

# Equal Positions in the 100 Largest S&P 500 Companies

## Strategy overview

A rules-based strategy designed to exploit market inefficiencies in a disciplined systematic manner.

You should consider the investment objectives, risks, and charges and expenses of the variable product and its underlying fund options; or mutual funds offered through a retirement plan, carefully before investing. The prospectuses / prospectus summaries / information booklets contain this and other information, which can be obtained by contacting your local representative or by calling (800) 992-0180. Please read the information carefully before investing.

## Key takeaways

- For the quarter ended June 30, 2024, the Voya Corporate Leaders 100 Fund underperformed its benchmark, the S&P 500 Index (the Index) on a net asset value (NAV) basis.
- During the quarter, the Fund continued to follow its strict rules-based investment approach.
- At the beginning of the quarter, the Fund held equal-weighted positions in the stocks of the S&P 100 Index (implying that each holding represented about 1% of the portfolio).
- Over the course of the quarter, if the value of a security increased by more than 50%,\* the position size was reduced to 1%, and if the value of a security decreased by more than 30%,\* the position was eliminated.

## Current strategy and outlook

**U.S. stocks advanced during the second quarter on continued strength in the labor market and in several key economic measures.** The S&P 500 Index rose by 4.28% during the quarter and the Nasdaq Composite grew by 8.26%. The information technology and communication services sectors led, while energy and materials lagged. Large-cap stocks outperformed small caps and growth significantly beat value. The Federal Open Market Committee held interest rates steady throughout the quarter and is now expected to cut rates only once in 2024. While Fed Chair Powell acknowledged modest progress on taming inflation at the central bank's June meeting, he emphasized the need for more confidence about the inflation situation before making any changes to rates.

**U.S. bond performance was essentially flat during the quarter.** The Bloomberg U.S. Aggregate Bond Index inched up 0.07%, and the 10-year U.S. Treasury yield rose from 4.33% at the start of April to 4.36% by quarter end.

**The resilience of the U.S. economy persists.** Despite the effects from continued monetary tightness, economic growth remains strong, driven by gains in payrolls and productivity. Consumer spending is stable, supported by a significant increase in household net worth. However, consumer confidence remains below average due to the lasting impact of higher prices. While inflation has fallen to more manageable levels, concerns about overheating persist. While core inflation has declined for 14 consecutive months, core services prices are still rising. A downshift in growth and loosening of the labor market may be necessary to maintain inflation near the Fed's 2% target. This does not imply significant economic weakness, but it may keep rates higher for longer than expected.

\* If a security is underperforming the S&P 500® Index and the S&P 500® Index is positive on an intra-quarter basis, the security will typically be sold when it declines by 30% or more, irrespective of the percentage difference versus the S&P 500® Index. If a security is underperforming the S&P 500® Index and the S&P 500® Index is negative on an intra-quarter basis, the security will typically be sold when it underperforms the S&P 500® Index by 30 percentage points or more. This change went into effect on 5/18/20.

**Strong earnings momentum — which could continue through the year — has supported U.S. stocks.** The growth and quality of earnings have justified expensive stock valuations, particularly in mega-cap technology stocks. However, we expect the rally to broaden, with value-oriented and smaller cap segments taking the lead. The economic soft landing and anticipated rate cuts should create favorable conditions for U.S. stocks, despite potential near-term pullbacks.

## Portfolio review

**Over the reporting period, the stock selection in the utilities sector contributed the most to performance.** Secondly, selection was strong in the industrials sector, but this was mitigated by a negative impact from the relative overweight. At the individual stock level, overweight positions in 3M Co. and QUALCOMM Inc. as well as the underweight in Berkshire Hathaway Inc. are among the key contributors.

**By contrast, stock selection and the underweight in the information technology sector detracted.** Selection in the health care sector was also negative, but to a smaller degree. Among the largest individual detractors for the period were the underweight positions in NVIDIA Corp. and Apple Inc., as well as not owning Alphabet Inc.

**As of the end of the reporting period, the Fund's largest sector overweight was to the financials sector,** while the largest sector underweight was information technology. Sector exposures are purely a function of the strategy's rules-based investment discipline and are not actively managed.

## Holdings detail

Companies mentioned in this report – percentage of Fund investments, as of 06/30/24: 3M Co. 0.99%, QUALCOMM Inc. 1.19%, Berkshire Hathaway Inc. 0.99%, NVIDIA Corp. 1.38%, Apple Inc. 1.23% and Alphabet Inc. 0%; 0% indicates that the security is no longer in the Fund. Portfolio holdings are subject to daily change.

The **Standard & Poor's 500 index** is an unmanaged index that measures the performance of securities of approximately 500 of the largest companies in the United States. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an index.**

**Principal Risks:** All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield. Stocks fall into three broad **Market Capitalization** categories — large, mid and small. Investing primarily in one category carries the risk that, due to current market conditions, that category may be out of favor with investors. If valuations of large-capitalization companies appear to be greatly out of proportion to the valuations of mid- or small-capitalization companies, investors may migrate to the stock of mid- and small-sized companies causing a fund that invests in these companies to increase in value more rapidly than a fund that invests in larger, fully-valued companies. Investing in mid- and small-capitalization companies may be subject to special risks associated with narrower product lines, more limited financial resources, smaller management groups and a more limited trading market for their stock than with larger companies. As a result, stock of mid- and small-capitalization companies may decline significantly in market downturns. Investing in **Foreign (non-U.S.) Securities** may result in the Fund experiencing more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. companies due to smaller markets, differing reporting, accounting and auditing standards, and nationalization, expropriation or confiscatory taxation, foreign currency fluctuations, currency blockage, or political changes or diplomatic developments. **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 interest rates and liquidity risk. The use of certain derivatives could have a leveraging effect, which might increase the volatility of the Fund and reduce its returns. Other risks of the Fund include but are not limited to: **Company risk, Convertible Securities risk, Currency risk, Liquidity risk, Market risk, Other Investment Companies' Risks and Securities Lending risks. An investment in the Fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.**

The strategy is available as a mutual fund or variable portfolio. The mutual fund may be available to you as part of your employer sponsored retirement plan. There may be additional plan level fees resulting in personal performance that varies from stated performance. Please call your benefits office for more information.

Variable annuities and group annuities are long-term investments designed for retirement purposes. If withdrawals are taken prior to age 59½, an IRS 10% premature distribution penalty tax may apply. Money taken from the annuity will be taxed as ordinary income in the year the money is distributed. An annuity does not provide any additional tax deferral benefit, as tax deferral is provided by the plan. Annuities may be subject to additional fees and expenses to which other tax-qualified funding vehicles may not be subject. However, an annuity does provide other features and benefits, such as lifetime income payments and death benefits, which may be valuable to you.

Variable investments, of any kind, are not guaranteed and are subject to investment risk including the possible loss of principal. The investment return and principal value of the security will fluctuate so that when redeemed, it may be worth more or less than the original investment. In addition, there is no guarantee that any variable investment option will meet its stated objective. All guarantees are based on the financial strength and claims paying ability of the issuing insurance company, who is solely responsible for all obligations under its policies.

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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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