Event Transcript

JP Morgan CIO Call Series With Voya Financial

Document created on: 2026-06-04 17:05:14 UTC

Guest Speakers: Jeffrey Hobbs, CIO of Fixed Income at Voya, and Matt Toms, CEO of Investment Management at Voya

June 4, 2026

12:00 PM

Operator

Welcome, and thank you for standing by. I would like to inform all participants that this conference call as well as any Q&A may be recorded and made available to the clients of JP Morgan. Where a company is presenting, any recording may also be posted on their website. Views and opinions expressed by any external speakers on this call are those of the speakers and not of JP Morgan. Parts of this conference call may also be reproduced in JP Morgan Research. If you have any objections, you may disconnect at this time. This call is intended for JP Morgan clients only. Press participants are not permitted on this call and should disconnect now. Unless otherwise permitted by internal JP Morgan policy, members of JP Morgan Investment and Corporate Banking are not permitted on this call and should disconnect now. I would now like to turn the call over to Pablo Singzon with JP Morgan.

Pablo Singzon

Thanks, George, and good morning, all. I'd like to thank you for your time and interest in the second of our 4 CIO calls we're hosting this year. Today, we have Voya on the line. As usual, the format of our call will be Q&A between me and the speakers, but I would encourage listeners to add your questions to the queue, which I will prioritize over mine. The call is expected to run 30 to 45 minutes. As a reminder, since the focus of today's call is Voya's investment portfolio, I'm respectfully requesting all participants have questions to keep them on topic and to focus on the general account. So having said all of that, I am pleased to introduce our 2 speakers. Our main speaker is Jeff Hobbs, CEO of Fixed Income. Jeff previously worked as Head of Insurance Portfolio Management at Voya and before that was a portfolio manager at CNO. We also have Matt Toms on the line, CEO of Voya Investment Management. Prior to his current role, Matt was CIO at Voya Investment Management and earlier CIO of Fixed Income.

I guess to start off with Jeff, start at a pretty high level. We'd be curious to hear your view of the overall credit environment, interest rates and spreads, the economy and how you think the credit cycle unfolds from here? And what downside risk are you most concerned about?

Jeffrey Hobbs

Great. And thanks for having us this afternoon. So on the macro piece, over the next 6 to 12 months, our view is that you've got a powerful combination of AI-led capital investment, fiscal stimulus, defense spending and a gathering generational wealth transfer to those with a higher marginal propensity to consume, that's going to keep growth close to trend, and that's going to offset the drag from negative real disposable income and some rising consumer delinquencies. So that's a decent backdrop for growth in the near term. For insurance company portfolios, we're trying to generate risk-adjusted income over a business cycle, right, on balance sheets that are inherently levered. So even though the backdrop in the near term is constructive, you have to be looking for places where you could see growth start to slow down and retrench. So the 3 big drivers of aggregate demand in the economy are consumer spending, government spending, business investments. All those components have elements that are stretched historically, right? 50% of consumer spending is driven by 10% of households. Everybody knows we're running federal budget deficits at something like 6% of GDP. That's the largest outside of the global financial crisis, COVID and World War II. And the just historic increase in AI-related CapEx that we've seen is not sustainable indefinitely. So you have these kind of growth tailwinds that eventually have to retrench. But in the short run, right, decent economic backdrop and certainly credit spreads are pricing that in. From a corporate credit cycle component, credit spreads are near generational tight in both investment grade and high yield. So it's hard to envision credit conditions getting materially easier. So investors have to grapple with either spreads staying uncomfortably tight against a decent economic backdrop or conditions evolving that cause credit conditions to start to tighten. So generally constructive on the current environment here for credit. I get the question sometimes like, hey, what keeps me up at night? And certainly, we've seen a number of shocks that have hit markets over the last few years. Even with spreads at tight levels, this is a much better lending environment given higher base rates than, say, mid-2021 when credit spreads were at a similar level then, but rates were very low given the accommodation coming out of COVID. So in that environment, you had the high-yield index trough around 3.5% yield to worse. Yields are twice that today. So it's difficult for insurance balance sheets to hit their target returns with fixed crediting rates in that type of environment. Those are the environments where you see people reach for risk. For a high quality diversified balance sheet like ours, we've been able to keep our underwriting discipline. We've seen good credit performance. I would start to worry people that are writing more kind of new money crediting rate products and have a large volume of that business versus their historic back book, right, those people start to reach for risk and then that starts to distort credit conditions more broadly. So those are some of the things that I would worry about as an insurance asset manager.

Pablo Singzon

And I guess just a follow-up from a fixed income perspective and just sort of recognizing the environment we're in now to your point, spreads are tight, but then treasury yields are pretty high, and it seems like the economy is generally okay. From your seat, where do you see the best opportunity to allocate new money today, sort of the marginal dollar, what asset classes or sectors are getting that marginal investment from here?

Jeffrey Hobbs

Yes. Commercial mortgage lending has been interesting. That's a place where we've seen some insurance companies pull back over the last few years, certainly banks pulled back as well. If you think about something like the NCREIF property index, it peaked 9/30/2022. So the third quarter of 2022. We're still lower in commercial real estate values from there. Equity markets have almost doubled, right? So commercial real estate lending spreads look attractive relative to very tight corporate credit spreads, but valuations on the underlying asset are less stretched. And you're also kind of in a unique situation where commercial real estate credit tends to lag the corporate credit cycle because some of the lease cash flows are tied to corporations, thinking retail, industrial, office. But we actually had a commercial real estate correction given the impact of higher rates and the secular pressure on office. So this feels a little earlier recovery in commercial real estate versus later cycle in corporate credit. So we're trying to take a little bit more risk on the commercial real estate lending side. Resi-related assets are interesting here. You've got 30-year mortgage rates at something like 6% and 5.8%, compare that to the Bloomberg Barclays IG Index, which is somewhere around 5.15%. Apologies to my JPMorgan friends, but that's how we tend to reference indices here. You can get paid generally the same for lending to somebody with 20% equity capital subordinate to you in a in a resi mortgage versus where you can lend at a mix of BB and single B credit, right? Historically, you need to get paid 250 to 300 basis points more for that mix versus resi credit. So that screen is interesting. We're continuing to diversify what we do in private fixed income, given our very strong platform on the investment-grade side there. So really interesting opportunities to deploy capital in an environment where investment-grade yields certainly much more attractive here than they've been in the post-financial crisis era.

Pablo Singzon

Yes. Makes sense. And then just sort of dive deeper in one topic you mentioned, just private credit, right? So Voya is a large manager of third-party insurance AUM. You have a well-established private credit franchise. And I suppose these are 2 aspects of your business that have converged with insurers allocating more of their portfolio to private credit generally. So maybe this is a two-pronged question because you guys probably see both sides, right? But aside from just buying more private credit, what have you seen insurance clients do with respect to that asset class in terms of allocation, structuring, rating practices? And maybe if you could speak to your own private credit portfolio and what you've seen for the industry more broadly.

Jeffrey Hobbs

Yes. Certainly, people have only really wanted to talk to me about 3 things this year, right? They wanted to talk to me about Iran, AI and private credit. So happy to talk about it. It's an important franchise here. Our private fixed income platform is about $53 billion. So less than 20% of that is on the Voya general account balance sheet, so more than 80% is managed for external folks, mostly in the insurance side. We've certainly seen, right, a structural increase in insurance allocations to investment-grade private fixed income over time, and that's really been driven by a need for yield and capital efficiency. A lot of that focus for us is in private placements, private infrastructure and asset-based finance, where I think one underappreciated change in the kind of market dynamics in private fixed income. That used to be the domain of companies that didn't need to be regular issuers in public market. They weren't quite large enough to tap public markets consistently, project finance transactions that were inherently kind of one-off, businesses that wanted to keep their financials private and sometimes global businesses that needed to issue globally because they were too big to issue in their domestic market, but weren't tapping public markets in the U.S. So you had a lot of reasons for people to tap private markets. And the biggest thing that's changed here most recently is that you have a lot of public issuers that are accessing private fixed income markets in order to keep the financing off balance sheet. Or they may have some sort of underlying reason that they want an amortizing structure and they need nonstandard financing than the public markets usually provide. And so you've seen this convergence between public and private markets. So there's a lot of focus on private. Our platform is inherently a mixture of both public and private fixed income, and we're seeing interesting opportunities at the intersection there. Other broader trends for insurance asset managers, for insurance companies, there's been a greater focus on capital-efficient structures over time. That includes things like rated note feeders and collateralized vehicles. We've seen clients want more customization in their mandates to try to align what they're doing on the asset side more with the liability profile. So that could be certain parts of the curve or a certain mixture between fixed and floating. More recently, we've seen a lot of focus in the insurance industry on transparency and governance, particularly around valuation ratings. And so that's been a common refrain from clients and certainly one from Voya Financial as well.

Pablo Singzon

Got it. And then one more for me before I pass it on to the audience. So within private credit, are there any practices or pockets of the market that sort of give you pause just given what you've seen, how that market has changed over the years?

Jeffrey Hobbs

Yes. The things that would give me pause would be places where private fixed income is used to finance things that are inherently equity-like, right? So you've seen a number of capital solutions type transactions that may count as equity for the issuing entity, but have structural characteristics that make it debt for fixed income investors. So equity in the rating agency treatment, debt on insurance company balance sheets, right? That type of disconnect may not prove durable. Certainly, there's been structuring that has created things like collateralized fund obligations that have private equity risk getting structured into the debt form. There's a reason why levered insurance company balance sheets face much higher capital charges for equities. 10x levered balance sheet, there's a 10% drawdown in equity markets 2 out of every 3 years, right? If you invested wholly in equities, you'd have a much higher financial distress. And so like equities is getting financed and things that have investment-grade like structures, it seems like a place where you'll have some regulatory scrutiny. There's also things that we get concerned about would be people that have pushed the envelope on private letter ratings, right? That's something where there's been pushback outside the U.S. and continued focus on certain rating agencies within the U.S. So those are some of the changes that we've seen. There are looming capital charge changes on collateralized loan obligations, but there are a number of things on the private side that look like CLO type vehicles that may not see the same capital charge impact in the short run.

Pablo Singzon

Yes. That's true. So at this point, I'll turn it over to the audience. But before I do that, I'd like to remind everyone again that since the focus of today's call is the investment portfolio. I'm respectfully requesting everyone to keep the questions on topic. So George, can we please get to the questions in the queue?

Operator

Our first question comes from Kevin Wujandra with JP Morgan.

Kevin Wujandra

First, on the alternatives book, what's the mix between hedge funds, private equity and other within the sleeve? And should your allocation here be thought more of as an index of a basket of alternative assets? Or is it more concentrated?

Jeffrey Hobbs

Yes. Good question. Our alts allocation does not have much hedge fund exposure at all. There is a tilt towards private equity within that broader allocation both in the primary portfolio and secondary exposures to private equity through our affiliate, Pomona. So private equity makes up just over half of the alternative investments portfolio. And then following that would be strategic equity investments, including our equity investment in Sconset and then investments in real estate-related funds, mostly on the debt side, which is a little bit unique to our portfolio and then infrastructure-related assets and some credit strategies. We don't have a large weight towards credit strategies in the broader alts portfolio. That's a mid-single-digit percentage of that book. So not a lot of hedge fund exposure tilted more towards PE, a mixture of primary and secondary.

Kevin Wujandra

Great. And then what is your long-term return assumptions on the alts book? Some companies have modified their assumed returns. How are you thinking through that issue?

Jeffrey Hobbs

Yes. Our long-term return expectation is 9%. We've exceeded that over our time as a public company here with certainly materially less volatility than public markets. There's never been a down year in the alts portfolio. At this point, we're continuing to keep our long-term target at 9%. Certainly, in recent years, there's been a little bit of headwinds towards private equity returns as distributions have slowed out of just a gangbuster's return year in 2021. There's certainly some headwinds on software-related exposures in private equity that the market will feel here potentially in the second quarter, but generally keeping our long-run target the same.

Operator

There are currently no questions registered.

Pablo Singzon

So there is one question that the audience sent in. I'll just read it out loud. In private credit and investment grade, how much of the ratings are from agency ratings, EG, S&P, Moody's and Fitch?

Jeffrey Hobbs

Yes. The ratings mix over there, everything gets both an internal rating, and that's how we think about taking risk for our balance sheet. We'll put an internal rating and think about it from an economic risk perspective. And then the holdings get an NAIC rating, which is always driven by the underlying NRSRO rating for the exposure. And so historically, right, the industry hadn't had a lot of that exposure rated and then you'd go file ratings with the NAIC that has evolved in more recent years to getting an NRSRO on each deal and going through the filing exempt process. The major 3 rating agencies make up a little under half of the overall portfolio, but everything is rated based on our internal model or a qualifying NRSRO. The NRSRO that has been most topical in recent years has been Egan-Jones. That is less than 1% of our overall portfolio and not an active rating agency that we're using as an NRSRO to rate private fixed income.

Operator

Our next text question is what role does liquid public corporate bonds play in the overall strategy for insurance clients given the shift to more private assets?

Jeffrey Hobbs

Yes. You actually saw your colleagues at JP Morgan today published something on public corporates that there's been a rising allocation, which is reversing the trend over the last few years of declining public allocation for more private assets. So as rates have increased, as the curve has steepened a bit here, you're seeing more investors opt for public credit. The public fixed income portfolio for us is a building block of what we do. So think about investment-grade corporate credit, that's a place where it can help us manage liquidity. It can help us tailor duration. It can help us make sector-specific and idiosyncratic credit bets. It can be a place where we tailor the overall asset allocation mix. And so it plays an important role. There are certainly more of newer annuity models that are very heavily tilted towards private origination. We have scaled public fixed income platforms. The fixed income business here is close to $200 billion. So we've got very strong public fixed income capabilities that we market out to other investors, an important part of how we drive value for the proprietary balance sheet as well.

Pablo Singzon

All right. I think I'll switch it back to myself. So just to pick up on what you said about the regulatory changes, Jeff, and there's a bunch, right? But if you sort of had to put everything together, what kind of overall impact are you expecting for the industry? And are there certain types of insurers or maybe, I guess, pockets of the market that are more exposed than others? If you think about CLO capital charges, the treatment of private ratings, collateral loans, right, there's like 3 or 4 things going on. But how do you sort of like summarize that in terms of like impacts on different insurance company balance sheet?

Jeffrey Hobbs

So often, you get that question about, hey, how are regulatory changes impacting your investment portfolio? And the answer from people like me is met with this May about how exogenous regulatory forces reshaping what you do day-to-day. I'm rooting for insurance regulators, right? It's a tough job. So Matt Toms, who's on the line here, has heard from me a lot of times over the last few years that, hey, I've managed insurance company portfolios for 20 years. And in the last 5 plus, I found myself in a growth industry that was really transforming. So how insurers invest is changing, and that's being driven by the equity capital in the industry continues to change. That is very difficult for state-based insurance regulatory framework to govern in real time. So when I say I'm rooting for regulators, I don't want to see regulatory arbitrage lead to greater capital risk for the industry and for end consumers, right? That's bad for the industry at large. And so a couple of things that we are focused on that feel like the most likely changes in the near term. I referenced earlier changes in CLO capital treatment. That's been something that we've been talking about the potential impacts for now 5 years. So it feels like the changes are going to go in place this year. It looks like it's going to be a net positive for Voya and that we tend to play in higher quality tranches that in the modeling framework are going to have lower expected capital charges. That is not universal across the industry. There are a number of folks that have focused more on BBB or lower CLOs that are going to need to hold more required capital. There was a question on private letter ratings. It's hard when you end up with a situation where there can be this kind of challenge process on a given rating. We size risk on our balance sheet to how we think about the risk internally, right? So we are not trying to capture that kind of regulatory arbitrage. And I think that ultimately, right, smaller players in the market that have exercised that kind of regulatory arbitrage, you're going to have more consistency across the industry. And I think that's a good thing. So the concerns for some parts of the market are just the pace of regulatory change and how that can shape how we think about facing portfolios day-to-day. It's difficult to think about risk and capital adjusted returns if the capital component might change, but the industry has changed and regulators need to make sure that they are keeping up. And if you are trying to build portfolios based on a view of economic risk anyways, it shouldn't materially swing what you're doing day-to-day.

Pablo Singzon

Yes. Makes sense. So now I'll transition into the different assets you hold in the GA. And there's a couple of interesting assets that stick out, right? So I think first, if you look at just an overall asset allocation for you guys, structured assets are about 25% of everything, and it's a decent mix across RMBS, CMBS and CLOs and ABS, right? And it serves well above everyone else. And I think part of that is something you've had for a while, right, the CMOB strategy. So maybe you can talk about that first, and then I have other questions about the other structures in there. But maybe just remind us what that's about? And yes, like the evolution of that strategy.

Jeffrey Hobbs

Yes. No, that's great. So about 1/4 of the general account is in structured assets. It's about 40% RMBS. That's a combination of Agency MBS, non-agency resi and this mortgage derivative strategy that we call CMOB, roughly 30% CMBS, and that's split about half agency and half non-agency. And about 30% CLOs with a tilt towards kind of single A and better CLOs. So when you talk about our structure allocations being high relative to the industry average, it depends who you're looking at, right? It's versus broader public insurance peers, it is a little elevated versus more alternative investment-oriented insurance asset managers, we would be underweight. And all of those kind of strategies have delivered good returns for us over time. So I referenced earlier, I like mortgage-related assets here, even simple things like pass-throughs here have at a 5.5% or at a discount and a higher yield, right, than where the IG corporate index would be mortgage-related assets still skew as cheap. That mortgage derivative strategy for us has been a low correlation diversifier. Returns are driven by mortgage prepayment behavior and not traditional credit or rate risk, which is owned in size and the rest of the portfolio. So we're trying to isolate an alpha source. We actively hedge duration convexity. We think of the opportunity as structural. It's something we've had in the general account for more than 20 years, all our time as a public company, and it's created really attractive capital-efficient returns for us over time. So that's the mortgage-related part of the portfolio. The CMBS portfolio, I talked about liking commercial real estate risk here generally given that it's kind of a nonsynchronous part of the cycle with corporate credit risk. We're taking more of that risk on the commercial real estate lending side. That's where we're the third largest manager of commercial real estate-related credit for third-party insurance companies, an important platform for us. So the CMBS allocation has come down over time. 3/4 of that exposure now would be NAIC 1A or AAA equivalent. So as we've seen refinancing pick up in that market, that allocation fell by about 2% over the last 12 months. And then the CLO book is 97% NAIC I. That book has performed really well for us historically. We obviously own a CLO manager as well. So there's good connectivity between the team that buys debt tranches for the general account and the team that's managing CLOs for us. And so an important part of the book, and it's also been a way that like the disintermediation risk that we saw as rates picked up in 2022, we tilted more towards securitized assets, which have more presently have floating rate structures to capture higher rates in that environment.

Pablo Singzon

George, can we check the line for questions again?

Operator

Yes, of course. We have a text question from Timothy Lee with Silicon Valley Bank. The question is, in your asset-based finance allocation in private fixed income, any types of assets you prefer or types you would like to avoid? How do you think about receivables financing if it is included in this bucket?

Jeffrey Hobbs

Yes. A lot of focus on asset-based finance, and it's been kind of a buzzword in markets over the last 5 years or so. Our private fixed income team has done asset-based lending dating back to the 1990s, right? We've never had a loss on an asset-based related transaction on the balance sheet. So it's a whole host of different collateral types in there. We have done some receivables-based financing, things like diversified payment rights transactions for international borrowers. That's a place where we, again, have decades of experience have really great credit performance. A lot of our ABF like risk would be more on the fund finance side as well, where where we're generally a senior lender against a diversified pool of collateral at a loss remote attachment point. The places where we've maybe seen a little bit of overcrowding in ABF would be insurance capital looking to displace banks and consumer-related credit where historically it had been maybe an origination on a bank warehouse access the securitization market. You've seen structures from insurance companies that look more like delayed draws, private structure that has some features that are different than the public shelf. And we've seen a lot of capital flow into that space to feed origination machines. That isn't really our model, right? So the Voya general account balance sheet has had pretty modest growth. We haven't needed to reach to get capital out the door. And so we saw some behavior there where people maybe move too quickly. There were certainly some well-documented kind of risk flares last fall and early this year. Our balance sheet has remained unexposed to those kind of troubled spots. So long-time history in the space. There will continue to be interesting opportunities, but you got to get the underlying collateral correct. You got to understand the volatility of that collateral, and you've got to try to structure where you're at a loss remote leverage point.

Pablo Singzon

I'll turn it back to myself. So just to pick up on private credit here. I'll hit you a couple of buzzwords, right? There's a couple of areas that investors are most concerned about. So BDC, software exposure, collateralized loans, we have note feeders, right? If you could speak to your exposure to these assets and structures in the GA and generally your view on risk in these asset classes?

Jeffrey Hobbs

Yes. I'll start with the software piece, right? That has been a big focus on below investment-grade private credit, right? So software makes up something like 3% of high yield, 13% of the BSL market, something like 23% of private credit. In our private fixed income portfolio, only 2% of our exposure is to technology and more of that is to things like semiconductor producers, chip factories, things that have kind of hard assets, security, our below investment-grade private origination, that origination capability grew out of our workout team for the private fixed income business and has always been focused on kind of a second way home. So we've never done an asset-light software transaction. We have 0 software exposure in that part of the book. And so our exposure to public high yield, very modest and public high-yield exposure is overall less than 1% of the balance sheet. The software exposure would be measured in a handful of basis points. And as I talked about the CLO book, right, we're generally playing with credit enhancement well in excess of the amount of software-related credit in the structure. So not a big risk factor for us, but we're certainly watching for potential spillovers from below investment-grade private credit into other credit markets. On the BDC side, we can take BDC exposure, both on the public and private side. The public side historically hasn't been a big part of the index, kind of sub-2%

structures tended to be kind of 3 to 5 years. So even if you really get the credit component right, there's not a ton of performance upside. On the private side, we generally wanted to structure where we could be pari passu with the banks. We didn't want structural subordination and lending in that space, and that hasn't been on offer in recent years. So our exposure to BDC is immaterial. You referenced collateralized loans, CLOs, we're generally playing A or better at a point where, right, regulatory capital we're holding against it is likely to fall.

And then rated note feeders, we have some vertical strips with some modest exposure on the balance sheet. More commonly, we've worked with folks that are offering horizontal tranches, and we wanted to be senior in the cap structure. So akin to what we do on the CLO side. Again, this model of understanding the underlying risk and volatility and trying to make sure that you're lending at a leverage point where you're immune from the risk and credit losses.

Pablo Singzon

Got it. And then I'll just hit a couple of more assets in the portfolio. So you talked a bit about CRE. You talked how it's attractive relative basis. I'd just be curious to hear about any credit trends you observed, right? And office isn't a big part of your portfolio, and I suppose everything has generally been okay, but any interesting trends that you want to call out in the CRE book?

Jeffrey Hobbs

Yes. The CRE book is in great shape. That team here has a documented track record that dates back to 2000. The leader of that team has been here over that whole horizon. So that track record looks like generating spreads that would be between BBB and BB credit with a loss experience 4 basis points per year that would be akin to AA-related credit. So we've been getting paid for crossover credit risk with a loss experience that looks AA like. And where we sit today, debt service coverage ratio for the whole portfolio is about 2x. Our underwritten LTV would be about 54%, but the NAI LTV would be even lower, 42%. So the portfolio has been in really good shape. There were no credit losses within that portfolio in 1Q, right? Losses have been really minimal over the last 2 years. We were certainly underweight. Office going into the kind of pressure that began in the post-COVID environment. So I really like where we are from a CML side.

Now like putting on my CIO fixed income hat, when you've had really great credit performance through a down cycle, right, for the asset, you need to grow on the other side of it. And so that's a place where we're actively trying to expand the platform, some of our origination sources in that area, trying to add some adjacencies to our traditional core and transitional lending in that space because we want to emerge from a stress environment with a bigger, stronger platform that can serve both the Voya general account and our third-party business.

Pablo Singzon

Okay. We're approaching the end of time here. But George, can we just check again for questions from the audience?

Operator

Yes. We have another text question. The question asks, do you expect to increase your allocation to rated notes in the future?

Jeffrey Hobbs

Yes. That is the direction that the market is headed. We have rated note structures within Voya Investment Management that support our renewable energy infrastructure debt strategy, our enhanced middle market credit strategy. We're in the market with something with our partner, Allianz, on the private credit side and secondary markets. So we've we both issue rated note structures and we will invest in rated note structures for the balance sheet. As the market has went away from having those rated note structures be vertical only to more horizontal available, as I referenced earlier, we're trying to more commonly lend at a delevered point in the cap structure. So if we find somebody that really loves their underwriting and they want to lever their underwriting and be the subordinated capital, we are happy to be the delevered piece of that at an attractive spread, but a risk remote point and put that on our levered balance sheet. So more from a horizontal standpoint, the increased capital charges on residuals makes vertical rated notes less desirable for the Voya general account, but horizontal approach to diversifying asset classes and managers is something we'll continue to look at.

Operator

And for our last question, the question is data center financing has increased sharply over the past year with large deals in several markets, including investment-grade, high-yield, private and ABS markets. How does Voya view the risks for these new project level financing transactions? And where does Voya see the most value in data center financing?

Jeffrey Hobbs

Oh boy, we could have spent the whole hour on this. I know that I only get asked 3 things, so this would be the AI-related component of that. And so we came together as a team kind of 3 years ago and said, gosh, we're going to continue to see this financing and it's going to come across every desk. And if we're not well coordinated, then the markets will find the places that are the least efficient to price that risk, most efficient from the borrowers, least efficient from the investors' perspective. I think our platform is actually pretty well positioned to look at this risk. We have both a large private business but also a large public credit and securitized business, a real estate platform. We're seeing it come to market through a lot of different channels and able to assess that relative value because of that broad view. Some of the stuff that's coming, I don't like. And I won't get too specific on a deal, but there was a transaction recently that was a takeout of a construction term loan that we had done a couple of years ago. And the construction term loan got taken out at more than $1 billion, more than a 30% plus premium to what we knew was the construction cost. The form of the deal structure didn't look that attractive. My assumption was always that that construction term loan was going to get taken out by an amortizing deal in the private market. The public market took it out in a bullet structure. I think the market is underappreciating some of the risks around refinance risk and risks embedded in the underlying lease. And the public market is going to get paid about half the spread that we earned over the couple of years into the takeout at a much higher leverage level. And so that looks unattractive. I think any place where you are seeding optionality to the developer or the offtake is a concern. We want structures that amortize. I don't know that anybody knows the supply and demand for data centers 10 years from now, and we don't want to take that refinance risk. This is another place where I referenced the convergence between public and private markets, where you're seeing things get structured with a public investment-grade corporate offtake, either a hyperscaler or other chip manufacturer, somebody that has a very strong balance sheet. A lot of this debt though is showing up off the balance sheet. So we talk about the growth of tech-related debt, the market needs to understand how much debt is coming in the form of lease obligations and factor that into their credit analysis. So the parts that are interesting to us, right, I referenced that renewable energy infrastructure debt team, they've long done energy transition. Part of what they've done is kind of hybrid capital that sits between developer equity and that investment-grade debt takeout. That thin slice of capital in a transaction has been pricing with really attractive yields and some interesting fees, and I think offers an interesting risk-adjusted return relative to that long-term investment-grade takeout where you face some technological obsolescence risk, you face some refinancing or recontracting risk. So we're being thoughtful about where we take exposure in the space. The amount of capital that is getting raised in those markets are having a mutating impact on credit markets. You have to have an active view of where you're going to take the risk and need to be coordinated across your teams because this is going to continue to be a dominant theme in credit markets.

Pablo Singzon

All right. Well, I think this is a good juncture to end this call. All questions from the audience and myself have been answered. Jeff, I really appreciate your time and insight this afternoon. There was a lot of good insight today, Jeff. I'll probably end up reviewing the transcript. Matt, thanks for your time as well. And then for everyone else on the call, thank you for dialing in, and have a good rest of the day. Thanks all.

Jeffrey Hobbs

Okay. All right. Thanks, guys. Thanks for having us. All right. Take care. Bye-bye.

Pablo Singzon

Bye-bye.

Operator

That concludes today's conference call. Thank you for your participation. You may now disconnect your lines.