

## Voya GNMA Income Fund

# Access High Quality Mortgage Securities

### Strategy Overview

#### Investment Objective\*

The Fund seeks a high level of current income, consistent with liquidity and safety of principal.

#### Main Investments

Government National Mortgage Association (GNMA) mortgage-backed securities, also known as GNMA Certificates.

#### Portfolio Management

**Voya Investments, LLC,**  
Investment Adviser

**Voya Investment Management Co., LLC,**  
Investment Sub-Adviser

\* There is no guarantee that this objective will be achieved.

### Voya GNMA Income Fund

Best GNMA Fund over 3 Years

Class I  
based on  
risk-adjusted  
performance.  
As of 11/30/18



**LIPPER FUND AWARDS  
FROM REFINITIV**

2019 WINNER  
UNITED STATES

**An investor should consider the investment objectives, risks, charges and expenses of the Fund(s) carefully before investing. For a free copy of the Funds' prospectus, or summary prospectus, which contains this and other information, visit us at [www.voyainvestments.com](http://www.voyainvestments.com) or call (800) 992-0180. Please read the prospectus carefully before investing.**

### Key Takeaways

- U.S. Treasury notes continued to rally, as global growth remained sluggish and market participants began pricing aggressive interest rate cuts by the Federal Reserve (Fed). U.S. interest rates ended the quarter 0.50% to 0.70% lower, led by the front end of the yield curve
- Agency mortgage-backed securities (MBS), including Ginnie Mae securities (GNMA) underperformed U.S. Treasuries, as rate volatility increased and prepayment risk increased given lower rates. Moreover, MBS underperformed other risk assets, as investors chased the higher yields into the rate rally
- For the quarter, the Fund underperformed its benchmark, the Bloomberg Barclays GNMA MBS index

### Current Strategy and Outlook

Softening global growth has led many to expect an uptick in monetary accommodation from central banks. Implied probabilities for U.S. rates shows two to three cuts in the federal funds rate by year-end. Suppressed rates should benefit risk sectors, although it is arguable how effectively this policy alone can benefit the real economy. Nevertheless, lower rates are increasing prepayment speeds across the mortgage universe. Much of the prepayment impact has been felt on recently originated, higher loan balance loans, but the longer rates stay low we can expect a wider influence. Careful analysis will be required to extract the maximum spread possible from MBS cash flows, while guarding against the negative impact of faster prepayments in a predominantly premium sector.

From a technical perspective, the Fed has become a significant seller of mortgages versus Treasuries via run-off from their System Open Market Account (SOMA) portfolio. The Fed MBS run-off has reached the cap of \$20 billion per month and will remain there at least until late fall due to the low rate environment.

The implementation of uniform MBS trading began in the second quarter and will likely increase the float of non-specified, agency MBS pools. As a result, to be announced (TBA) deliverables will continue to worsen, reducing the carry of generic agency MBS.

With this in mind, we continue to manage the Fund seeking high current income investments, while also taking advantage of tactical opportunities in the marketplace. Our focus remains on specified Ginnie Mae pools and collateralized mortgage obligations (CMOs) that provide attractive current income, while minimizing prepayment and extension risks.

## Portfolio Review

The Voya GNMA Income Fund underperformed the GNMA component of the Bloomberg Barclays Capital U.S. MBS index during the quarter.

The portfolio held a modest short duration position during the quarter, which detracted from returns. This underperformance was partially offset by better “carry” – coupon less amortization on the Fund’s out-of-benchmark holdings in CMOs. The Fund has avoided the fastest paying bonds into the rate rally, but going forward the highest spreads may be restricted to those bonds with limited near-term current income.

The **Bloomberg Barclays Mortgage Backed Securities Index** is an unmanaged index composed of fixed-income security mortgage pools sponsored by GNMA, FNMA and FHLMC, including GNMA Graduated Payment Mortgages. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an index.**

SEC fund returns assume the reinvestment of dividends and capital gain distributions and include a sales charge. Net Asset Value fund returns assume the reinvestment of dividends and capital gain distributions. Total return for less than one year is not annualized. Results would have been less favorable if the sales charge were included.

**Principal Risks:** All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield. As **Interest Rates** rise, bond prices fall, reducing the value of the Fund’s share price. To the extent that the Fund invests in **Asset-Backed, Mortgage-Backed or Mortgage-Related Securities**, its exposure to prepayment and extension risks may be greater than investments in other fixed-income securities. While the Fund invests in securities guaranteed by the U.S. Government as to timely payments of interest and principal, the Fund shares are **Not Insured or Guaranteed**. Other risks of the Fund include but are not limited to: **Credit Risks, Extension Risks, Other Investment Companies’ Risks, Prepayment Risks, U.S. Government Securities and Obligations 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.**

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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.

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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