

Voya PRIME RATE TRUST
Form N-2/A
June 22, 2018

As filed with the Securities and Exchange Commission on June 22, 2018

Securities Act File No. 333-224417

Investment Company Act File No. 811-05410

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-2

(Check Appropriate box or boxes)

Registration Statement Under The Securities Act Of 1933 x

Pre-Effective Amendment No. 1 x

Post-Effective Amendment No. o

and/or

Registration Statement Under The Investment Company Act Of 1940 x

Amendment No. 117 x

(Check appropriate box or boxes)

VOYA PRIME RATE TRUST

(Exact Name of Registrant Specified in Charter)

7337 E. Doubletree Ranch Road, Suite 100

Scottsdale, AZ 85258

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(Address of Principal Executive Offices)

Registrant's Telephone Number, Including Area Code: (800) 992-0180

Huey P. Falgout, Jr.
Voya Investments, LLC
7337 East Doubletree Ranch Road, Suite 100
Scottsdale, AZ 85258
(Name and Address of Agent for Service)

With copies to:
Elizabeth J. Reza
Ropes & Gray LLP
Prudential Tower
800 Boylston Street
Boston, MA 02199-3600

Approximate Date of Proposed Offering:

As soon as practical after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box.

It is proposed that this filing will become effective:

When declared effective pursuant to Section 8(c) of the Securities Act of 1933.

Calculation of Registration Fee Under the Securities Act of 1933

Title of Securities Being Registered	Amount Being Registered (1)	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee (3)
Shares of Beneficial Interest, without par value	5,000,000	\$5.76	\$1	\$0

(1) This Registration Statement carries forward 5,000,000 shares of common stock that were previously registered pursuant to Registrant's Registration Statement on Form N-2 (File No. 333-180973) filed on June 27, 2012 (the 2012 Registration Statement) and pursuant to the Registrant's Registration Statement on Form N-2 (File No. 333-203624) filed on June 26, 2015 (the Prior Registration Statement) and which remain unsold as of the filing date of this Registration Statement (the Unsold Securities).

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(d) under the Securities Act of 1933, as amended (the Securities Act) in connection with the 2012 Registration Statement, based on

net asset value per share as of June 21, 2012.

(3) Previously paid. Pursuant to Rule 415(a)(6) under the Securities Act, the Unsold Securities are included in this Registration Statement. A registration fee of \$3,300.48 was paid in connection with the 2012 Registration Statement (the Prior Fees). The Prior Fees are being applied to offset the registration fee that would otherwise be due on the Unsold Securities pursuant to Rule 415(a)(6) under the Securities Act.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.

VOYA PRIME RATE TRUST

(the Registrant)

5,000,000 Common Shares

CONTENTS OF REGISTRATION STATEMENT

This Registration Statement consists of the following papers and documents:

- * Cover Sheet
 - * Contents of Registration Statement
 - * Voya Prime Rate Trust 5,000,000 Common Shares Prospectus dated June 29, 2018
 - * Voya Prime Rate Trust 5,000,000 and 25,000,000 Common Shares Statement of Additional Information dated June 29, 2018
 - * Part C
 - * Signature Page
-

Prospectus

June 29, 2018

- Voya Prime Rate Trust
- 5,000,000 Common Shares

PPR

This Prospectus sets forth concisely the information about Voya Prime Rate Trust (“Trust”) that a prospective investor ought to know before investing. You should read it carefully before you invest and keep it for future reference. The Trust has filed with the U.S. Securities and Exchange Commission (“SEC”) a Statement of Additional Information (“SAI”) dated June 29, 2018 containing additional information about the Trust. The SAI is incorporated by reference in its entirety into this Prospectus. You may make shareholder inquiries or obtain a free copy of the SAI, annual shareholder report, and unaudited semi-annual shareholder report by contacting the Trust at 1-800-336-3436 or by writing to the Trust at 7337 East Doubletree Ranch Road, Suite 100, Scottsdale, Arizona 85258-2034. The Trust's SAI, annual shareholder report, and unaudited semi-annual shareholder report are also available free of charge on the Trust's website at www.voyainvestments.com. The Prospectus, SAI, and other information about the Trust are also available on the SEC's website (www.sec.gov). The table of contents for the SAI appears in the back of this Prospectus.

Common Shares of the Trust trade on the New York Stock Exchange (“NYSE”) under the symbol PPR.

The Trust's investment objective is to provide investors with as high a level of current income as is consistent with the preservation of capital. Market fluctuations and general economic conditions can adversely affect the Trust. There is no guarantee that the Trust will achieve its investment objective. Investment in the Trust involves certain risks and special considerations, including risks associated with the Trust's use of leverage. See “Risk Factors and Special Considerations” later in this Prospectus for a discussion of any factors that make an investment in the Trust speculative or high risk.

Neither the SEC nor any state securities commission has approved or disapproved these securities, or determined that this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Table of Contents

<u>PROSPECTUS SYNOPSIS</u>	1
<u>Voya Prime Rate Trust</u>	1
<u>WHAT YOU PAY TO INVEST - TRUST EXPENSES</u>	6
<u>FINANCIAL HIGHLIGHTS</u>	7
<u>TRADING AND NAV INFORMATION</u>	10
<u>INVESTMENT OBJECTIVE AND POLICIES</u>	11
<u>THE TRUST'S INVESTMENTS</u>	14
<u>RISK FACTORS AND SPECIAL CONSIDERATIONS</u>	16
<u>HOW SHARES ARE PRICED</u>	24
<u>ACCOUNT POLICIES</u>	26
<u>Account Access</u>	26
<u>Privacy Policy</u>	26
<u>Householding</u>	26
<u>INVESTMENT MANAGEMENT AND OTHER SERVICE PROVIDERS</u>	27
<u>The Investment Adviser</u>	27
<u>The Sub-Adviser and Portfolio Managers</u>	27
<u>The Transfer Agent, Dividend Disbursing Agent, and Registrar</u>	28
<u>The Custodian</u>	28
<u>The Distributor</u>	28
<u>Contractual Arrangements</u>	28
<u>DIVIDENDS AND DISTRIBUTIONS</u>	29
<u>PLAN OF DISTRIBUTION</u>	30

<u>DESCRIPTION OF THE TRUST</u>	32
<u>DESCRIPTION OF THE CAPITAL STRUCTURE</u>	35
<u>TAX MATTERS</u>	36
<u>MORE INFORMATION ABOUT THE TRUST</u>	37
<u>STATEMENT OF ADDITIONAL INFORMATION - Table of Contents</u>	38

Table of Contents

Voya Prime Rate Trust

The following synopsis is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Prospectus.

DESCRIPTION OF THE TRUST

The Trust

The Trust is a diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended, and the rules, regulations, and applicable exemptive orders thereunder (“1940 Act”). It was organized as a Massachusetts business trust on December 2, 1987. As of June 8, 2018 the Trust's net asset value (“NAV”) per Common Share was \$5.65.

NYSE Listed

As of June 8, 2018 the Trust had 147,787,566.329 Common Shares outstanding, which are traded on the NYSE under the symbol PPR. At that date, the last reported sales price of a Common Share of the Trust was \$5.10.

Investment Objective

To provide investors with as high a level of current income as is consistent with the preservation of capital. There is no assurance that the Trust will achieve its investment objective. The investment objective is fundamental and may not be changed without a majority vote of the shareholders of the Trust. See “Description of the Trust – Fundamental and Non-Fundamental Investment Policies of the Trust” later in this Prospectus.

Adviser/Sub-Adviser

Voya Investments, LLC (“Voya Investments” or “Adviser”), an Arizona limited liability company, serves as the investment adviser to the Trust. Voya Investments has overall responsibility for the management of the Trust. Voya Investments oversees all investment advisory and portfolio management services and assists in managing and supervising all aspects of the general day-to-day business activities and operations of the Trust, including custodial, transfer agency, dividend disbursing, accounting, auditing, compliance and related services. Voya Investments is registered with the SEC as an investment adviser.

The Adviser is an indirect, wholly-owned subsidiary of Voya Financial, Inc. Voya Financial, Inc. is a U.S.-based financial institution whose subsidiaries operate in the retirement, investment, and insurance industries.

The Adviser receives an annual fee, payable monthly, in an amount equal to 1.05% of the Trust's average daily gross asset value, minus the sum of the Trust's accrued and unpaid dividends on any outstanding preferred shares and accrued liabilities (other than liabilities for the principal amount of any borrowings incurred, commercial paper, or notes issued by the Trust and the liquidation preference of any outstanding preferred shares) (“Managed Assets”). This definition includes assets acquired through the Trust's use of leverage.

Voya Investment Management Co. LLC (“Voya IM” or “Sub-Adviser”) serves as sub-adviser to the Trust. Voya IM is an affiliate of the Adviser.

See “Investment Management and Other Service Providers - Sub-Adviser and Portfolio Managers” later in this Prospectus.

Voya Investments' principal office is located at 7337 East Doubletree Ranch Road, Suite 100, Scottsdale, Arizona 85258. As of March 31, 2018, Voya Investments managed approximately \$87.7 billion in assets.

Distributions

Income dividends on Common Shares accrue, are declared, and are paid monthly. Income dividends may be distributed in cash or reinvested in additional full and fractional shares of the Trust through the Trust's Shareholder Reinvestment Program.

Principal Investment Strategies

The Trust seeks to achieve its investment objective by investing, under normal market conditions, at least 80% of its net assets (plus borrowings for investment purposes) in U.S. dollar-denominated floating rate secured senior loans (“Senior Loans”). The Trust will provide shareholders with at least 60 days' prior notice of any change in this investment policy. Under normal market conditions, the Trust invests at least 80% of its assets in Senior Loans made to corporations or other business entities organized under U.S. or Canadian law and that are domiciled in the United States and in U.S. territories and possessions or Canada. These Senior Loans are typically rated below investment-grade quality. Investments rated below investment-grade (or of similar quality if unrated) are commonly known as high-yielding, high risk investments or as “junk” investments.

The Senior Loans in which the Trust invests either hold the most senior position in the capital structure of the borrower, hold an equal ranking with other senior debt, or have characteristics (such as a senior position secured by liens on a borrower's assets) that the Adviser or Sub-Adviser believes justify treatment as senior debt.

The Trust typically makes its investments in Senior Loans by purchasing a portion of the overall loan, i.e., the Trust becomes one of a number of lenders investing in the loan. The Trust may also make its investments in Senior Loans through the use of derivative instruments such as participations, credit-linked notes, credit default swaps, and total return swaps as long as the reference obligation for any such instrument is a Senior Loan. Investments through the use of such derivative instruments involve counterparty risk, i.e., the risk that the party from which such instrument is purchased will not perform as agreed. The Trust seeks to minimize such counterparty risk by purchasing such investments from large, well established and highly rated counterparties.

Voya Prime Rate Trust

1

Table of Contents

Other Investment Strategies and Policies

Loans in which the Trust invests typically have multiple interest rate reset periods at the same time, with each reset period applicable to a designated portfolio of the loan. The maximum duration of an interest rate reset on any loan in which the Trust may invest is one year. In order to achieve overall reset balance, the Trust will ordinarily maintain a dollar-weighted average time until the next interest rate adjustment on its loans of 90 days or less.

Normally at least 80% of the Trust's portfolio will be invested in Senior Loans with maturities of one to ten years. The maximum maturity on any loan in which the Trust may invest is ten years.

To seek to increase the yield on the Common Shares, the Trust may engage in lending its portfolio securities. Such lending will be fully secured by investment-grade collateral held by an independent agent.

The Trust may engage in executing repurchase and reverse repurchase agreements.

The Trust may invest up to 20% of its total assets, measured at the time of investment, in a combination of one or more of the following types of investments: loans to borrowers organized or located in countries outside the United States and outside U.S. territories and possessions or Canada; unsecured floating rate loans, notes, and other debt instruments; floating rate subordinated loans; tranches of floating rate asset-backed securities, including structured notes; corporate debt securities; and equity securities incidental to investment in loans. See "Investment Objective and Policies" later in this Prospectus.

The Trust may invest up to 15% of its total assets, measured at the time of investment, in investments denominated in the Organization for Economic Co-operation and Development ("OECD") currencies (including the euro), other than the U.S. dollar. The Trust will engage in currency exchange transactions to seek to hedge, as closely as practicable, 100% of the economic impact to the Trust arising from foreign currency fluctuations. The Trust may not be entirely successful in implementing this hedging strategy, resulting in the Trust being adversely affected by foreign currency fluctuations.

Leverage

To seek to increase the yield on the Common Shares, the Trust employs financial leverage by borrowing money and may also issue preferred shares. The timing and terms of leverage will be determined by the Adviser or Sub-Adviser under the supervision of the Trust's Board of Trustees ("Board"). See "Risk Factors and Special Considerations - Leverage" later in this Prospectus.

Borrowings

The Trust may borrow money in an amount permitted under the 1940 Act, including the rules, regulations, interpretations thereunder and any exemptive or other relief provided by the SEC. The Trust's obligations to holders of its debt are senior to its ability to pay dividends on, or repurchase, Common Shares and preferred shares, or to pay holders of Common Shares and preferred shares in the event of liquidation.

Preferred Shares

The Trust is authorized to issue an unlimited number of shares of a class of preferred stock in one or more series ("Preferred Shares"). The Trust's obligations to holders of any outstanding Preferred Shares will be senior to its ability to pay dividends on, or repurchase, Common Shares, or to pay holders of Common Shares in the event of liquidation. Under the 1940 Act, the Trust may issue Preferred Shares so long as immediately after any issuance of Preferred Shares the value of the Trust's total assets (less all Trust liabilities and indebtedness that is not senior indebtedness) is at least twice the amount of the Trust's senior indebtedness plus the involuntary liquidation preference of all outstanding Preferred Shares.

The 1940 Act also requires that the holders of any Preferred Shares of the Trust, voting as a separate class, have the right to:

- elect at least two trustees at all times; and
- elect a majority of the trustees at any time when dividends on any series of Preferred Shares are unpaid for two full years.

As of June 8, 2018 the Trust had no Preferred Shares outstanding. The Trust may consider issuing Preferred Shares during the current fiscal year or in the future.

Diversification

The Trust maintains a diversified investment portfolio through an investment strategy which seeks to limit exposure to any one issuer or industry.

The Trust is diversified, as such term is defined in the 1940 Act. A diversified fund may not, as to 75% of its total assets, invest more than 5% of its total assets in any one issuer and may not purchase more than 10% of the outstanding voting securities of any one issuer (other than securities issued or guaranteed by the U.S. government or any of its agencies or instrumentalities, or other investment companies). The Trust will consider a borrower on a loan, including a loan participation, to be the issuer of that loan. In addition, with respect to a loan under which the Trust does not have privity with the borrower or would not have a direct cause of action against the borrower in the event of the failure of the borrower to make payment of scheduled principal or interest, the Trust will separately meet the foregoing requirements and consider each interpositioned bank (a lender from which the Trust acquires a loan) to be an issuer of the loan. This investment strategy is a fundamental policy that may not be changed without shareholder approval. With respect to no more than 25% of its total assets, the Trust may make investments that are not subject to the foregoing restrictions.

Concentration

In addition, a maximum of 25% of the Trust's total assets, measured at the time of investment, may be invested in any one industry. This investment strategy is also a fundamental policy that may not be changed without shareholder approval.

2

Voya Prime Rate Trust

Table of Contents

Plan of Distribution

The Common Shares are offered by the Trust through the Trust's Shareholder Reinvestment Program. The Shareholder Reinvestment Program allows participating shareholders to reinvest all dividends in additional shares of the Trust, and also allows participants to purchase additional Common Shares through optional cash investments in amounts ranging from a minimum of \$100 to a maximum of \$100,000 per month. The Trust and Voya Investments Distributor, LLC ("Distributor") reserve the right to reject any purchase order. Please note that cash, traveler's checks, third-party checks, money orders, and checks drawn on non-U.S. banks (even if payment may be effected through a U.S. bank) generally will not be accepted. Common Shares may be issued by the Trust under the Shareholder Reinvestment Program only if the Trust's Common Shares are trading at a premium to NAV. If the Trust's Common Shares are trading at a discount to NAV, Common Shares purchased under the Shareholder Reinvestment Program will be purchased on the open market. See "Plan of Distribution" later in this Prospectus.

Shareholders may elect to participate in the Shareholder Reinvestment Program by telephoning the Trust or submitting a completed Participation Form to BNY Mellon Investment Servicing (US) Inc.

Common Shares also may be offered pursuant to privately negotiated transactions between the Trust or the Distributor and individual investors. Common Shares of the Trust issued in connection with privately negotiated transactions will be issued at the greater of: (i) NAV per Common Share of the Trust's Common Shares; or (ii) at a discount ranging from 0% to 5% of the average daily market price of the Trust's Common Shares at the close of business on the two business days preceding the date upon which Common Shares are sold pursuant to the privately negotiated transaction. See "Plan of Distribution" later in this Prospectus.

Principal Risks

Credit Default Swaps: The Trust may enter into credit default swaps, either as a buyer or a seller of the swap. A buyer of a swap pays a fee to buy protection against the risk that a security will default. If no default occurs, the Trust will have paid the fee, but typically will recover nothing under the swap. A seller of a swap receives payment(s) in return for an obligation to pay the counterparty the full notional value of a security in the event of a default of the security issuer. As a seller of a swap, the Trust would effectively add leverage to its portfolio because, in addition to its total net assets, the Trust would be subject to investment exposure on the full notional value of the swap. Credit default swaps are particularly subject to counterparty, credit, valuation, liquidity and leveraging risks and the risk that the swap may not correlate with its underlying asset as expected. Certain standardized swaps are subject to mandatory central clearing. Central clearing is expected to reduce counterparty credit risk and increase liquidity; however, there is no assurance that central clearing will achieve that result, and in the meantime, central clearing and related requirements expose the Trust to new kinds of costs and risks. In addition, credit default swaps expose the Trust to the risk of improper valuation.

Credit (Loans): Prices of the Trust's investments are likely to fall if the actual or perceived financial health of the borrowers on, or issuers of, such investments deteriorates, whether because of broad economic or issuer-specific reasons, or if the borrower or issuer is late (or defaults) in paying interest or principal. The Trust invests a substantial portion of its assets in below investment-grade Senior Loans and other below investment-grade assets. Below investment-grade loans commonly known as high-yielding, high risk investments or as "junk" investments involve a greater risk that borrowers may not make timely payment of the interest and principal due on their loans and are subject to greater levels of credit and liquidity risks. They also involve a greater risk that the value of such loans could decline significantly. If borrowers do not make timely payments of the interest due on their loans, the yield on the Common Shares will decrease. If borrowers do not make timely payment of the principal due on their loans, or if the value of such loans decreases, the net asset value will decrease.

Demand for Loans: An increase in demand for loans may benefit the Trust by providing increased liquidity for such loans and higher sales prices, but it may also adversely affect the rate of interest payable on such loans and the rights provided to the Trust under the terms of the applicable loan agreement, and may increase the price of loans in the secondary market. A decrease in the demand for loans may adversely affect the price of loans in the Trust's portfolio, which could cause the Trust's net asset value to decline and reduce the liquidity of the Trust's loan holdings.

Derivative Instruments: Derivative instruments are subject to a number of risks, including the risk of changes in the market price of the underlying securities, credit risk with respect to the counterparty, risk of loss due to changes in market interest rates and liquidity and volatility risk. The amounts required to purchase certain derivatives may be

small relative to the magnitude of exposure assumed by the Trust. Therefore, the purchase of certain derivatives may have an economic leveraging effect on the Trust and exaggerate any increase or decrease in the net asset value. Derivatives may not perform as expected, so the Trust may not realize the intended benefits. When used for hedging purposes, the change in value of a derivative may not correlate as expected with the currency, security or other risk being hedged. When used as an alternative or substitute for direct cash investments, the return provided by the derivative may not provide the same return as direct cash investment. In addition, given their complexity, derivatives expose the Trust to the risk of improper valuation.

Impact of Shareholder Reinvestment Program and Privately Negotiated Transactions: The issuance of Common Shares through the Shareholder Reinvestment Program and/or through privately negotiated transactions may have an adverse effect on the secondary market for the Common Shares. The increase in the number of the outstanding Common Shares resulting

Voya Prime Rate Trust

3

Table of Contents

from issuances pursuant to the Shareholder Reinvestment Program or pursuant to privately negotiated transactions, and the discount to the market price at which such Common Shares may be issued, may put downward pressure on the market price for Common Shares. Common Shares will not be issued pursuant to the Shareholder Reinvestment Program at any time when Common Shares are trading at a price lower than the net asset value per Common Share.

Interest Rate: Changes in short-term market interest rates will directly affect the yield on Common Shares. If short-term market interest rates fall, the yield on Common Shares will also fall. To the extent that the interest rate spreads on loans in the Trust's portfolio experience a general decline, the yield on the Common Shares will fall and the value of the Trust's assets may decrease, which will cause the Trust's net asset value to decrease. Conversely, when short-term market interest rates rise, because of the lag between changes in such short-term rates and the resetting of the floating rates on assets in the Trust's portfolio, the impact of rising rates will be delayed to the extent of such lag. In the case of inverse securities, the interest rate paid by such securities generally will decrease when the market rate of interest to which the inverse security is indexed increases. With respect to investments in fixed rate instruments, a rise in market interest rates generally causes values of such instruments to fall. The values of fixed rate instruments with longer maturities or duration are more sensitive to changes in market interest rates.

As of the date of this Prospectus, market interest rates in the United States are at or near historic lows, which may increase the Trust's exposure to risks associated with rising market interest rates. Rising market interest rates could have unpredictable effects on the markets and may expose fixed-income and related markets to heightened volatility, which could reduce liquidity for certain investments, adversely affect values, and increase costs. If dealer capacity in fixed-income and related markets is insufficient for market conditions, it may further inhibit liquidity and increase volatility in the fixed-income and related markets. Further, recent and potential changes in government policy may affect interest rates.

Leverage: The use of leverage through borrowings or the issuance of Preferred Shares can adversely affect the yield on the Common Shares. To the extent that the Trust is unable to invest the proceeds from the use of leverage in assets which pay interest at a rate which exceeds the rate paid on the leverage, the yield on the Common Shares will decrease. In addition, in the event of a general market decline in the value of assets such as those in which the Trust invests, the effect of that decline will be magnified in the Trust because of the additional assets purchased with the proceeds of the leverage. Further, because the fee paid to the Adviser will be calculated on the basis of Managed Assets, the fee will be higher when leverage is utilized, giving the Adviser an incentive to utilize leverage. The Trust is subject to certain restrictions imposed by lenders to the Trust and may be subject to certain restrictions imposed by guidelines of one or more rating agencies which may issue ratings for debt or the Preferred Shares issued by the Trust. These restrictions are expected to impose asset coverage, fund composition requirements and limits on investment techniques, such as the use of financial derivative products that are more stringent than those imposed on the Trust by the 1940 Act. These restrictions could impede the manager from fully managing the Trust's portfolio in accordance with the Trust's investment objective and policies. As of June 8, 2018 the Trust had \$326.5 million in outstanding borrowings under one credit facility.

Limited Secondary Market for Loans: Because of the limited secondary market for loans, the Trust may be limited in its ability to sell loans in its portfolio in a timely fashion and/or at a favorable price. Furthermore, transactions in loans typically settle on a delayed basis and may take longer than 7 days to settle. As a result the Trust may not receive the proceeds from a sale of a floating rate loan for a significant period of time which may affect the Trust's ability to repay debt, to pay dividends, to pay expenses, or to take advantage of new investment opportunities.

Market Discount: Shares of closed-end investment companies frequently trade at a discount from their net asset value. The possibility that Common Shares will trade at a discount from their net asset value is a risk separate and distinct from the risk that the net asset value may decrease.

Non-U.S. and Non-Canadian Issuers: Investment in foreign borrowers involves special risks, including that foreign borrowers may be subject to: less rigorous regulatory, accounting, and reporting requirements than U.S. borrowers; differing legal systems and laws relating to creditors' rights; the potential inability to enforce legal judgments; economic adversity that would result if the value of the borrower's non-U.S. dollar denominated revenues and assets were to fall because of fluctuations in currency values; and the potential for political, social, and economic adversity in the foreign borrower's country.

Temporary Defensive Positions: When market conditions make it advisable, the Trust may hold a portion of its assets in cash and short-term interest bearing instruments. Moreover, in periods when, in the opinion of the manager, a temporary defensive position is appropriate, up to 100% of the Trust's assets may be held in cash, short-term interest bearing instruments and/or any other securities the manager considers consistent with a temporary defensive position. The Trust may not achieve its investment objective when pursuing a temporary defensive position.

Valuation of Loans: The Trust values its assets daily. However, because the secondary market for floating rate loans is limited, it may be difficult to value loans, exposing the Trust to the risk that the price at which it sells loans will be less than the price at which they were valued when held by the Trust. Reliable market value quotations may not be readily available for some loans and determining the fair valuation of such loans may require more research than for securities that trade in a more active secondary market. In addition, elements of judgment may play a greater role in the valuation of loans than for more securities that trade in a more developed secondary market

4

Voya Prime Rate Trust

Table of Contents

because there is less reliable, objective market value data available. If the Trust purchases a relatively large portion of a loan, the limitations of the secondary market may inhibit the Trust from selling a portion of the loan and reducing its exposure to a borrower when the manager deems it advisable to do so. Even if the Trust itself does not own a relatively large portion of a particular loan, the Trust, in combination with other similar accounts under management by the same portfolio managers, may own large portions of loans. The aggregate amount of holdings could create similar risks if and when the portfolio managers decide to sell those loans. These risks could include, for example, the risk that the sale of an initial portion of the loan could be at a price lower than the price at which the loan was valued by the Trust, the risk that the initial sale could adversely impact the price at which additional portions of the loan are sold, and the risk that the foregoing events could warrant a reduced valuation being assigned to the remaining portion of the loan still owned by the Trust.

Voya Prime Rate Trust

5

Table of Contents**WHAT YOU PAY TO INVEST - TRUST EXPENSES**

The cost you pay to invest in the Trust includes the expenses incurred by the Trust. In accordance with SEC requirements, the table below shows the expenses of the Trust, including interest expense on borrowings, as a percentage of the average net assets of the Trust and not as a percentage of gross assets or Managed Assets. By showing expenses as a percentage of the average net assets, expenses are not expressed as a percentage of all of the assets that are invested for the Trust. The table below assumes that the Trust has borrowed an aggregate amount equal to 30% of its Managed Assets. For information about the Trust's expense ratios if the Trust had not borrowed, see "Risk Factors and Special Considerations - Annual Expenses Without Borrowings."

Fees and Expenses of the Trust

Shareholder Transaction Expenses:

Shareholder Reinvestment Program Fees	None
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Privately Negotiated Transactions:

Sales Load (as a percentage of offering price)	3.00%
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Annual Expenses (as a percentage of average net assets attributable to Common Shares):

Management Fees	1.50%
Interest Expense on Borrowed Funds	0.96%
Other Operating Expenses ²	0.16%
Total Annual Expenses	2.62%
Fee Waivers/Reimbursements/Recoupment	None
Net Annual Expenses	2.62%

1 Pursuant to the investment management agreement with the Trust, the Adviser is paid a fee of 1.05% of the Trust's Managed Assets. For the description of "Managed Assets," please see "Description of the Trust – Adviser/Sub-Adviser" earlier in this Prospectus.

2 Other Operating Expenses are estimated amounts for the current fiscal year and do not include the expenses of borrowing.

The Adviser is contractually obligated to limit expenses of the Trust at a rate of 1.05% of average daily Managed Assets plus 0.15% of average daily net assets through July 1, 2019. The limitation does not extend to interest, taxes, investment-related costs, leverage expenses, extraordinary expenses, and Acquired Fund Fees and Expenses. The limitation is subject to possible recoupment by the adviser within 36 months of the waiver or reimbursement and the amount of the recoupment is limited to the lesser of the amounts that would be recoupable under: (i) the expense cap in effect at the time of the waiver or reimbursement; or (ii) the expense cap in effect at the time of recoupment.

Termination or modification of this obligation requires approval by the Trust's Board.

Example

The following Example shows the amount of the expenses that an investor in the Trust would bear on a \$1,000 investment that is held for the different time periods in the table. The Example assumes that all dividends and other distributions are reinvested at NAV and that the percentage amounts listed under Total Annual Expenses in the table above remain the same in the years shown. The table and the assumption in the Example of a 5% annual return are required by regulations of the SEC applicable to all investment companies. The assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of the Trust's Common Shares. For more complete descriptions of certain of the Trust's costs and expenses, see "Investment Management and Other Service Providers."

The following Example applies to shares issued in connection with privately negotiated transactions, which have the maximum front-end sales load of 3%.

1	3	5	10
Year	Years	Years	Years

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You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return and borrowings by the Trust in an aggregate amount equal to 30% of its Managed Assets. \$56 111 172 346

The purpose of the table is to assist you in understanding the various costs and expenses that an investor in the Trust will bear directly or indirectly.

The foregoing Example should not be considered a representation of future expenses and actual expenses may be greater or less than those shown.

6

Table of Contents

FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the Trust's financial performance for the periods shown. Certain information reflects the financial results for a single share. The total returns in the table represent the rate of return that an investor would have earned or lost on an investment in the Trust (assuming reinvestment of all dividends and/or distributions). The information has been audited by KPMG LLP, whose report, along with the Trust's financial statements, is included in the Trust's Annual Report, which is available upon request.

7

Table of Contents

FINANCIAL HIGHLIGHTS (continued)

Selected data for a share of beneficial interest outstanding throughout each year or period.

Year or period ended	Per Share Operating Performance								
	Net asset value, beginning of year or period	Net investment income (loss)	Net realized and unrealized gain (loss)	Distribution to Preferred Shareholders	Change in net asset value from Share offerings	Total from investment operations	Distributions to Common Shareholders from net investment income	Distributions from return of capital	Total distributions
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
02-28-18	5.80	0.30	(0.12)	—	—	0.18	(0.25)	(0.04)	(0.29)
02-28-17	5.36	0.31	0.45	—	—	0.76	(0.32)	—	(0.32)
02-29-16	5.93	0.32	(0.56)	—	—	(0.24)	(0.33)	—	(0.33)
02-28-15	6.08	0.33	(0.13)	—	—	0.20	(0.35)	—	(0.35)
02-28-14	6.02	0.40	0.07	—	—	0.47	(0.40)	(0.01)	(0.41)
02-28-13	5.79	0.46	0.19	—	—	0.65	(0.42)	—	(0.42)
02-29-12	6.08	0.35	(0.32)	(0.00)*	—	0.03	(0.32)	—	(0.32)
02-28-11	5.72	0.30	0.38	(0.00)*	—	0.68	(0.30)	(0.02)	(0.32)
02-28-10	3.81	0.28	1.95	(0.00)*	—	2.23	(0.32)	—	(0.32)
02-28-09	6.11	0.46	(2.29)	(0.06)	—	(1.89)	(0.41)	—	(0.47)

(1) Total investment return calculations are attributable to common shares.

Total investment return at net asset value has been calculated assuming a purchase at net asset value at the beginning of each period and a sale at net asset value at the end of each period and assumes reinvestment of dividends, capital gain distributions and return of capital distributions/allocations, if any, in accordance with the provisions of the dividend reinvestment plan.

(3) Total investment return at market value has been calculated assuming a purchase at market value at the beginning of each period and a sale at market value at the end of each period and assumes reinvestment of dividends, capital gain distributions, and return of capital/allocations, if any, in accordance with the provisions of the dividend reinvestment plan.

(4) The Adviser has agreed to limit expenses excluding interest, taxes, brokerage commission, leverage expenses, other investment related costs and extraordinary expenses, subject to possible recoupment by the Adviser within three years to 1.05% of Managed Assets plus 0.15% of average daily net assets.

(5) There was no impact on total return due to payments by affiliates.

(6) Includes excise tax fully reimbursed by the Adviser.

* Amount is less than \$0.005 or more than \$(0.005).

Table of Contents

FINANCIAL HIGHLIGHTS (continued)

Selected data for a share of beneficial interest outstanding throughout each year or period.

Year or period ended	Ratios to average to average net assets plus borrowings				Supplemental data					
	Expenses (before interest and other fees related to revolving credit facility)	Expenses, prior to fee waivers and/or	Expenses, net of fee waivers and/or	Net investment income (loss)	Preferred Shares - Aggregate amount outstanding	Liquidation and market value per share of Preferred Shares	Asset coverage inclusive of Preferred Shares and debt per share ^(a)	Borrowings at end of period	Asset coverage per \$1,000 of debt ^(a)	Av bo
	(%)	(%)	(%)	(%)	(\$000's)	(\$)	(\$)	(\$000's)	(\$)	(\$)
02-28-18	1.16	1.81	1.80	3.25	—	—	4	322,100	3,610	34
02-28-17	1.16	1.60	1.60	3.88	—	—	4	331,100	3,589	33
02-29-16	1.15	1.50	1.50	3.98	—	—	3	324,300	3,443	33
02-28-15	1.16	1.49	1.48	3.95	—	—	4	323,500	3,709	36
02-28-14	1.15	1.50	1.50	4.51	—	—	3	407,000	3,207	38
02-28-13	1.17	1.53	1.53	5.55	—	—	3	370,600	3,394	34
02-29-12	1.24	1.64	1.64	4.51	—	—	3	364,000	3,339	29
02-28-11	1.39	1.68	1.68	4.26	100,000	25,000	102,850	187,000	6,314	12
02-28-10	1.67 ⁽¹⁾	1.87 ⁽¹⁾	1.81	5.23	200,000	25,000	98,400	83,000	13,419	46
02-28-09	1.54	2.37	2.37	6.21	225,000	25,000	70,175	81,000	10,603	22

Asset coverage ratios, for fiscal year periods beginning after 2011, is presented to represent the coverage availability to each \$1,000 of borrowings. Asset coverage ratios, for periods prior to fiscal 2009, represented the (a) coverage available for both the borrowings and Preferred Shares expressed in relation to each \$1,000 of borrowings and Preferred Shares liquidation value outstanding. The Asset coverage ratio per \$1,000 of debt for periods subsequent to fiscal 2008, is presented to represent the coverage available

to each \$1,000 of borrowings before consideration of any Preferred Shares liquidation price, while the Asset coverage inclusive of Preferred Shares, presents the coverage available to both borrowings and Preferred Shares, expressed in relation to the per share liquidation price of the Preferred Shares.

(1) Includes excise tax fully reimbursed by the Investment Adviser.

Table of Contents**TRADING AND NAV INFORMATION**

The following table shows for the Trust's Common Shares for the periods indicated: (1) the high and low closing prices as shown on the NYSE Composite Transaction Tape; (2) the NAV per Common Share represented by each of the high and low closing prices as shown on the NYSE Composite Transaction Tape; and (3) the discount from or premium to NAV per Share (expressed as a percentage) represented by these closing prices. The table also sets forth the aggregate number of shares traded as shown on the NYSE Composite Transaction Tape during the respective quarter.

Calendar Quarter Ended	Price(\$)		NAV(\$)		Premium/(Discount) To NAV(%)		Reported NYSE Volume
	High	Low	High	Low	High	Low	
March 31, 2015	5.60	5.22	5.95	5.82	(5.88)	(10.43)	28,446,500
June 30, 2015	5.68	5.25	5.99	5.90	(4.86)	(11.02)	22,422,000
September 30, 2015	5.43	5.06	5.91	5.74	(7.97)	(12.89)	23,624,300
December 31, 2015	5.14	4.75	5.74	5.47	(7.66)	(13.95)	27,161,400
March 31, 2016	5.07	4.58	5.54	5.34	(7.65)	(14.23)	27,825,700
June 30, 2016	5.22	4.96	5.68	5.53	(7.77)	(11.59)	24,032,900
September 30, 2016	5.28	5.09	5.74	5.61	(7.54)	(9.56)	22,464,600
December 31, 2016	5.57	5.20	5.80	5.72	(3.80)	(9.41)	28,654,800
March 31, 2017	5.61	5.41	5.81	5.76	(3.28)	(6.24)	27,074,900
June 30, 2017	5.47	5.27	5.77	5.70	(4.87)	(7.54)	23,390,800
September 30, 2017	5.38	5.14	5.72	5.65	(5.78)	(9.33)	21,891,800
December 31, 2017	5.25	5.01	5.68	5.63	(7.24)	(11.33)	33,105,200
March 31, 2018	5.21	5.06	5.71	5.63	(8.27)	(11.03)	23,146,200

On June 8, 2018 the last reported sale price of a Common Share of the Trust's Common Shares on the NYSE was \$5.10. The Trust's NAV on June 8, 2018 was \$5.65. See "How Shares Are Priced." This represented a (9.73)% discount from the NAV \$5.65 as of that date.

The Trust's Common Shares have traded in the market above, at, and below NAV since March 9, 1992, when the Trust's Common Shares were listed on the NYSE. The Trust cannot predict whether its Common Shares will trade in the future at a premium or discount to NAV, and if so, the level of such premium or discount. Shares of closed-end investment companies frequently trade at a discount from NAV.

Table of Contents

INVESTMENT OBJECTIVE AND POLICIES

Investment Objective

The Trust's investment objective is to provide investors with as high a level of current income as is consistent with the preservation of capital. The investment objective is fundamental and may not be changed without a majority vote of the shareholders of the Trust. See "Description of the Trust – Fundamental and Non-Fundamental Investment Policies of the Trust" later in this Prospectus. The Trust seeks to achieve this investment objective by investing in the types of assets described below:

1. Senior Loans. Under normal market conditions, at least 80% of the Trust's net assets (plus borrowings for investment purposes) will be invested in Senior Loans. This investment policy may be changed without shareholder approval so long as the Trust provides its shareholders with at least 60 days' prior notice of any changes in this investment policy. Under normal market conditions, the Trust invests at least 80% of its assets in Senior Loans made to corporations or other business entities organized under U.S. or Canadian law and that are domiciled in the United States and in U.S. territories and possessions or Canada.

The Senior Loans in which the Trust invests either hold the most senior position in the capital structure of the borrower, hold an equal ranking with other senior debt, or have characteristics (such as a senior position secured by liens on a borrower's assets) that the Adviser or Sub-Adviser believes justify treatment as senior debt. These Senior Loans are typically rated below investment-grade credit quality. Investments rated below investment-grade (or of similar quality if unrated) are commonly known as high-yielding, high risk investments or as "junk" investments.

The Trust typically makes its investments in Senior Loans by purchasing a portion of the overall loan, i.e., the Trust becomes one of a number of lenders investing in the loan. The Trust may also make its investments in Senior Loans through the use of derivative instruments such as participations, credit-linked notes, credit default swaps, and total return swaps as long as the reference obligation for any such instrument is a Senior Loan. Investments through the use of such derivative instruments involve counterparty risk, i.e., the risk that the party from which such instrument is purchased will not perform as agreed. The Trust seeks to minimize such counterparty risk by purchasing such investments only from large, well established and highly rated counterparties.

2. Other Investments. Under normal market conditions, the Trust may invest up to 20% of its total assets, measured at the time of investment, in a combination of one or more of the following types of investments ("Other Investments"):

- loans to borrowers organized or located in countries outside the United States and outside U.S. territories and possessions or Canada;
- unsecured floating rate loans, notes, and other debt instruments;
- floating rate subordinated loans;
- tranches of floating rate asset-backed securities, including structured notes;
- corporate debt securities;
- executing repurchase and reverse repurchase agreements; and
- equity securities incidental to investments in loans.