Commentary | 1Q25

Voya Global Perspectives Market Models–Mutual Fund Series

A Transparent, Rules-Based Approach to Help Clients Build Wealth

Strategy overview

Globally diversified core strategy based on the Global Perspectives unique investment philosophy and built with Voya's suite of proprietary and multi-manager mutual funds.

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

- U.S. stocks fell due to policy uncertainty and artificial intelligence (AI) spending concerns. Overseas, international equities gained, especially in Europe and China, driven by economic improvements and policy support. Despite volatility, the U.S. economy remains strong but faces risks from new tariffs, highlighting the need for portfolio diversification.
- The Trump administration's trade policies and legal battles have created uncertainty, leading to cautious corporate spending and a decline in consumer confidence, slowing economic growth. Despite this, the U.S. economy remains strong with low unemployment, and we favor U.S. equities for potential earnings growth. In fixed income, we remain neutral on U.S. investment grade (IG) credit, expecting yields to decline if economic growth worsens, providing a hedge against equity risk.
- During 1Q 2025, the Voya Global Perspectives Market Models: MF Series delivered mixed absolute and negative relative returns.
- On a net-of-fees basis for the following: The Voya GPMM Income Model, Voya GPMM Conservative Growth MF, Voya GPMM Moderate Growth MF and Voya GPMM Aggressive Growth MF Models underperformed the Bloomberg Global Aggregate Bond Index, and the S&P Target Risk Conservative, Moderate and Aggressive Indices, respectively.

Market review

U.S. stocks fell during the quarter, as policy uncertainty and warnings of a pullback in AI data center spending dampened investor sentiment. The energy and healthcare sectors led, while the consumer discretionary and technology sectors lagged. Large caps held up better than small caps, while value stocks outpaced growth. In contrast, U.S. bonds rallied driven by growing concerns over economic growth, leading to a flight to safety.

Overseas results were better, as international developed and emerging market (EM) equities posted gains. Europe benefitted from improving economic data, falling inflation and growing expectations of policy support from the European Central Bank (ECB) and German government spending. Additionally, the U.S. dollar fell, boosting returns on foreign assets. China also performed well, as breakthroughs in AI, government stimulus measures and improved economic data boosted investor confidence.

Despite significant market volatility and policy shifts, the U.S. economy enters a new paradigm with a healthy starting point. The labor market remains solid, inflation is manageable and companies continue to post impressive earnings. However, the outlook is clouded by new tariffs and the uncertainty of their final levels, making it challenging for companies to navigate the ongoing trade war and operate effectively. In the near term, tariffs may slow growth, boost inflation and erode profits. In this environment, forecasting becomes more difficult, and it is important to diversify portfolios to perform under multiple outcomes.

Portfolio review

The Voya GPMM MF Series posted mixed absolute and negative relative returns. The Income portfolio performed best from an absolute standpoint, as bonds outperformed stocks.

The models were in base positioning during the period. Asset allocation was a headwind to relative performance. Overweights to U.S. mid and small cap stocks, and an underweight in U.S. corporate bonds were the main detractors. Underweights in U.S. large cap and overweights to EM equities were the biggest contributors. U.S. stocks declined due to concerns that tariffs would lead to slower economic growth and higher inflation. Fears that the Trump administration's policies might end exceptional U.S. stock performance led to a rotation into cheaper international stocks, including China and Brazil, which produced double-digit returns in EM equities.

Manager selection was mixed. Strategies that contributed most to performance were Voya Small Company Fund and Voya Global Bond Fund. The underlying managers that detracted most were Voya Large-Cap Growth and Voya Mid Cap Research Enhanced Index Fund.

For the quarter ending December 31, 2024—actual company reporting finishing in March 2025—the YoY earnings growth for the S&P 500 companies was 17.1%. With earnings growth greater than 10%, the GP strategy will maintain base positioning and rebalance back to targets in early April 2025. Therefore, the **GP strategy will maintain base positioning and rebalance back to targets in early April 2025.**

Outlook

The Trump administration's aggressive trade policies and ongoing legal battles over executive orders have created a challenging environment for businesses and consumers. The resultant uncertainty has led to more cautious corporate spending and hiring, and a decline in consumer confidence. Economic growth has already slowed, and inflation progress has been limited, raising concerns about potential stagflation.

However, the U.S. economy enters this period of tumult from a position of strength with an unemployment rate near historic lows, which should help it weather this transition. Despite the correction, we think U.S. large cap companies will be better able to protect profit margins against rising input costs and deliver earnings growth over the next 6 to 12 months. Furthermore, high-quality companies' valuations have been repriced and could recover with any renegotiated trade deals, deregulation or progress on tax cuts. While earnings downgrades are possible, we think they will be short lived.

The shift in Europe, particularly Germany's increased defense and infrastructure spending, has sparked a rally. However, we question if this defense spending can translate into productivity enhancing output. Europe's demographic challenges and regulatory issues remain significant obstacles. We see EM, particularly China, as the most exposed to adverse changes in U.S. trade policy. China has already responded with retaliatory tariffs and can inflict significant damage to the United States. But the state of the domestic economy constrains them from unleashing all available firepower. Despite record low interest rates and yields, credit growth is meager, their property sector remains over leveraged and consumer spending is weak. While we expects authorities will unveil fiscal stimulus to offset U.S. tariffs, we want to see tangible action.

In fixed income, U.S. IG credit offer decent yields and portfolio stability. Spreads have widened, but relative to equities, the sell-off has been tame, reflecting the overall strong financial position of U.S. corporations. Although higher inflation could increase rates, we think yields will decline if there is a material deterioration in economic growth, providing a hedge against equity risk. We expect the Bank of Japan (BoJ) to continue rate hikes, EUR/USD to weaken and eurozone periphery spread widening.

The **S&P Target Risk 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 **S&P Target Risk Aggressive Index** concentrates on exposure to equities to benefit from opportunities for long-term capital accumulation. To enhance portfolio efficiency, it may include small allocations to fixed income.

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

The **Bloomberg 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.

Indices do 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. **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.**

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