

Operator:

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Jimmy Bhullar:

Thanks, Laura. Good morning everyone, and thanks for dialing in. I hope you, your family, and friends are all well. Also, thanks to the Voya team for participating. Joining us from Voya are Mike Smith, CFO, and Matt Toms, Chief Investment Officer of Fixed Income. Matt chairs the Fixed Income Asset Allocation Committee at Voya, and Mike Smith, who most of you know, is the CFO, and was recently named Vice Chairman. Also, Josh Smith from IR is on the call as well from Voya.

Jimmy Bhullar:

In terms of the format, I'll ask Matt and Mike to address a few topics on the credit environment and on Voya's portfolio, and we'll take your questions as well. If you're streaming the call, you could email me a question if you'd like me to ask on your behalf. The call should last about half an hour. Laura, can you announce instructions for questions?

Operator:

Absolutely. We will now begin the question and answer session. If you would like to ask a question, please press star followed by one on your touch tone keypad. If for any reason you would like to remove that question, please press star followed by two. Again, to ask a question, please press star one. If you're streaming today's call, you may also dial in and enter star one. As a reminder, if you're using a speaker phone, please remember to pick up your handset before asking your question.

Jimmy Bhullar:

And then, Matt and Mike, before we start, any key messages you want to leave the listeners with, or do you want me to just go into my questions?

Michael Smith:

Jimmy, just go ahead and let's jump right into Q and A. I think those messages will come through, I'm sure, in the questions.

Jimmy Bhullar:



Sure. So maybe just start big picture, and your overall views on the credit environment. And I think it's been an interesting past year, because last year this time everybody was worried about credit losses, and now everyone's sort of concerned about where do you put new money to work and get a halfway decent yield. So there's really no concern about the credit market and the environment out there. And obviously a lot of that has to do with both sort of fiscal and monetary actions by the government, but what are your views of the credit environment overall, and do you think that a potential crisis because of COVID has been completely averted, or is it just delayed, and there are sort of concerns out there that you think the market is not fully appreciating?

Matt Toms:

And I'll ... this is Matt, I'll start on that. And Mike, obviously anything you'd like to add. Generally Jimmy, 100% correct in our opinion. Strong momentum, albeit with full valuations, that the policy stance, fiscal and monetary, have stayed the capital event. So the good news is downgrades, defaults, write-offs, and the like have been minimized. The flip side of that is you pay for that with the lower yield environment as provided by the monetary policy environment, as well as the fiscal. That helps the growth outlook, not only in the U.S. but globally. And that paints a picture for growth, for liquidity, for lower defaults, and therefore tighter spreads. We do think this is self-reinforcing, given the economic growth expectations that will continue to grow globally. You're seeing that take up in Europe today. So we do not view this as a short-term phenomemon. It is a ... the liquidity provided a bridge to the "COVID tomorrow."

Matt Toms:

There are still opportunities ... well let me just back up for a second, in consumer and corporate strength. So really broad-based underlying fundamentals means that yes, there's still volatility, still things to be managed, still COVID uncertainty, but from a systemic standpoint a lot of repair and a lot of forward-looking strength, as you see in bond spreads and equity markets. Where there's opportunities would be in the space where there's still some lingering ambiguity. For example in commercial real estate, not fully reopened. You're seeing a real resilience in retail, still some uncertainty around office environment, but with strong teams like we have, we believe we've underwritten well into this cycle, and still see opportunities coming out. Same on the residential prepayment mortgage side. Interest rate uncertainty and volatility creates opportunities for us. And so that still is not abated, and then ongoing private credit provides opportunities.

Matt Toms:

So broadly speaking, yes, a much better environment, still some opportunities, but one where downside matters a lot. And in bond portfolios specifically, looking now to protect against idiosyncratic downsides, what we always do, that game is always important, and is important now.

Jimmy Bhullar:

And then you mentioned some of the areas where you see an opportunity. What are the areas that you're avoiding, either because there isn't much of an opportunity in terms of risk reward, or you just are not comfortable with the risk?



Matt Toms:

Most risks we're comfortable with. Some that we think from a pricing standpoint offer less opportunities, asset-backed securities, you really have a pinch lower in spread, so that's more from a technical and evaluation standpoint. From a fundamentals standpoint, you still see some lagging in emerging market countries. I separate that from companies. Emerging market corporate space has actually showed some resilience, but the sovereign space still some uncertainty, and the debt it's taken on to get through the COVID crisis leaves more of a hangover for emerging market economies than it does for developed, so still some lingering uncertainty there. I wouldn't say that we're avoiding those spaces, just approaching with more caution.

Jimmy Bhullar:

Okay. And then just you mentioned this a little bit in your response to the previous question as well, but as it relates to office real estate, or lodging, and maybe any other sectors, are there parts of the market where your views might have changed post-COVID, given sort of maybe changes in working patterns, and people maybe not going to the office full time? Or do you just think it's more of a short-term phenomemon, and things will go back to how they used to be both in terms of return to work and travel and just overall business activity?

Matt Toms:

So certainly the world has changed and won't go back completely. Our approach, I'll start with real estate, has always been cautious in areas that have more downside exposure, such as hotels. So 2% of our commercial real estate portfolio is hotels historically. It's always been defensive. On the office side, again, we've been more in the diversified non-large central business district area, which tends to be prone to more overbuild and more volatility in those cycles, so you're still seeing office vacancy rates increase. That's the area with the most uncertainty. Think we ... well I know we've always underwritten in a pretty conservative manner. The thing about office, you still have, because you have longer leases, you still have, over the next couple of years, more of that to play out. What played out in hotel and in retail played out very quickly and is largely observable at this point. Less uncertainty in the market, and generally has been traversed by the market quite well, and in our own portfolio. In office expect the next year to two to still see increasing vacancy rates. There's shadow inventory available in sublease space. So expect headwinds, but our conservative underwriting and non-large CBDs less beholden to public transport we think put us very well-positioned, so no meaningful change in our strategy.

Jimmy Bhullar:

Okay. And Mike, since you're on. Can you talk about Voya's plan for return to office, on a more of a full-time basis?

Michael Smith:

Yeah, thank you Jimmy. Maybe I just start by saying we're approaching this, the return to office, with a pretty holistic view of our strategy around talent, our strategy around development, our strategy around retention of talent, and attracting new talent. And looking at our footprint. But it's really more about recognizing that the world, we think, has changed. That employees demand or will demand the



flexibility to work from home. And so we're in the midst right now of surveying our employees, and the overwhelming majority of our employees would prefer to be in a situation where they're in the office maybe up to three days a week, but that they have the flexibility to work from home. And our plan is to accommodate and leverage that. So we're currently at a point right now today where there's very minimal number of folks in our offices. Later in the summer or early fall, we'll begin a modest return, but we're really envisioning a dramatic change in the way we use those spaces. And we think that that will position us well to attract and retain the kind of talent we need to be successful. But the world ... we'll be in a position where a large majority of our team will either be full-time work from home or in a hybrid role, where they're in the office anywhere from one to three days a week.

Jimmy Bhullar:

Okay, and I think at least initially, where people are going back to the office, and desks are more spread out, so the usage of real estates hasn't gone down commensurately with the reduced number of people coming to the office. But it's sort of unclear how long that sustains, and when people start tightening cubes and going to normal work. What are your views on that?

Michael Smith:

Yeah, and look, I think there will be kind of a compromise to be had here, as we'll likely reconfigure most of our office space to more of a hoteling concept. And so getting the right dimensions on that to allow for the appropriate distancing and health considerations and so on. We're still figuring out what that will mean for our footprint. And so we don't have numbers to share. I do think over time our footprint will diminish. Our physical footprint will diminish. There will be some savings to be had there. That's not why we're doing this. We did not set out to say, with a goal of, nor would we, a goal of reducing footprint by X percent. I think others that I read in the media, not necessarily in our sector, necessarily, but just generally, there was a move early on to, let's cut by 50%. I think the more ... the better approach and the one that I think more companies will ultimately adopt is, we got to figure out how we're going to work in the new environment, and then we'll make decisions over time, rather than make arbitrary high level cost-cutting measures. I don't think that's the right way to approach it.

Jimmy Bhullar:

And there's a question from a client, who's streaming. What do you think about the fixed income environment over the next year, and how concerned are you about interest rate risk, and where is the most risk on the curve in your view, and where does overall interest rate risk rank compared to your overall credit ... your views on credit quality risk?

Matt Toms:

Maybe I'll-

Michael Smith:

Matt why don't you go down the path-

Matt Toms:



Yep. Okay. Generally the risk is balanced between the two. We think with the recent selloff in interest rates, you've seen that pivot to about a 160 level on the 10-year Treasury. Our view from a Fed standpoint is not fundamentally different than the market. So the tapering later this year, but a Fed hike cycle not starting until 2023. We think the Fed's response function to inflation is now to observe it, as opposed to anticipate it. So we do believe that you've got a good amount of time before you see a push higher in the front end of the curves. And that will likely be extended globally. The ECB we think will be even slower, somewhat due to currency pressures and somewhat due to the more dependency of peripheral governments on the low rate structure. So the global framework for low rates is not going to change quickly. In our opinion, the word transitory you hear an awful lot, about inflation. It's probably better characterized as cyclical, which has a bit more legs than transitory inflation. So we do think that as you get through this year and towards 2023, there will be a reason for the Fed to move, but again, a gradual move, which allows this year into early next, the 10-year Treasury to get to a ... call it a 185 level in our opinion, with a modest steepening of the curve.

Matt Toms:

But then a further grind with somewhat higher inflationary rate globally, less dis-inflationary forces, should allow the 10-year Treasury over coming years to pierce through too and move somewhat higher. Remembering we entered COVID below 2%. So a somewhat higher inflationary outlook post-COVID makes sense to us. But none of those numbers, in our opinion, paint a picture of an exploding higher yield curve, for many reasons. And so we do not ... we are not in the camp that believe you have an aggressive move higher. It's much more of a grind that will take time, and that's very tolerable from an investment standpoint, and actually increases the long-term return for fixed income with the reinvestment rate moving higher.

Michael Smith:

And to pick up just from a business risk side. Makes me happy when Matt talks about the grind upwards, because first of all, upwards in terms of interest rates is going to be favorable from an earnings standpoint over time. The fact that it's going to be a ... we envision or we expect a more gradual increase as opposed to sharp shocks, definitely makes it a better, more manageable exposure from our standpoint. But our exposure compared to our traditional peers is far different. Just to remind everyone, we've exited, via a sale, the annuity business, and the variable annuity business ... the individual annuity business I should say, and all of our variable annuities. We've also recently completed the sale of our individual life business. All of those had substantial long-term tail risks driven by interest rates. That's no longer part of our profile. Our interest rate exposure is really limited to our general account exposure, as it relates to participant accounts in retirement plans, and/or stable value accounts in retirement plans.

Michael Smith:

So those are pretty sticky kind of assets. You don't have a lot of what we in the industry would call disintermediation risk, of sharp change in interest rates leading to policy holder behavior that moves money out rapidly. That just doesn't happen in defined contribution plans. And so we certainly are monitoring and pay attention to interest rate risks. We do duration matching with our portfolios, kind of the traditional risk management measures. But feel like that's a much lower magnitude of risk. And to just give you a sense, from an earnings standpoint, we're estimating that if rates were to move 100 basis



points, and think of that as rates and spreads, move up 100 basis points, that would be about a $20 to $30 million earnings good guy in the year. If they were to go down 100 basis points, it'd be about a 10 to 15 million bad guy. Pre-tax again. So relatively small, when you consider the broader earnings picture. We're certainly optimistic that continued move upwards in rates will diminish ongoing pressure on the portfolio yield and on our credited rate spreads. So overall, feel pretty good about that.

Jimmy Bhullar:

Okay. Laura, could you go to the line for the first question?

Operator:

The first question comes from the line of Nicholas Annitto. Please proceed.

Nicholas Annitto:

Thanks to the Voya team for joining. A bit of a high level question, first, kind of to piggyback off your comments about inflationary environment. How are you guys thinking about, I guess, investing in general in the environment? Are you guys thinking about any allocation shifts, maybe to floaters, or shortening durations, or anything like that?

Matt Toms:

I'll start, Mike, if that's all right. Generally, the answer is no. We do manage an array of different strategies. And those strategies provide clients with the opportunity to invest across interest rate sensitivities, from floating rate funds to income funds to mortgages and the like. Generally within the regulated and balance sheet need, cash flow needs and duration needs don't change dramatically. So we're looking to tailor for the needs of the individual liabilities, and clients, and would not look for meaningful change in our asset allocation. We do long-term asset allocation studies and we look at risk premia and fit, and those typically last for multiple rate cycles. So short answer, no. Subset of that, where we see opportunities within floating rate instruments, of course we'll take them. But again, we're not forecasting a dramatic shift or a fast shift higher in rates. So nothing from a tactical standpoint that's aggressive, either.

Michael Smith:

Matt, I agree with everything you said. The duration targets that we set for the general account ... and to be clear I think we're focusing here on those assets that are on our balance sheet and that we own, and are ultimately ... have the full risk for. Our duration targets would generally not shift very much. We manage within certain tolerances. So as the rate environment evolves, we'll evolve with that, but as Matt said, long-term strategy should be pretty resilient through an inflationary cycle, unless it gets really dramatic or very different from the current environment. And then we'll adapt accordingly. So we've got a team that's got a pretty good grasp on the situation, and ready to move on the fly if it's needed. But that's not really what we're expecting.

Nicholas Annitto:



Thanks, that's helpful. And then switching gears a little bit, just looking at your exposure to BBB securities, could you discuss a bit ... I guess the quality given, just the high level of issuance in recent years, and if you guys have any concern about grade inflation or any issues like that?

Matt Toms:

And I'll start. Generally the answer would be no. What you've seen in the market is a shift, a corporate preference for the BBB category, and you've got large diversified corporations historically that would be A rated, that have decided, with lower interest rates, to move towards a BBB category. And you have not seen a dramatic downgrade clip, even through COVID. What you've got is companies that don't have a weak business model, carried a bit more leverage at a low cost, that have proven the ability to sustain that. So we're very comfortable investing in that environment, across both our public and private asset classes. We have a good amount in the private asset classes where we have covenants that also provide protection for the downside. We view privates as having even less downside risk over time due to that covenant protection, and higher income. So no specific fear. We view the opportunities as being there across all rating classes, but do not have any specific concerns about the BBB component.

Nicholas Annitto:

Got it. Thank you.

Matt Toms:

The only thing-

Jimmy Bhullar:

Go on, sorry.

Matt Toms:

No, I just really quick would add, we're also quite conservative with our below investment grade exposure as well. So the combination within credit and a less credit-intensive balance sheet, with the sale of the life business, overall has decreased the credit sensitivity, and some of the longer duration credit that naturally would be held versus that prior liability. That's an important ... one last important point there.

Jimmy Bhullar:

Yeah, I think a couple of years ago there were a lot of concerns about the heavy issuance of BBBs, and some commotion around people's views that maybe what's qualifying as a BBB now, in the past might not have been BBB, so there was some commotion about an expected uptick in default and/or downgrades or losses in BBBs. Obviously didn't happen, but ... So on the portfolio overall in your allocation, does the sale of the individual life business ... what does it mean for the makeup of the portfolio, and how it could change going forward?

Matt Toms:



So perhaps, Mike, I'll start and then hand it to you. Generally from a strategy standpoint, as we mentioned, no strategy change per se. As I alluded to the nature of the liability, therefore the asset does change a bit. So there's less long duration needed with the life liability now sold. So that generally meant a higher allocation historically to longer-dated public bonds, to get that exposure. So our intensity of credit in the portfolio declined, not from any action, that's just from a natural business mix, and what makes sense to back those liabilities. So you'll see our credit intensity lower, and generally within that, a slightly higher intensity within private credit, which again we view as having a better risk return profile. So that's the only notable change, less long-dated credit risk, less credit sensitivity.

Michael Smith:

Yeah, that was ... a couple of things happening there, right. The shift away from the allocation to corporate was, as Matt said, partly because that was ... those are the instruments you needed to get the duration to offset the life liability. Also, the entity we sold and the assets supporting the business we sold, via reinsurance, that moved with it, just naturally transferred that exposure over to Resolution. So it's a natural consequence of having a portfolio that was segmented into business segments, and just naturally evolved us to a somewhat different place. That was something we had flagged probably three or four quarters ago, when we showed the pre and post-allocation, and that shift from corporate credit to more private credit. That was something that we're ... we had been intent-ful in building, and are very happy with the way it sits now.

Jimmy Bhullar:

Okay. Laura, could you go to the next question?

Operator:

The next question comes from the line of Daniel Kramminer. Please proceed.

Daniel Kramminer:

Hi, thanks for taking my question. There's a couple. First, just to going off your comments about private credit and the shift you guys are sort of making, maybe you can just talk about the credit quality of your private portfolio versus your public holdings, and sort of what kind of yield differentials and protections you're getting, and compare and contrast sort of those two.

Matt Toms:

Yep, surely I'll start. There's a, in general, private credit asset classes, and this hasn't changed per se. It is inherent in the asset class, is somewhat shorter duration, so less 30-year debt, as you'd expect, and it's similar in rating quality, slightly higher in any IT2s or BBBs by what comes to that market naturally. You have less A issues. So slightly more BBBs, but not a huge level. From an industry standpoint, less financials and more utilities are typically in the private market. And more infrastructure, for example. So those are the skews. It's typically shorter duration, less fins, higher utes, and infra, all of which are things that we like. There's long-term credit stability and obviously covenants that come with it, which give us the ability to negotiate early and protect against any leveraging events, where, particularly as you leap into a mid to late cycle, corporate leveraging events can hurt credit, and private credit is more protected



from that. So we like that, from a corporate leveraging risk, which you really haven't seen yet, but that would be, following on from an earlier question, what are some of the risks, some of the risks to a debt investor now are re-leveraging within the low rate environment. And privates protect against that.

Matt Toms:

Historically, we've garnered on the average of, say, 75 basis points of incremental investment spread in privates versus publics, and we've actually beaten that number year to date. We are seeing compression in the private market, but as a leading investor in the space, and have great access and great teams and an ability to underwrite and structure, we are able to still generate that attractive spread. Even though there's pressure to narrow it, we're out-kicking that 75 basis point historical average today. So a very attractive alternative for us.

Daniel Kramminer:

And maybe just sort of shifting over to your structured exposure, you guys seem to have a bit of an overweight on residential MBS versus some of your peers. A lot of which seems to be in CMOB strategy, maybe you could just talk about how that's performed over time, and how you find it's currently positioned in the current environment.

Matt Toms:

Yeah, perfect. [crosstalk 00:28:50] yep. Perfect. Thanks Mike. You're absolutely right, the agency mortgage-backed with the CMOB portfolio, a portfolio that is performing incredibly well over multiple decades, a unique strategy that's extremely capital-efficient, it provided strong returns last year and historically, and importantly, tends to have a low correlation to spread assets. So this year specifically, you've seen a stalling in overall mortgage ... you've seen an increase in mortgage prepay speeds, and so the mortgage basis for the prepayment expectations have created uncertainty. So this year has been categorized by a big credit rally in investment grade and high yield bonds, and you've had more of a sideways move in 2021, after a very strong 2020 for the CMOB mortgage portfolio. 2021 has been categorized by a stall. So that correlation basis difference between credit and our mortgage portfolio has opened back up, but we do expect, with a lower interest rate volatility and with more certainty around prepayment speed, that it's very well-positioned in the future. So that's an example of an asset class that we like. We like the income, the capital sensitivity, the historical performance, all strong, a bit of a pause in the current environment. We think that sets up really nicely for the future environment, though.

Michael Smith:

Look. The allocation relative to peers, as you correctly pointed out, is driven by the CMOB portfolio, which we view as a unique advantage. It's ... while we offer it publicly, and even some insurance companies are customers of ours in that space. But we think it's something that helps us differentiate in terms of returns. It does cause us to look a little different from the peer comparisons, but we think the track record and the overall performance of the team and the investments more than justifies and supports the decision to have that little bit of an overweight.



Jimmy Bhullar:

And then just shifting into another category, you've got about a billion-and-a-half of an allocation to alternatives, and mostly private equity. Are you ... should we expect any changes in that, because that's obviously been a very strong performer over the past few quarters, and seems like it will, given the reporting lag, it'll continue in the near term also.

Michael Smith:

Matt-

Matt Toms:

Mike, you want to lead on that-

Michael Smith:

... you want to start? Yeah, well maybe I'll start. Okay, I'll start with just sort of a broad sense of what the performance of the alternatives has been a great upside for us. It's, overall I think last year, despite having the results that came through in second quarter, we still wound up with performance that significantly exceeded our long-term expectation of 9%. We think that the amount that we're at is about right for us. We're always going to continue to monitor the level of volatility, but we think the performance has more than justified the level of risk and volatility. I think over the long run we're earning low double digits on that alternative portfolio, and I think that's been a pretty solid performer.

Michael Smith:

It is not, and people should be clear on this, it is not perfectly correlated with the S&P. It is going to potentially be different. And we gave a little bit of a hint of that around second quarter, where we ... our private equity exposure, particularly, has a bit of a tech lean, and so that was a little bit of a under-performer, relative to other parts of the market, in the first quarter. So we were a little bit cautious about 2Q, but still feel like overall market trends are favorable, and would expect again a pretty decent result in second quarter for alternatives.

Jimmy Bhullar:

And then any sort of concerns about the fact that the equity market has done really well, and so has the tech sector over time, and would you consider taking advantage of that and reducing your allocation, or is this more sort of a long-term strategic allocation, and you don't want to be too sort of tactical in terms of timing.

Michael Smith:

Yeah, I'll start, Matt, and then you can chime in to the extent you want to on the tactical side. It is a ... look. I think the overall position in alternatives is a long-term strategic view. Within that, will we make modest changes over time, yeah, but we're not market timers, we're not trying to make ... we're not running our own mutual fund, or our own hedge fund here. We're looking for longer-term investments where we can enjoy the benefits of having the ability to hold these things to conclusion, to maturity in



some form or fashion, to a cash event. So we certainly are actively managing. Don't get me wrong, but our preference is to not be making big tactical bets within that portfolio.

Jimmy Bhullar:

And there's been a lot of talk on sort of changes in C1 capital charges for portfolios, and it seems like, for the last several years it was going to happen next year, and then the following year it's going to happen next year. So nothing's obviously happened, but it seems like we're getting closer to potential changes. So any insight on your views on when the changes could be enacted, and how could your portfolio and capital be affected by that?

Michael Smith:

Yeah. So Jimmy, you're right. I mean It's been going to happen next year for about six years, I think. But this year, I do think there is momentum building. The NAIC has ... they've been working with the Academy of Actuaries on new factors, they've recently brought in Moody's to also help with the development of factors. And these are bond factors, kind of ... and a further refinement of those. Right now the categories are ... there's basically six, right. And they're going to split out the ratings for NAIC one and two to be a much more refined view of ... recognize that there's a difference between BBB+ and BBB- and so forth. So the overall impact will be an increase in the amount of C1 capital under the formula. We're not ready to give any information. The factors and the work isn't done yet. I think when we get to a place where there's ... what appears to be a final or near final proposal, then we'll likely be in a position to disclose the potential impact where it makes sense. And I'm assuming peers will follow suit. I would expect overall RBC levels, RBC percentages will go down. And so just the day after the new formula is introduced, the RBC level will go up and so the reported RBC percentages will go down. It's not going to be dramatic, but it will be noticeable.

Michael Smith:

My expectation, and I think others' expectation is that there will just simply be a recalibration of what the right level of RBC ... what the right level of RBC percent to target should be. Basically the ... all we're doing here is saying, the day before the new formula, you had a certain amount of capital, and you had a rating, and we were happy with that level of capital, and so on. The next day you still have the same amount of capital, we're just treating the target differently. It's just a recalibration, as I said, and so I would expect that simply if companies are targeting, let's call it 400, like we do, as a 400% RBC, and the overall industry impact is, let's say, 25 points of RBC, then I would expect just the industry to recalibrate to something that's 25 points lower. And that's what should happen. There should not be a capital call to maintain those levels.

Michael Smith:

I would just close with, one of the reasons, I think, that companies target levels like four times the company action level, or three-and-a-half to four times the company action level is because it was understood that the RBC formula had some weaknesses. And so we're fixing some of the weaknesses, and so the calibration of those targets should change as well.



Jimmy Bhullar:

Yeah, the key would be, are the changes by the NAIC on the various factors, does that change a rating agency's view of the risk? And if that hasn't changed because ... and some of the rating agencies already make their own adjustments, so then they would just leave ratings unchanged and adjust their thresholds. Obviously, I think the complicating factor is going to be there's going to be other ... from an investor standpoint, if that rate changes, then that creates another sort of set of changes in RBC ratios, and different directions for many companies. But for most of them, RBCs could be affected by that as well. So, but there's-

Michael Smith:

That's true.

Jimmy Bhullar:

... many potential [inaudible 00:39:25]

Michael Smith:

Yep. We'll sort it out. But I do think it's possible that those could be in effect for next year, is my expectation.

Jimmy Bhullar:

And we're up on time, but Matt and Mike, anything, as it relates to the credit market and the portfolio that has come up either with investors or in your meetings internally, that hasn't been discussed on the call today?

Michael Smith:

No, I think we covered it. Matt, anything you want to add?

Matt Toms:

The only one piece that I would reference, we talked about commercial real estate a bit, is those same fundamentals are carrying through into the commercial mortgage-backed sector of the market, the CMBS, which, where you have diversified deals, can create a little bit more uncertainty. But our portfolio very well-positioned there, same underwriting standards and team, and very happy with our overall real estate portfolio. Just wanted to draw that link between the securitized version and the direct whole loans. Very happy with where we stand.

Jimmy Bhullar:

And maybe the last one on that topic is from me, on in terms of for structured investments, are the structures, the quality, the language in contracts and collateral and everything, is that better quality now than it was going into the 2008 sort of downturn, or not much has changed in that market?

Matt Toms:



No you're correct, quite a lot has changed. So subordination levels, if you were to think about commercial mortgage-backed securities, CMBS, you've got AAA credit enhancement that's two times higher than pre-crisis. And that or more. Two to three times higher for BBB. So you've also got modifications to how appraisals can be used, to stop the bleeding out of a structure that gets in trouble. You've got single asset single borrower deals that can split up large properties that are visible, and create less uncertainty from a diversified pool and a conduit. So really meaningful changes in the CMBS space. Same in the CLO space, and increased enhancement at all levels. And so it's been meaningful changes, and what you've seen, I think, is those structures working. You never had losses in CLO pre-crisis, and you've sustained the COVID period, post the COVID crisis, so stronger structures, still requiring underwriting of the collateral, and we have expert teams to do that. But certainly a stronger starting point.

Jimmy Bhullar:

Okay. I guess with that, we'll end the call. Thanks everyone for making time to participate, and thanks to the Voya team for joining as well. Take care and have a good day-

Michael Smith:

Thank you for organizing this. Thanks to everybody. Have a good day.

Jimmy Bhullar:

Bye.

Operator:

That concludes today's conference call. Thank you for your participation, and enjoy the rest of your day.