

Demystifying Securitized Credit: Live, Do, Buy

Securitized credit isn't complicated. It's an investment involving predictable consumer behaviors that have fueled economic growth for generations.

Consumers are the engine of the U.S. economy

Right now, nearly 83 million Millennials (ages 20–40) in the U.S. are transitioning to the next phase of their lives. Meanwhile, 75 million Baby Boomers (ages 56–75) are entering their golden years of retirement. People in each demographic will have to *live* somewhere, *do* things and *buy* goods and services.

Over time, U.S. consumers have been very predictable. Personal consumption makes up about two-thirds of U.S. gross domestic product, or \$18.6 trillion.¹ That's larger than the total GDP of China or the combined GDP of Japan, Germany, the United Kingdom and India.

The U.S. consumer is an economic force. Yet we often see a negative picture painted that cites longer-term declines in household formation and shorter-term challenges like inflation. **But there's perception, and then there's the reality of cold hard facts...**

Total U.S. population by generation

Born in...



Source: U.S. Census Bureau.

Perception	Reality						
What happened to the good ol' days? "Births in the U.S. are falling!"	Births increased from 2020 to 2021, particular for mothers in their 30s ²						
Is 40 the new 30? "Millennials are waiting much longer to buy houses!"	Median age for first-time homebuyers ³ <table border="1"> <thead> <tr> <th>Year</th> <th>Median Age</th> </tr> </thead> <tbody> <tr> <td>1993</td> <td>32</td> </tr> <tr> <td>2021</td> <td>33</td> </tr> </tbody> </table>	Year	Median Age	1993	32	2021	33
Year	Median Age						
1993	32						
2021	33						
No grandchildren yet? "Millennials are waiting much longer to have children!"	Median age for first-time mothers ⁴ <table border="1"> <thead> <tr> <th>Year</th> <th>Median Age</th> </tr> </thead> <tbody> <tr> <td>1990</td> <td>27</td> </tr> <tr> <td>2020</td> <td>30</td> </tr> </tbody> </table>	Year	Median Age	1990	27	2020	30
Year	Median Age						
1990	27						
2020	30						

Through generations, U.S. consumer behavior has proven to be not only predictable, but a key catalyst for ongoing economic expansion. Despite wars, periods of stagflation, geopolitical turmoil and recessions, demographic trends have held steady over time. For example, 4 out of 5 Americans have children in their lifetimes.⁵ This predictable action forces behavior that drives economic activity. Once a child is born, we don't really have a choice—we have to spend money, because kids need things. As of 2023, it cost the median household in America \$374,634 to raise a child from birth to age 17 (and that doesn't include college).⁶

¹ YCharts, 2024.

² U.S. Census Bureau, 2022.

³ National Association of Realtors, June 2022.

⁴ United Nations World Population Prospects, 2022.




⁵ Gallop, 2023.

⁶ SmartAsset, 2023

What does this have to do with securitized credit?

Securitized credit is an investment in everyday life.

Securities backed by loans, mortgages and other assets aren't complicated. They revolve around basic activities that move the economy forward. One party enters into a credit contract with another party, agreeing to specified repayment terms. That contract is pooled with similar contracts to serve as collateral and generate cashflow for different types of securities. Although the specific type of collateral is different across each flavor of securitized credit, the strength (or lack thereof) of the U.S. consumer is the overarching driver of risk and reward potential in the space.

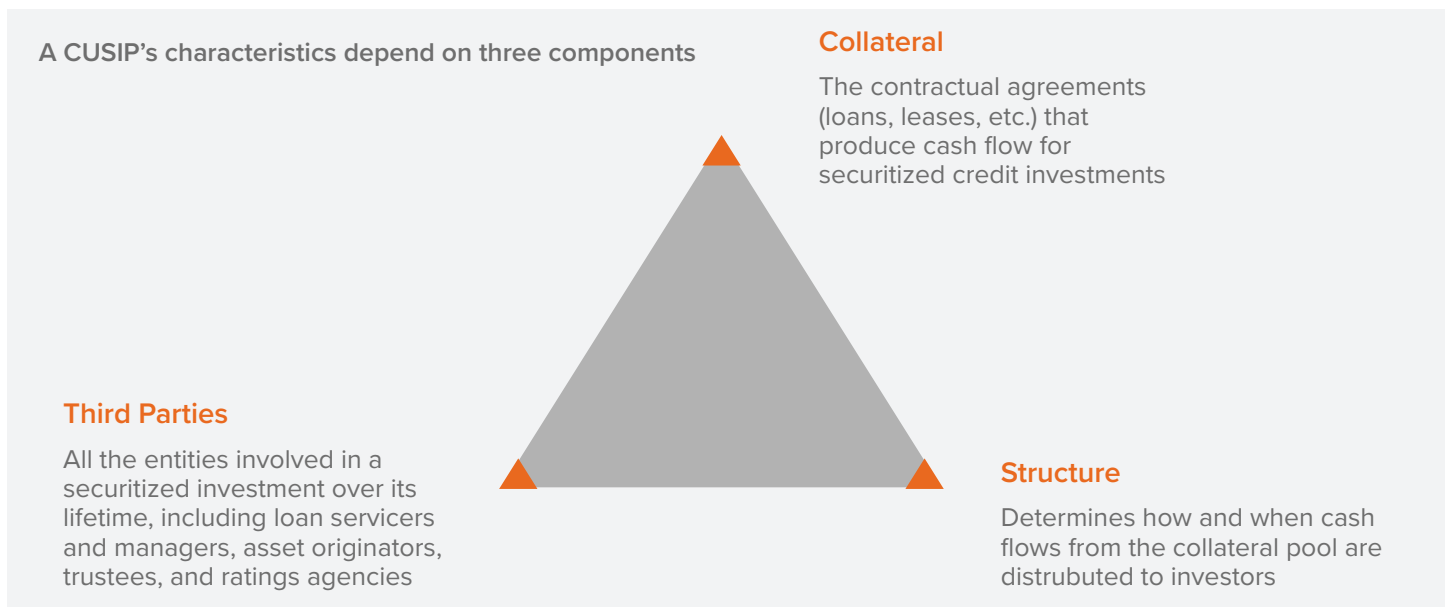
	Where you LIVE	What you DO	What you BUY
			
Activity	Buy a home	Work at an office or start a new business	Buy goods on a credit card or lease a car
Contract	Pay a mortgage	Pay a mortgage or bank loan	Make a credit card or lease payment
Collateral	Cash flow from a group of residential mortgages	Cash flow from a group of commercial mortgages or bank loans	Cash flow from a group of loans
Issued as...	Residential mortgage-backed securities (RMBS)	Commercial mortgage-backed securities (CMBS) or collateralized loan obligations (CLOs)	Asset-backed securities (ABS)

Remember, securitized credit investments are an output of where you live, what you do and what you buy. As people live life within these three buckets, there tends to be more issuance of securitized credit. And, as a crucial corollary, if consumers are judged to have the capacity *and* willingness to repay, they are likely to meet their contractual agreements and maintain cash flows in the collateral pools of securitized credit.

A story behind every CUSIP

Where things get tricky with securitized credit is that two investments in the same subsector (say, CMBS) can produce dramatically different returns. Why? Each security, identified by a unique CUSIP, is defined by three key components: the collateral, the security structure and third-party relationships (see below). These three factors determine important things like what happens if borrowers in the collateral pool pay off early, or what happens if the underlying assets experience a decline in value.

The research necessary to understand and monitor changes in these components requires experience and resources. Active managers such as Voya may deploy extensive fundamental research capabilities to identify investments that offer attractive potential across the securitized market, including ABS, RMBS, CMBS and CLOs.



Securitized credit is a “through-the-cycle” allocation

Regardless of the state of the economy, people will get married, have children and buy homes. This household formation drives financing needs and is a powerful driver of investment opportunity. **With its underlying collateral closely connected to predictable U.S. consumer activity, securitized credit offers a vital source of potential income, returns and diversification within a broader fixed income portfolio.**

To learn how securitized credit can enhance your existing portfolio, contact your Voya IM representative or read more at voyainvestments.com.

Investing with Voya

Voya Securitized Credit Fund	<p>Tap into the potential of the U.S. securitized credit market via a flexible strategy focused on the long term</p> <ul style="list-style-type: none"> Invests primarily in the mortgage and asset-backed markets including commercial mortgage-backed securities (CMBS), non-agency residential mortgage-backed securities (non-agency RMBS) and asset backed securities (ABS) Dynamic and balanced investment process using proprietary bottom-up inputs to drive security selection and top-down macro themes to guide portfolio construction A dedicated team with 16 years average experience aligned to take advantage of unique expertise in specific sectors of the market 	<p>Class A: VCFAX Class I: VCFIX Class P: VSCFX Class R6: VCFRX Class W: VSCWX</p>
Voya Strategic Income Opportunities Fund	<p>Seeks total return through income and capital appreciation through all market cycles</p> <ul style="list-style-type: none"> A multi-sector strategy that seeks attractive returns by investing in the broad global fixed income universe A flexible unconstrained approach, not managed relative to an index, to obtain more attractive and diversified return potential Collaborative process harnesses insights of more than 150 investment professionals; integrates sector and security analysis, trading and risk management 	<p>Class A: ISIAX Class C: ISICX Class I: IISIX Class R: ISIRX Class R6: VSIRX Class W: ISIWX</p>

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 the prospectus carefully before investing.

Disclaimer

Principle risks: All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. **Foreign Investing** does pose special risks including currency fluctuation, economic and political risks not found in investments that are solely domestic. **Emerging Market** securities may be especially volatile. The Funds may use **Derivatives**, such as options and futures, which can be illiquid, may disproportionately increase losses and have a potentially large impact on Fund performance. The Funds are subject to both **Credit and Interest Rate Risk**. The Funds’ share prices and yields will be affected by interest rate movements, with bond prices generally moving in the opposite direction from interest rates. Credit Risk refers to the bond issuers and senior loan issuers ability to make timely payments of principal and interest. **High-Yield Securities**, or junk bonds are rated lower than investment-grade bonds because there is a greater possibility that the issuer may be unable to make interest and principal payments on those securities. To the extent that the Funds invest in **Mortgage-Related Securities**, their exposure to prepayment and extension risks may be greater than investments in other fixed-income securities. **Other risks of the Funds include but are not limited to: Borrowing/Leverage Risks; Debt Securities Risk; Non-Diversification Risks; Other Investment Companies’ Risks; Price Volatility Risks; Inability to Sell Securities Risks; Securities Lending Risks; and Portfolio Turnover Risks.** Investors should consult the Fund’s Prospectus and Statement of Additional Information for a more detailed discussion of the Funds’ risks.

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