Voya Global Bond Strategy

Seeking Total Return Opportunities around the World

Strategy Overview

Voya's global bond strategy seeks to maximize total return through a combination of current income and capital appreciation. The strategy invests in broad global bond sectors including a wide range of debt and derivative securities and currencies.

Expected Contribution to Returns

High

Sector Allocation Use macro themes, relative value analysis and security level research to guide broad sector allocation strategy

Currency Exposure Continuous review of macro fundamentals and relative value conditions across global markets to build strategic exposures to global currencies.

Yield Curve Ongoing assessment of yield curve relative value — position portfolio as opportunities arise

Duration Employ strategic and tactical views of interest rate risk, make moderate adjustments to capture incremental returns

Low

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, the strategy outperformed its benchmark, the Bloomberg Barclays Global Aggregate Bond index
- Risk sentiment is heightened and may deteriorate further if trade tensions between the United States and China escalate
- Fixed income credit markets — including high-yield and investment-grade corporate bonds and emerging market debt — posted strong returns, as earlier fears of recession and volatility receded and demand for risk returned

Current Strategy and Outlook

The Federal Reserve is open to delivering cuts but has not signaled as strongly as markets are pricing. Recently, the December 2019 30-day fed funds futures contract priced in nearly 75-basis points (bp) of cuts by the end of the year — the largest amount of cuts priced in six months since the financial crisis. Given the trade uncertainty and potential for cuts, we look for 10-year U.S. Treasury yields between 2.0–2.4%, with a steeper twos-to-tens yield curve. We expect the U.S. dollar to remain range-bound against developed market currencies. Ten-year German Bunds have traded down to -30 bp, a historical low, with 10-year Japanese government bonds not far behind. We expect German and Japanese rates to remain in negative territory.

Risk sentiment is heightened and may deteriorate further if trade tension between the U.S. and China escalates. Volatile oil and commodity markets highlight the differences between winners and losers: exporters versus importers and the impacts on GDP, fiscal policy and inflation.

In the United States, our portfolios remain positioned to capitalize on the relative strength of the U.S. consumer. While consumer confidence in the United States has flattened out and expectations are less optimistic, household balance sheets remain in good shape. A strong rebound in net worth as a percent of disposable income and continued wage gains amidst a very tight labor market continues to support the U.S. consumer. Accordingly, we remain strategically overweight securitized credit, which offers attractive exposure to the relative strength of the U.S. consumer.

Our allocations to corporate credit are more muted and we are being tactical when deploying risk in corporate credit sectors. We continue to believe risk in the corporate sector is idiosyncratic and do not believe a downgrade cycle is imminent. Although leverage has increased for investment grade companies, much of this increase has been the result of M&A transactions by larger companies that have several levers to pull to ensure they remain investment

grade. We have also observed that many of these are higher quality companies that operate in defensive sectors, which should help insulate them from an economic downturn. More recently, we have seen an increase in the number of companies reducing debt.

Portfolio Review

Sector allocations, in aggregate, contributed and had the biggest impact on performance for the quarter. Allocations to securitized credit, including non-agency RMBS, CRTs and CMBS all contributed. Within corporate credit, positive allocations from high yield investments were modestly offset by allocations to investment grade issuers. Currency positioning also added to performance. Developed market currency positions, which included long European currency pairs contributed during the quarter, while emerging market currency risk was modest and did not meaningfully affect returns. Overall, interest-rate decisions were neutral, as positive contributions from decisions across emerging markets were offset by detractions in developed markets. Within developed markets, we had implemented some tactical defensive (bearish) strategies that dragged on performance in the wake of the continued decline in global interest rates.

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The Bloomberg Barclays Global Aggregate Index is an unmanaged index that provides a broad-based measure of the global investment-grade fixed-rate debt markets. 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. **Currency** To the extent that the Portfolio invests directly in foreign currencies or in securities denominated in, or that trade in, foreign (non-U.S.) currencies, it is subject to the risk that those currencies will decline in value relative to the U.S. dollar or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. **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 interest rates and liquidity risk. The use of certain derivatives may also have a leveraging effect which may increase the volatility of the Portfolio and reduce its returns. **Foreign Investments/Developing and Emerging Markets** Investing in foreign (non-U.S.) securities may result in the Portfolio 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. Foreign investment risks typically are greater in developing and emerging markets than in developed markets. **Asset-Backed (including Mortgage-Related) Securities** Defaults on or the low credit quality or liquidity of the underlying assets of the asset-backed (including mortgage-related) securities held by the Portfolio may impair the value of the securities. **Credit Derivatives** The Portfolio may enter into credit default swaps, either as a buyer or a seller of the swap. As a buyer of the swap, the Portfolio pays a fee to protect against the risk that a security held by the Portfolio will default. As a seller of the swap, the Portfolio receives payment(s) in return for its obligation to pay the counterparty an agreed upon value of a security in the event of a default of the security issuer. Credit default swaps are largely unregulated and susceptible to liquidity, credit, and counterparty risks. Other risks of the Portfolio include but are not limited to: **Leverage, Liquidity, Other Investment Companies, Call, Credit, High-Yield Securities, Prepayment and Extension and Securities Lending. Investors should consult the Portfolio's Prospectus and Statement of Additional Information for a more detailed discussion of the Portfolio's risks. An investment in the Portfolio 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 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. Portfolio construction uses a traditional optimizer that maximizes expected return of the portfolio, while managing tracking error.

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

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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