Portfolio Manager Quarterly Commentary | September 30, 2018

Voya Global Target Payment Fund

> Investment Objectives

The Fund seeks to meet the managed payment policy of the Fund, while seeking to preserve investors' capital over the long term. The Fund's secondary objective is to seek the potential for long-term capital appreciation.

> Portfolio Management

Voya Investments, LLC, Investment Adviser

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Key Takeaways

- The Fund achieved its primary investment objective — to meet its Managed Payment Policy by delivering level monthly payments
- For the quarter, the Fund underperformed the S&P Target Risk Growth index and its Strategic Composite Benchmark
- Tactical asset allocation effect was neutral and manager selection detracted from performance

Current Strategy and Outlook

A stable economic backdrop, well-communicated plan for monetary policy and increasing earnings keep us favoring stocks over bonds. U.S. stock returns were mixed in September as small caps gave back more of their year-to-date outperformance versus large caps. The size trade reversal coincided with a pullback of small-cap earnings growth. With tax benefits fully priced in and trade concerns already front of mind for most investors, we believe small caps will continue to lag large caps through year-end.

U.S. equities have dramatically outperformed other markets year-to-date, which reflects the United States' ability to withstand the effects of ongoing trade disputes. Trade tensions in North America have eased with the recent news that NAFTA essentially could be preserved, and tensions with Europe have eased, but strains between the U.S. and China show no signs of abating. So far, the stock market says the U.S. is winning (Figure 3). Although we believe U.S. corporate earnings should make another strong showing in the third quarter, the performance gap between the U.S. and other regions of the world is likely to narrow.

Japan was the best performing regional equity market in September. Reflationary policies have flowed through to consumers and businesses, pushing nominal growth high enough that the Bank of Japan has trimmed its long-term bond purchases. Japanese yields jumped, U.S. dollar gains paused and local markets appear poised to gain momentum. Grumblings over the Italian populist movement and setbacks in Brexit negotiations have held back European stocks. The U.K. officially exits the European Union on March 29, 2019, but there remain disagreements over the terms of withdrawal that could drag the process out longer than expected. Nevertheless, the systemic impact likely will be more muted than initially feared when the referendum took place in 2016; most of the fallout should be confined to the U.K.

Emerging markets seem to be stabilizing. U.S. dollar strength has abated, trade pressures are old news and China policy support is in the early stages of filtering through to its own and other economies. We anticipate that as effects of U.S. fiscal stimulus fade, emerging countries' growth will pick up and asset prices will bounce back from their generally depressed levels. With the projected path for both short and long rates higher, and mostly healthy corporate balance sheets, investment grade and high yield credit look more attractive to us than U.S. Treasurys. Yet, with spreads tightening to new lows, we do not see compelling opportunities in high yield. Instead, we are tactically overweight senior loans. We are watching credit conditions, earnings growth and housing starts for signs of stress that would change our preference for equities over bonds.

Portfolio Review

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 Composite Benchmark through tactical asset allocation (i.e., deviating from the Composite Benchmark over the short and medium term) and active manager selection. The Fund underperformed its Composite Benchmark over the quarter.

Tactical asset allocation was a contributor in the third quarter of the 2018. U.S. risk assets continued to outperform the rest of the world. Investors favored the solid economic growth and the strong corporate earnings out of the U.S., while geopolitical uncertainty and tightening global liquidity conditions have held back other assets classes, especially emerging market (EM) equities. The portfolio managers (PMs) reversed a modest EM overweight to an underweight. Despite trading at a valuation discount relative to other asset classes, weak China data and slipping global PMI numbers suggested that the long period of lagging performance was not over. This repositioning benefited Q3 returns. PMs are watching EM indicators closely for signs of a bottom, as the significant repricing could lead to a swift early snapback. Within fixed income, PMs rotated away from high yield to higher quality credit. Historically tight spreads in what appears to be an advanced stage of the credit cycle led to a reallocation of risk into the equity portfolio. The underweight to high yield was a drag on relative returns; however, that drag was more than offset from the gains in equities.

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 detracted from returns during the third quarter. The funds with the largest outperformance relative to their respective asset class benchmarks were Voya Strategic Income Opportunities Fund, Voya Global Bond Fund and Voya Intermediate Bond Fund. The largest underperformers were Voya Multi-Manager Emerging Markets Equity Fund, Voya Small Company Fund, Voya Multi-Manager Mid Cap Value Fund.

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.**

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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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) 386-3799. Please read the information carefully before investing.

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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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