Voya Global Diversified Payment Fund

Targeting Your Income Needs

Strategy overview

Coupled with a managed payment policy, the Fund invests in a combination of Voya Funds which are invested in global equity, fixed-income, and which may include floating rate loans, emerging markets debt and real estate securities.

Key takeaways

- Global stocks had a strong first quarter, driven by economic growth and corporate earnings, with U.S. large caps leading the way. Bonds slipped as the yields rose. The U.S. Federal Reserve kept interest rates steady and still projects three rate cuts this year.
- In our view, a resilient domestic economy, solid corporate fundamental factors and looser financial conditions coupled with anticipated rate cuts create favorable conditions for U.S. stocks. We are less sanguine on the prospects for Europe and China.
- The Fund achieved its primary investment objective, to meet its managed payment policy by delivering level monthly payments.
- During the period, the Fund outperformed the S&P Target Risk Moderate Index on a net asset value (NAV) basis but trailed its strategic allocation benchmark. Asset allocation detracted, while alternative strategies and manager selection contributed.

Market review

U.S. stocks enjoyed a strong first quarter as economic growth and corporate earnings beat expectations. Large caps drove the S&P 500 Index to record-setting highs during the period. The communication services, energy and information technology sectors led, while real estate and utilities lagged. Large-cap stocks outperformed small caps and growth beat value. The Federal Open Market Committee voted to hold interest rates steady for the fifth consecutive time at its March meeting, although three rate cuts are still expected this year, with the first forecasted in June.

Foreign stocks were positive but trailed the United States. Within developed markets, Euro area and United Kingdom economic growth remained weak but expected monetary easing generally supported stocks. The Bank of Japan raised interest rates for the first time in 17 years, as the county begins to emerge from a decade long deflationary lull and sees the Nikkei 225 Index to a new high after 35 years. Emerging markets (EM) lagged. India performed well, benefitting from U.S. corporations' efforts to move Asian operations out of China. Subsequently, China moved lower during the quarter, but a late rally caused some to wonder if the bottom is in.

U.S. bonds slipped as the U.S. Treasury yield curve rose, with the 10-year yield increasing to 4.20% by quarter end on early concerns that lingering high inflation could change the Fed's rate cut plans. High yield (HY) and EM debt performed best with modestly positive performance.

Outlook

The U.S. economy continues to show resilience. Despite the effects of Fed tightening, 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 Personal Consumption Expenditure (PCE) inflation has declined for 14 consecutive months, core services prices are still rising. To maintain inflation near the Fed's target, a downshift in growth and loosening of the labor market may be necessary. This doesn't imply significant economic weakness, but it may keep rates higher for longer than expected.

U.S. stocks are supported by strong earnings momentum that could continue throughout the year. Valuations are justified by the growth and quality of earnings, 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 create favorable conditions for U.S. stocks, despite potential near-term pullbacks.

In Europe, the 4Q23 earnings season was disappointing as profits declined. The macroeconomic situation is mixed, affected by geopolitical conflicts and a manufacturing downturn in Germany. European companies face greater exposure to a weak China, contributing to an underweight stance. The Bank of Japan's recent interest rate hike and the end of yield curve control signaled confidence in sustained economic growth. The necessary inflation, strong earnings growth and ongoing corporate reforms suggest that Japanese equities may continue to rally.

Investor skepticism over China's slowing economic growth, geopolitical risks, governance uncertainties and financial system burdened with bad real estate debt caused a deep decline in stocks. Although a booming auto industry and advancements in industrial technologies are positives, the outlook for China remains highly uncertain and a preference towards U.S. markets remains.

In the bond market, global yields have drifted higher, creating a more attractive entry point. An up-in-quality overweight to credit is favored, with the U.S. macroeconomic backdrop supporting investment-grade corporates. Even if spreads widen later this year, we think the move will be limited and carry will keep total returns positive.

Positioning

At the beginning of the period, the Fund was modestly overweight equities relative to its strategic allocation benchmark. Equity sub-asset class allocations were tilted toward U.S. large cap value versus growth. Within fixed income, the Fund was tactically underweight in U.S. core and overweight to HY.

As part of its annual review toward the end of February, the Fund's strategic asset allocation was reset, with all tactical positions at the beginning of the period being subsumed into the revised strategic asset allocation, thereby becoming longer-term views. There were no fundamental tactical asset allocation trades during the period. The Fund continues to favor U.S. assets with a preference for U.S. large cap equities and core investment grade fixed income.

Performance

The Fund achieved its primary investment objective: to meet its managed payment policy by delivering level monthly payments. In addition, the Fund attempts to outperform its strategic allocation benchmark through tactical asset allocation, i.e. deviating from the composite benchmark over the short and medium-term, alternative strategies and active manager selection. For the first quarter of 2024, the Fund outperformed the S&P Target Risk Moderate Index on a NAV basis but trailed its strategic allocation benchmark. Asset allocation detracted, while alternative strategies and manager selection contributed.

Tactical asset allocation was a slight detractor during the period. The Fund's overweight to U.S. large cap value versus growth hurt, as growthier sectors outperformed during the risk-on period. An overweight to HY also hurt. The primary contributor was an underweight in core fixed income, as interest rates drifted higher during the period, driving bond prices down. Alternative strategies were a contributor to relative returns over the quarter. Cross-asset relative value (CARV) produced positive returns, while tactical currency (TC) was negative for the quarter.

The Fund also attempts to outperform its strategic allocation benchmark through the selection of managers to run the underlying funds, which represent the various asset classes within the composite. Manager selection was a contributor during quarter. Strategies that contributed most to excess returns in the quarter were Voya Large-Cap Growth, Voya Intermediate Bond and Voya Multi-Manager Emerging Markets Equity. The biggest detractors in the quarter were Voya Multi-Manager International Equity, Voya Small Company and Voya Multi-Manager International Factors.

The Fund's option overlay strategy is designed to support the monthly payment through premium generation and provide some downside protection if an underlying asset sells off substantially. This strategy seeks to accomplish these objectives through two sub-strategies. The first piece involves earning the volatility risk premium by selling options while hedging the delta exposure, in effect removing negative equity beta. The second leg provides downside protection. This involves buying puts and put spreads or selling calls and call spreads. These positions should add to performance when equities fall. Over the quarter, the option overlay was additive, with volatility premium capture delivering strong returns and the hedge leg modestly detracting.

The **S&P Target Risk Growth Index** is comprised of nine multi-asset class indexes, each corresponding to a particular risk level. The nine multi-asset classes include U.S. large-cap equities, U.S. mid-cap equities, U.S. small-cap equities, international equities, emerging markets, U.S. real estate investment trusts (REITs), core fixed income, short-term U.S. Treasury securities and Treasury inflation-protected securities (TIPS). Each index is designed to provide varying levels of exposure to equities and fixed income. **Investors cannot invest directly in an index.**

Risks specific to Managed Payment: The Fund is expected to make monthly payments under its Managed Payment Policy regardless of the Fund's investment performance. Because these payments will be made from Fund assets, the Fund's monthly payments may reduce the amount of assets available for investment by the Fund. It is possible for the Fund to suffer substantial investment losses and simultaneously experience additional asset reductions as a result of its payments to shareholders under the Managed Payment Policy. The Fund may, under its Managed Payment Policy, return capital to shareholders which will decrease their costs basis in the Fund and will affect the amount of any capital gain or loss that shareholders realize when selling or exchanging their Fund shares.

Principal Risks: All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield. Investing in stocks of **Small- and Mid-Sized Companies** may entail greater volatility and less liquidity than larger companies. **Foreign Investing** poses special risks including currency fluctuation, economic and political risks not found in investments that are solely domestic. **Emerging Markets** securities may be especially volatile. **Convertible Securities** with longer maturities tend to be more sensitive to changes in interest rates, usually making them more volatile than convertible securities with shorter maturities. Prices of **Value-Oriented Securities** tend to correlate more closely with economic cycles than growth-oriented securities, and generally are more sensitive to changing economic conditions. The Fund may use **Derivatives**, such as options and futures, which can be illiquid, may disproportionately increase losses and have a potentially large impact on Fund performance. Other risks of the Fund include but are not limited to: **Market Trends Risks, Other Investment Companies' Risks, Price Volatility Risks, Inability to Sell Securities Risks and Securities Lending Risks. Investors should consult the Fund's Prospectus and Statement of Additional Information for a more detailed discussion of the Fund's risks. An investment in the Fund is not a bank deposit and is not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.**

The strategy employs a quantitative model to execute the 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.

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 Fund discussed may be available to you as part of your employer sponsored retirement plan. There may be additional plan level fees resulting in personal performance to vary from stated performance. Please call your benefits office for more information.

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