Key Takeaways

- The performance of the Voya Global Perspectives ETF Series Aggressive, Moderate, Conservative and Income models was positive in the second quarter.
- The Voya Global Perspectives ETF Series Aggressive Growth model, ETF Series Moderate Growth model and ETF Series Income model underperformed their respective benchmarks. The Voya Global Perspectives ETF Series Conservative Growth model outperformed its benchmark.
- Absolute performance in both the equity and fixed income components was all positive in the quarter.
- It was an extremely advantageous quarter for global diversification with all asset classes within equity and fixed income, both domestic and international, posting positive performance in the second quarter.

Market Review

After a few rough seas in May, the S&P 500 Index turned around, posting a 4.3% return for the quarter and an impressive 18.5% total return year-to-date. This marked the best first half gain since 1997. The market is now hovering near all-time highs. Woe to investors who followed the misguided adage, “sell in May and walk away.” Despite the trade tariff impasse and continued admonitions of a global slowdown, both U.S. and international markets notched positive returns in the second quarter. While U.S. large-caps were the leaders, international developed stocks were not far behind, followed by U.S. mid-caps. Meanwhile, global real estate investment trusts (REITs) were only up 0.2% in the quarter but have returned 15.1% so far this year. Moreover, even beleaguered emerging market equities had a positive second quarter and are up double-digits for the year, as the U.S. dollar weakened in recent months and China ramped up ongoing stimulus efforts.

The field of green didn’t end with equities. Bonds also posted stellar returns as the U.S. Federal Reserve (Fed) not only called time out but added rate cuts onto the menu. Long-term U.S. Treasurys appreciated another 6.1%, now up 11.1% year-to-date and investment-grade corporate bonds were up 4.5% to post a 9.9% year-to-date gain. High-yield bonds added another 2.5% in the quarter and global bonds provided diversification and quarterly returns of 3.3%.

Portfolio Review

Our tactical signal, based on fundamentals, continues to indicate a positive outlook and our allocation is positioned accordingly.
The Voya Global Perspectives Aggressive Growth Model underperformed its benchmark, the S&P Target Risk Aggressive Growth index. The Voya Global Perspectives Moderate Growth Model underperformed its benchmark, the S&P Target Risk Moderate Growth index. The Voya Global Perspectives Conservative Growth Model underperformed its benchmark, the S&P Target Risk Conservative Growth index and the Voya Global Perspectives Income model underperformed its benchmark, the Bloomberg Barclays Global Aggregate Bond index.

In equity, the models’ underperformance was primarily due to the iShares Global REIT ETF. Within the fixed income component, the growth models’ outperformed compared to their benchmarks. This was primarily due to the iShares iBoxx $ Investment Grade Corporate Bond ETF and the iShares 20+ Year Treasury Bond ETF, offset by underperformance by the iShares iBoxx $ High Yield Corporate Bond ETF.

The underperformance of the Income model was primarily driven by the iShares Floating Rate Bond ETF, while the iShares 20+ Year Treasury Bond ETF had the most positive impact.

**Outlook and Current Strategy**

Market volatility will continue to vex investors, but there is still plenty of good news in the underlying market fundamentals. The tax reform package will continue to positively impact a key component of U.S. gross domestic product (GDP) that has been missing – capital investment. That is constructive for productivity and future sustainable growth. The pessimism and fear in the markets could be the biggest risk for investors, as last year’s market swings resulted in excess caution and sidelined investors who may have missed the rebound, the best first quarter in 20 years and the best June in more than 20 years. The new path forward is not without risks. Trade wars, political showdowns in the U.S. and Europe, China’s economic slowdown and the Fed’s uncertain path to normalization are weighing on investor sentiment. However, long-term investors should pay attention to the most positive economic environment in 30 years, a decline in geopolitical tension, and corporate earnings reaching all-time highs. In our view, this is a time when a broadly diversified portfolio, as near as the U.S. and as far away as the emerging markets, potentially can lower risk and increase return.
The S&P Target Risk Index Series – Moderate Index is an unmanaged index that measures the performance of a hypothetical, multi-asset portfolio designed to provide significant exposure to fixed income, while also providing increased opportunity for capital growth through equities. The universe of eligible assets includes U.S. large cap, U.S. mid cap, U.S. small cap, international equities, emerging markets, core fixed income, cash equivalents, Treasury inflation-protected securities and high yield corporate bonds. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. Investors cannot invest directly in an index.

The S&P Target Risk Conservative Index emphasizes exposure to fixed income to maintain a consistent income stream and manage volatility.

The Bloomberg Barclays Global Aggregate Index measures global investment grade debt from twenty-four local currency markets including treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Principal Risks: All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield. Asset Allocation: The success of the Fund’s strategy depends on the Adviser’s or Sub-Adviser’s skill in allocating Fund assets between the asset classes and in choosing investments within those categories. There is a risk that the Fund may allocate assets to an asset class that underperforms other asset classes.

Investment Model: The Fund or certain underlying funds invest based on a proprietary model managed by the manager. The manager’s proprietary model may not adequately address existing or unforeseen market factors or the interplay between such factors.

Other Investment Companies: The main risk of investing in other investment companies, including exchange-traded funds, is the risk that the value of the securities underlying an investment company might decrease. Because the Fund or an underlying fund may invest in other investment companies, you will pay a proportionate share of the expenses of those other investment companies (including management fees, administration fees, and custodial fees) in addition to the expenses of the Fund and a proportionate share of the expenses of each underlying fund. Interest Rate: With bonds and other fixed rate debt instruments, a rise in interest rates generally causes values to fall; conversely, values generally rise as interest rates fall. The higher the credit quality of the instrument, and the longer its maturity or duration, the more sensitive it is likely to be to interest rate risk.

Foreign Investments/Developing and Emerging Markets: Investing in foreign (non-U.S.) securities may result in the Fund or the underlying funds experiencing more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. companies due to smaller markets different reporting, accounting and auditing standards, nationalization, expropriation, or confiscatory taxation; foreign currency fluctuations, currency blockage or replacement; potential for default on sovereign debt; or political changes or diplomatic developments.

Other risks of the Fund include but are not limited to Credit, High-Yield Securities Investments, Call, Company, Currency, Liquidity, Market, Market Capitalization, Real Estate Companies and Real Estate Investment Trusts, U.S. Government Securities and Obligations. 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.

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