Commentary | 2Q23

Voya Infrastructure, Industrials and Materials Fund

Total return with enhanced stability through focused infrastructure investments and call writing

Strategy overview

The Fund seeks potential enhanced stability of returns over a market cycle – through investments in global companies with potential to benefit from increased infrastructure spending, and by selling call options on select equity Indexes or exchange-traded funds.

Performance

For the quarter, the Fund provided a total return of 3.94% on a net asset value basis, and a total return of 4.68% on a market price basis. For the same period, the Fund's reference Index, the Voya Infrastructure Industrials and Materials Custom Index (the Index), returned 2.17%.

Equity portfolio

For the reporting period, the equity sleeve of the Fund outperformed the Index, due to favorable stock selection. On the regional level, portfolio holdings within North America and the Asia/Pacific ex Japan region contributed the most, while portfolio holdings in Europe detracted.

At the sector level, stock selection within the communication services and industrials sectors had the largest positive impact on performance. Among the key contributors were overweight positions in HD Korea Shipbuilding & Offshore Engineering Co., Ltd. and Singapore Airlines Ltd. as well as the underweight position in AT&T Inc.

Conversely, the overweight position in CJ Corp., not owning Eaton Corp Plc and the underweight position in Uber Technologies, Inc. detracted from performance.

Option portfolio

For the reporting period, the Fund's covered call strategy had a positive impact on relative returns. The Fund's covered call strategy seeks to generate premiums and retain some potential for upside appreciation. The Fund implemented this strategy by typically writing call options on sector and regional exchange-traded funds (ETFs), the selection and allocation of which resulted from an optimization intended to track the reference Index of the Fund closely. The strike prices of the options written were typically at or near the money, with expiration dates around one month at inception.

Outlook and current strategy

The Fund focuses on global companies with potential to benefit from increased government and private infrastructure spending. The Fund uses multi-factor stock selection models and fundamental input from sector analysts to invest in a broad range of companies from the global infrastructure, industrials and materials sectors, and seeks enhanced total return potential by selling call options on select equity Indices, securities or ETFs.

U.S. equity markets performed well during the second quarter, with most of the gains made in June. Stocks were buoyed by relief over Congress's passage of the bill to raise the debt ceiling. The S&P 500 Index notched its best monthly performance of 2023 during the final month of the period, gaining 6.61% in June and 8.74% for the quarter. Information technology stocks delivered strong performance during the quarter, driven by artificial intelligence and chip manufacturers. Growth stocks outperformed value stocks during the period. After poor performance in April and May, small caps rebounded in June and outperformed larger stocks.

Volatility in the U.S. bond market continued during the quarter. The Bloomberg U.S. Aggregate Bond Index lost –0.84%, while the 10-year U.S. Treasury yield rose from 3.43% at the beginning of the quarter to 3.81% by quarter-end. The U.S. Federal Reserve raised rates by 25 basis points twice during the period, bringing the Fed funds rate to a range of 5.00–5.25%, but did not implement a hike at its June meeting. Still, Fed officials maintained a hawkish stance through the end of the quarter; although core inflation has decreased significantly from 2022, it has persisted well above the 2% target. The Fed's "dot plot," which serves as a predictor of rate movements, indicates two additional hikes this year.

The U.S. economy has remained resilient as have corporate earnings, fueling the debate of a hard versus soft landing. We still believe there may be greater volatility to come given uncertainty over Fed rate policy in the second half of the year; mixed business sentiment and slowing economic growth; and whether a recession will actually happen, and if so, the duration and depth.

The outlook for Japanese equities has improved thanks to governance reforms that have led to higher foreign inflows and earnings revisions that are turning positive. Another potential source of return for foreign investors could come from a stronger yen should the Bank of Japan abandon yield-curve control and Ministry of Finance intervention. Still, we remain cautious on international developed equities given our views on Europe, which lags the U.S. in the fight against inflation. What's more, wages in Europe could be even stickier with labor's relatively stronger bargaining power. While China's economic slowdown could ease Eurozone price pressures on the margins, given the high correlation between the two economies, the European Central Bank still has more work to do. With policy rates set to move higher and economic momentum decelerating, we think most of Europe's strong performance has already played out.

In China, frustrations linger — and according to our research could worsen. The post-pandemic economic reopening narrative has faltered, real estate looks shaky and the contraction in global manufacturing could create a headwind for cyclical assets broadly, resulting in more downside for China specifically. In addition, after years of poor market performance, a negative wealth effect could exacerbate a liquidity trap where individuals hoard cash, making policy officials hesitant to aggressively stimulate. Yet, we think significant stimulus will be necessary to meaningfully boost asset prices, and incremental policy measures ultimately will fail. We believe China will reluctantly export deflation via a weaker currency, helping to nudge U.S. inflation lower and support the U.S. dollar (which has continued to weaken over the last month).

Given these uncertainties in the global market outlook, we expect the Fund to continue to benefit from its option-writing activities.

Holdings detail

Companies mentioned in this report – percentage of portfolio investments, as of 06/30/23: HD Korea Shipbuilding & Offshore Engineering Co., Ltd. 0.44%, Singapore Airlines Ltd. 0.67%, AT&T Inc. 0.42%, CJ Corp. 0.27%, Eaton Corp Plc 0% and Uber Technologies, Inc. 0.21%; 0% indicates that the security is no longer in the portfolio. Portfolio holdings are subject to change daily.

Disclaimer

The **MSCI All Country World Index (MSCI ACWI)** captures large- and mid-cap representation across 23 developed market (DM) and 24 emerging market (EM) countries. With 2,882 constituents, the index covers approximately 85% of the global investable equity opportunity set. **Investors cannot invest directly in an Index.**

The **Voya Infrastructure Industrials and Materials Custom Index** consists of selected Global Industry Classification Standard ("GICS") sectors, industry groups, industries and sub-industries of the MSCI ACWI Index.SM As of December 31, 2022, the Custom Index was comprised of the following GICS sectors: communication services, energy, industrials, information technology, materials and utilities; within the energy sector, the sub-industries of oil and gas drilling, oil and gas equipment and services, oil gas and consumable fuels, oil and gas storage and transportation; and within the information technology (IT) sector, IT services, communications equipment and electronic equipment instruments. **Investors cannot invest directly in an Index.**

Past performance is no guarantee of future results. The performance quoted represents past performance. Current performance may be lower or higher than the performance data quoted. All investing involves the inherent risks of fluctuating prices and the uncertainties of rates of return and yield. Investment return and principal value of an investment will fluctuate, and shares, when sold, may be worth more or less than their original cost.

Total investment return at market share price measures the change in the market value of your investment assuming reinvestment of dividends, capital gain distributions and return of capital distributions/allocations, if any, in accordance with the provisions of the Fund's dividend reinvestment plan. Total investment return at market share price is not annualized for periods less than one year. Closed-end funds like the Fund do not continuously offer shares for sale and are not required to buy shares back from investors upon request. Shares of closed-end funds trade on national stock exchanges. Therefore, market share prices are not directly affected by Fund expenses or fees, which ordinarily have the effect of lowering total return.

Total investment return at net asset value has been calculated assuming a purchase at net asset value at the beginning of the period and a sale at net asset value at the end of the period; and assumes reinvestment of dividends, capital gain distributions and return of capital distributions/allocations, if any, in accordance with the provisions of the dividend reinvestment plan. Net asset value equals total assets minus total liabilities, divided by the number of shares outstanding. Net asset value is net of all fund expenses, including operating costs and management fees. Total investment return at net asset value is not annualized for periods less than one year.

Principal risks: Price volatility, liquidity, and other risks that accompany an investment in equity securities of domestic and foreign companies, and small and mid-sized capitalized companies. International investing does pose special risks including currency fluctuation, economic and political risks not found in investments that are solely domestic. Risks of foreign investing are generally intensified for investments in emerging markets.

Options risk: The Fund may purchase put and call options and may write (sell) put options and call options and is subject to Options Risk. The risk in writing a call option is that the Fund gives up the opportunity for profit if the market price of the security increases and the option is exercised. The risk in buying an option is that the Fund pays a premium whether or not the option is exercised. Risks may also arise from an illiquid secondary market or from the inability of counter-parties to meet the terms of the contract. When an option is exercised or closed out, the Fund may be required to sell portfolio securities or to deliver portfolio securities to satisfy its obligations when it would not otherwise choose to do so, or the Fund may choose to sell portfolio securities to realize gains to offset the losses realized upon option exercise. Such sales or delivery would involve transaction costs borne by the Fund and may also result in realization of taxable capital gains, including short-term capital gains taxed at ordinary income tax rates, and may adversely impact the Fund's after-tax returns.

This Fund has **additional risks** that you should consider, such as market discount risk, investment and market risk, foreign investment and emerging markets risk, foreign (non-US) currency risk, Asia Pacific regional and country risk, issuer risk, equity risk, distribution risk, tax risk, dividend risk, small-cap and mid-cap company risk.

The Fund employs a quantitative model to execute its investment 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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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.

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