Voya GNMA Income Fund

Access High Quality Mortgage Securities

Strategy overview

Primarily invests in Government National Mortgage Association (GNMA) securities with maturities in excess of one year and which have the same credit quality as U.S. Treasury securities, but higher yields to compensate for prepayment uncertainty.

Key takeaways

- The U.S. Federal Reserve resisted cutting rates during the quarter, however according to the Fed's dot plot in December, two cuts are expected through year end. In the first quarter, the Fed reduced its balance sheet through runoff, with 1Q25 runoff equating to roughly $44.6 billion in additional mortgage-backed securities (MBS) supply.
- Interest rates rallied across the board with 2-year/10-year essentially moving in parallel during the quarter. Accordingly, the 30-year fixed mortgage rate decreased roughly 30 basis points (bp) to 6.63%.
- GNMA MBS underperformed Treasury hedges by 16 bp in the flight-to-quality during the quarter. Belly coupons (e.g. 4s and 4.5s) were the worst performers along the coupon stack according to Bloomberg.
- Housing market activity remained muted due to slower seasonals and elevated mortgage rates. Both new home sales and existing home sales remained subdued by historical standards.
- Voya GNMA Income Fund performed in line with its benchmark, the Blomberg 30-year GNMA Index (the Index) on a net asset value (NAV) basis.

Portfolio review

For the quarter, the Fund performed in line with its Index on a NAV basis. The performance was mostly attributable to collateralized mortgage obligations (CMO) and modest duration overweight during the period.

Current outlook and strategy

Agency MBS modestly underperformed Treasuries in the first quarter in a predominantly risk-off environment. The 10-year Treasury rate ended the quarter at 4.20% and 2-year/10-year moved in parallel. Housing market activity decelerated as we went through slower seasonals and mortgage rates remined elevated. Inflation, as measured by Consumer Price Index (CPI), has remained tractable as it was mostly in line with median market estimates in both January and February.

From a technical perspective, lower coupons remain sensitive to supply and demand factors. As the largest part of the index with no new supply, lower coupons tend to outperform when there's passive index flows into fixed income and mortgage funds. Demand for Ginnie versus Conventionals is also impacted by technical factors. If the reproposed banking regulations require smaller banks to follow similar regulatory requirements akin to their larger, global systemically important bank (GSIB) counterparts, we could see resurgent bank demand for Ginnie Mae MBS for 2025. From a fundamental perspective, prepayment speeds for recently produced, high coupon, Veteran Affairs (VA) loans remain elevated due to the efficiency of VA's streamlined refinancing program.

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 or call (800) 992-0180. Please read the prospectus carefully before investing.

Housing prices remained stable during the quarter with Case-Shiller 20-City Home Price Index up a seasonally adjusted 0.46% in January. Overall MBS supply appears to be relatively docile for the foreseeable future for both gross and net issuance; however, the GNMA fund managers will continue to monitor the technical factors impacting MBS supply.

Voya GNMA Income Fund continues to maintain an allocation to off-benchmark conventional MBS, where technical demand and fundamental value appear more attractive. The Fund remains overweight to off-benchmark GNMA and agency-backed CMO which offer greater longer-term value with higher spreads relative to generic collateral, especially on an option-adjusted basis. Additionally, the Fund maintains a preference for higher coupon collateral such as 4.5s to 5.5s.

The **Bloomberg GNMA Index** tracks fixed-rate mortgage-backed pass-through securities guaranteed by the Government National Mortgage Association (GNMA). The Index is constructed by grouping individual MBS pools into aggregates or generics, which proxy for the outstanding pools of a given program, coupon and vintage. The Indexes do not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an Index.**

Past performance is no guarantee of future returns. All security transactions involve a substantial risk of loss. Please reference your client statement for a complete review of recent transactions and performance.

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's 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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