period). Conversely, and unsurprisingly, the flight from loan mutual funds did not ease up in August, as another $3.9 billion came out, bringing the outflow streak to a record 41 weeks. We expect this to continue should rate expectations remain as dovish as they currently are.

Although secondary prices slipped almost across the board in August, a bigger chunk was taken out of riskier credits, as managers continue to bid up higher-rated assets. Double B rated loans added nine basis points for the month, while single-Bs and CCCs lost -0.41% and -1.81%, respectively. As a result, the yield differential between B and BB continues to grow, arguing the former may in fact be undervalued and the latter may be overpriced. Against a backdrop that's now awash with macro uncertainties, the same dynamic is playing out in both the IG and HY bond markets.

The Fund returned -0.61% on a gross basis (EUR) while the S&P/LSTA Index (Hedged to EUR) returned -0.54% and the S&P/LSTA B/BB Index (Hedged to EUR) returned -0.52%.The most substantial unfavorable factor was a higher relative position in the single-B rated category, which underperformed the BB/higher component of the market, as noted above. The bottom five Industry detractors outweighed the top five contributors for the month, and included overweights to Food & Drug Retailers, Retailers, Electronics & Electrical, Healthcare and Business Equipment & Services (the latter three representing the top overall broad industry exposures within the Index). Top sector contributors included underweights to Oil & Gas, Leisure Goods, Financial Intermediaries and overweights to Drugs and Nonferrous Metals. The top five relative issuer-level contributors reflected the avoidance of positions in loans that materially underperformed during the month: Deluxe Entertainment, Murray Energy, Mallinckrodt Inc, Seadrill Partners and Ditech Holding Corporation. The bottom five detractors included active positions in Save-A-Lot, Jo-Ann Stores, Envision Healthcare Corporation, Lumileds and Flexential Corp. Each of these have been affected by poor earnings, the lowering of forward guidance and in some cases leverage-related ratings downgrades.

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Default activity within the Index remained non-existent for a second consecutive month, slimming the trailing default rate by amount outstanding by three basis points, to 1.29% in August. Default activity is expected to remain fairly benign throughout the balance of the year and into 2020. There were no defaults in the portfolio.

Even with the retrenchment in loan prices to 96.3 in August, the average bid price of the index is still up over 2.5 pts from year end. Clearly, the risk-off theme continues to run its course as the gap between bid prices for BB/B names has widened and now stands at 229 bps vs 67 bps at the end of 2018. Overall bid action continues to be sector and name dependent with both pockets of outperformance/underperformance, seasoned with a dash of surprise along the way. The bigger picture in terms of default activity continues to point towards “lower for longer” as overall earnings, while slowing remain acceptable, and issuer liquidity profiles remain generally solid. Nonetheless, we continue to remain vigilant as to credit selection and monitoring as we manage through this current wave of volatility.

NOTES

1 Unless otherwise noted by footnote (2), the calculation includes the weighted average contribution represented by the Fund’s investment in NN (L) Flex – European Senior Loans. More details on NN (L) Flex – European Senior Loans can be found in that fund’s separate report.

2 These calculations represent only the senior loan holdings held directly by the Fund, and do not represent a look-through to underlying holdings of any other fund investments.

3 The Fund’s weighted average coupon is calculated by using nominal spread and 60-day LIBOR, while the Index’s weighted average coupon is calculated using nominal spread and weighted average contracts.

4 Discounted yield to 3-year call assumes: (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 yield is calculated based upon the current market price, not on par.

5 These weightings reflect "other net assets." "Other net assets" includes cash, payables, receivables and all other assets and liabilities on the balance sheet.