

Quantitative equity strategy with call writing seeks enhanced total return and downside capture

Strategy overview

Emerging markets equity strategy seeks to maximize total return and generate higher income than the reference Index, using model-driven stock selection call options writing.

Performance

For the quarter, the Fund provided a total return of 1.58% on a net asset value basis, and a total return of -0.28% on a market price basis. The Fund's reference Index, the MSCI Emerging Markets Index (the Index), returned 0.90%.

Equity portfolio

The equity sleeve underperformed the reference Index, primarily due to poor stock selection. In terms of the sleeve's performance, the core model contributed, led by strong returns in the valuation and sentiment signals. The operations signal was the only detractor. The sleeve's higher dividend yield and smaller market cap tilt also contributed.

On the sector level, stock selection within the communication services, real estate and health care sectors contributed positively. Selection within the materials, consumer discretionary and financials sectors detracted from results. Regionally, selection in the Africa and Mideast region contributed while selection in Asia Pacific ex-Japan and Latin America detracted.

At the individual stock level, the key contributors were overweight positions in Petroleo Brasileiro SA and Lite-On Technology Corp. and the underweight to Tencent Holdings Ltd. Not owning Samsung Electronics Co., Ltd. and SK hynix Inc. as well as the overweight to CJ Corp. detracted.

Option portfolio

The Fund's covered call strategy seeks to generate premiums and retain some potential for upside appreciation. This strategy contributed to returns during the period, with two out of three months achieving positive performance. The Fund typically implements this strategy by writing call options on the EM exchange-traded fund (ETF). The strike prices of the options written are usually at or near the money, with expiration dates around one month at inception.

Outlook and current strategy

U.S. equity markets performed well during the second quarter, with most of the gains made in June. Stocks were buoyed by relief over Congress's passage of the bill to raise the debt ceiling. The S&P 500 Index notched its best monthly performance of 2023 during the final month of the period, gaining 6.61% in June and 8.74% for the quarter. Information technology stocks delivered strong performance during the quarter, driven by artificial intelligence and chip manufacturers. Growth stocks outperformed

value stocks during the period. After poor performance in April and May, small caps rebounded in June and outperformed larger stocks.

Volatility in the U.S. bond market continued during the quarter.

The Bloomberg U.S. Aggregate Bond Index lost -0.84%, while the 10-year U.S. Treasury yield rose from 3.43% at the beginning of the quarter to 3.81% by quarter-end. The U.S. Federal Reserve raised rates by 25 basis points twice during the period, bringing the Fed funds rate to a range of 5.00–5.25%, but did not implement a hike at its June meeting. Still, Fed officials maintained a hawkish stance through the end of the quarter; although core inflation has decreased significantly from 2022, it has persisted well above the 2% target. The Fed's "dot plot," which serves as a predictor of rate movements, indicates two additional hikes this year.

The U.S. economy has remained resilient as have corporate earnings, fueling the debate of a hard versus soft landing.

We still believe there may be greater volatility to come given uncertainty over Fed rate policy in the second half of the year; mixed business sentiment and slowing economic growth; and whether a recession will actually happen, and if so, the duration and depth.

Economic growth remains uncertain in the Asia-Pacific region.

China's reopening has faltered, Chinese real estate looks shaky and the contraction in global manufacturing could result in more downside for China and EM broadly. In addition, after years of poor market performance, a negative wealth effect could exacerbate a liquidity trap where individuals hoard cash, making policy officials hesitant to aggressively stimulate. Yet, we think significant stimulus will be necessary to meaningfully boost asset prices, and incremental policy measures ultimately will fail. We believe China will reluctantly export deflation via a weaker currency, helping to nudge U.S. inflation lower and support the U.S. dollar (which has continued to weaken over the last month).

Holdings detail

Companies mentioned in this report – percentage of portfolio investments, as of 06/30/23: Petroleo Brasileiro SA 0.92%, Lite-On Technology Corp. 0.66%, Tencent Holdings Ltd. 3.68%, Samsung Electronics Co., Ltd. 1.94%, SK hynix Inc. 0% and CJ Corp. 0.31%; 0% indicates that the security is no longer in the portfolio. Portfolio holdings are subject to change daily.

Disclaimer

The **MSCI Emerging Markets (EM)** Index captures large- and mid-cap representation across 24 emerging-market (EM) countries. With 1,387 constituents, the Index covers approximately 85% of the free float-adjusted market capitalization in each country. **Investors cannot invest directly in an index.**

Past performance is no guarantee of future results. All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. All security transactions involve substantial risk of loss. The performance quoted represents past performance. Investment return and principal value of an investment will fluctuate, and shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

Total investment return at market share price measures the change in the market value of your investment assuming reinvestment of dividends, capital gain distributions and return of capital distributions/allocations, if any, in accordance with the provisions of the Fund's dividend reinvestment plan. Total investment return at market share price is not annualized for periods less than one year. Closed-end funds like the Fund do not continuously offer shares for sale and are not required to buy shares back from investors upon request. Shares of closed-end funds trade on national stock exchanges. Therefore, market share prices are not directly affected by Fund expenses or fees, which ordinarily have the effect of lowering total return.

Total investment return at net asset value has been calculated assuming a purchase at net asset value at the beginning of the period and a sale at net asset value at the end of the 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. Net Asset Value is total assets less total liabilities divided by the number of shares outstanding. Net Asset Value is net of all fund expenses, including operating costs and management fees. Total investment return at net asset value is not annualized for periods less than one year.

Principal risks: All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. Price volatility, liquidity, and other risks that accompany an investment in equity securities of domestic and foreign companies, and small and mid-sized capitalized companies. International investing does pose special risks including currency fluctuation, economic and political risks not found in investments that are solely domestic. Risks of foreign investing are generally intensified for investments in emerging markets.

Options risk: The Fund may purchase put and call options and may write (sell) put options and call options and is subject to Options Risk. The risk in writing a call option is that the Fund gives up the opportunity for profit if the market price of the security increases and the option is exercised. The risk in buying an option is that the Fund pays a premium whether or not the option is exercised. Risks may also arise from an illiquid secondary market or from the inability of counter-parties to meet the terms of the contract. When an option is exercised or closed out, the Fund may be required to sell portfolio securities or to deliver portfolio securities to satisfy its obligations when it would not otherwise choose to do so, or the Fund may choose to sell portfolio securities to realize gains to offset the losses realized upon option exercise. Such sales or delivery would involve transaction costs borne by the Fund and may also result in realization of taxable capital gains, including short-term capital gains taxed at ordinary income tax rates, and may adversely impact the Fund's after-tax returns.

This Fund has **additional risks** that you should consider, such as market discount risk, investment and market risk, foreign investment and emerging markets risk, foreign (non-US) currency risk, Asia Pacific regional and country risk, issuer risk, equity risk, distribution risk, tax risk, dividend risk, small-cap and mid-cap company risk.

The strategy employs a quantitative investment process. The process is based on a collection of proprietary computer programs, or models, that calculate expected return rankings based on variables such as earnings growth prospects, valuation, and relative strength.

Data imprecision, software or other technology malfunctions, programming inaccuracies and similar circumstances may impair the performance of these systems, which may negatively affect performance. Furthermore, there can be no assurance that the quantitative models used in managing the strategy will perform as anticipated or enable the strategy to achieve its objective.

This commentary has been prepared by Voya Investment Management for informational purposes. Nothing contained herein should be construed as (i) an offer to sell or solicitation of an offer to buy any security or (ii) a recommendation as to the advisability of investing in, purchasing or selling any security. Any opinions expressed herein reflect our judgment and are subject to change. Certain of the statements contained herein are statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (1) general economic conditions, (2) performance of financial markets, (3) interest rate levels, (4) increasing levels of loan defaults (5) changes in laws and regulations and (6) changes in the policies of governments and/or regulatory authorities.

The opinions, views and information expressed in this commentary regarding holdings are subject to change without notice. The information provided regarding holdings is not a recommendation to buy or sell any security. Fund holdings are fluid and are subject to daily change based on market conditions and other factors.

©2023 Voya Investments Distributor, LLC · 230 Park Ave, New York, NY 10169 · All rights reserved.
(800) 992-0180 Individual Investors | (800) 334-3444 Investment Professionals

CEF-COMM-IDE · 063023 · ex063024 · IM3030897