

Focus on total return and high income through Asia Pacific stocks and call options

Strategy overview

Combines an actively managed quantitative equity investment strategy with a call writing option strategy to create a diversified portfolio with potential for enhanced total return and strong downside capture over a full market cycle.

Performance

For the quarter, the Voya Asia Pacific High Dividend Equity Income Fund (the "Fund") provided a total return of -0.23% on a net asset value basis¹, and a total return of -1.77% on a market price basis². For the same period, the Fund's reference index, the MSCI All Country Asia Pacific ex-Japan index, returned -1.04% .

Equity portfolio

For the quarter ending June 30, 2023, the equity sleeve of the Fund outperformed its reference Index. In terms of the sleeve's performance for the quarter, the core model contributed most to returns driven by strong performance in the sentiment, valuation and environmental, social and governance (ESG) indicators. The higher dividend yield positioning was the second largest contributor.

On the sector level, stock selection and the underweight in the communication services sector contributed. Selection in financials was the second largest contributor. The key individual stock contributors included the overweight to Lite-On Technology Corp., not owning Sea Ltd. Sponsored ADR and the overweight to Keppel Corporation Ltd.

By contrast, stock selection in the consumer discretionary and materials sectors detracted. On an individual stock level basis, not owning Samsung Electronics Co., Ltd. And SK Hynix Inc. detracted in addition to the overweight to CJ Corp.

Option portfolio

For the period, the Fund's covered call strategy had a positive impact on relative returns. The Fund's covered call strategy seeks to generate premiums and to retain some potential for upside appreciation. The Fund implemented this strategy by typically writing call options on regional Indices, the selection and allocation of which result from an optimization intended to track the reference Index of the Fund closely. The strike prices of the options written were typically 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).

Given these uncertainties in the global market outlook, we expect the Fund to continue to benefit from its option-writing activities.

Holdings detail

Companies mentioned in this report – percentage of Fund investments, as of 06/30/2023: Lite-On Technology Corp. 0.69%, Sea Ltd. 0%, Keppel Corporation Ltd. 0.78%, Samsung Electronics Co., Ltd. 2.29%, 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 All Country Asia Pacific ex-Japan Index** captures large- and mid-cap equity representation across four of five developed market countries (excluding Japan) and eight emerging market countries in the Asia Pacific region. With 1,249 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 does not guarantee future results. The performance quoted represents past performance. Investment return and principal value of an investment will fluctuate, and shares, when sold, 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 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 such as this 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 (NAV) 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. NAV per share equals total assets minus total liabilities, divided by the number of shares outstanding. NAV 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. All security transactions involve substantial risk of loss. 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 poses special risks not found in solely domestic investments, including currency fluctuation, economic and political risks. 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.

The 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 risks.

The Fund employs a quantitative model to execute its investment strategy. 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.

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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. Portfolio holdings are fluid and are subject to daily change based on market conditions and other factors.

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