

## Voya International Real Estate Fund

# Tap into the Potential of International Real Estate

### Strategy Overview

#### Investment Objective

The Fund seeks to provide investors with high total return.

#### Main Investments

Equity securities of companies that are principally engaged in the real estate industry.

#### Portfolio Management

**Voya Investments, LLC,**  
Investment Adviser

**CBRE Clarion Securities, LLC,**  
Investment Sub-Adviser

### Key Takeaways

- International real estate stocks were down -0.58% for the quarter
- For the quarter, the Fund outperformed its benchmark, the FTSE EPRA/NAREIT Developed ex-U.S. index (net)
- We believe international real estate stocks remain attractively priced, trading at a double-digit discount to our estimate of the inherent value of the underlying real estate held by these companies

### Current Strategy and Outlook

We are positive on property types and markets with valuations that are attractive relative to their growth. In the Asia-Pacific region, we favor Hong Kong property companies, which are showing strong growth relative to real estate valuations, thus scoring well on both “growth” and “value” criteria in our sector ranking analysis. Still, we are monitoring elevated geopolitical risk surrounding trade friction between the United States and China. The Tokyo office market continues to experience improved rental growth as vacancies have fallen below 2% in the central business district (five central wards), a level at which landlords enjoy increased pricing power.

In Europe, we favor the UK niche sectors of student housing, self-storage and the industrial sector, which continues to generate attractive earnings growth on strong fundamentals. In Continental Europe, we prefer property companies in markets with superior growth, including the Nordic region. We have become cautious on the German residential sector given its renewed regulatory risk. We are also cautious on retail.

In North America, we prefer companies in the Canadian apartment sector that have an attractive combination of yield and growth. We are cautious and selective in markets and property types that screen as expensive relative to the rate of earnings growth. These include Singapore, Canada and the U.S. net lease, skilled nursing, hotel and suburban office sectors. They also include Class-B mall/shopping center companies globally. In Australia, the stocks are scoring as increasingly expensive despite attractive dividend yield. Our outlook is mixed in Australia, as fundamentals range from robust office and industrial markets to an uncertain retail market, and a residential market which is meeting headwinds of affordability.

### Portfolio Review

Relative performance was favorable during 2Q19, extending gains from 1Q19, with value added from positioning in the Asia-Pacific region and Europe. In the

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Asia-Pacific region, positioning added value in all markets within the region. In Australia, the portfolio benefited from an underweight to retail. In Japan, selective positioning in real estate operating companies and the J-REITs added value. In Hong Kong, exposure to the shopping center sector added value for the quarter.

Stock selection in Europe again proved to be good. A broad underweight to the retail property type added value in both the UK and on the Continent as retail continues to

face headwinds of weak consumer spending and a threat from online shopping. Positioning in German residential stocks also added value as we avoided underperforming Berlin-centric companies, which sold off amid renewed regulatory concern. Our positioning among Nordic property companies added value; these companies resumed their outperformance as property fundamentals remained strong. Investments in the industrial, self-storage and student housing sectors also contributed to relative performance, as did an investment in the Dublin office market.

The **FTSE EPRA/NAREIT Developed ex-U.S. Index** is designed to track the performance of listed real estate companies and real-estate investment trusts (REITs) outside the United States. Relevant activities are defined as the ownership, disposal and development of income-producing real estate. Constituents are classified into distinct property sectors based on gross invested book assets, as disclosed in the latest published financial statement. Index constituents are free-float adjusted, liquidity, size and revenue screened. The Index does not reflect fees, brokerage commissions 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. **Foreign Investing** poses special risks including currency fluctuation, economic and political risks not found in investments that are solely domestic. Investing in stocks of **Small- and Mid-Sized Companies** may entail greater volatility and less liquidity than larger companies. **Concentration** of investments in one or more real estate industries may subject the Fund to greater volatility than a portfolio that is less concentrated. **Emerging Market** stocks may be especially volatile. **Price Volatility**, liquidity and other risks accompany an investment in International **Real**

**Estate Equities.** The risks of real estate investment trusts (REITs) are similar to those associated with direct ownership of real estate, such as changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, supply and demand, and the management skill and creditworthiness of the issuer. Other risks of the Fund include but are not limited to: **Initial Public Offering Risks, Convertible Security Risks, Market Trends Risks, Rule 144A Security Risks, Non-Diversification Risks, Other Investment Company 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.**

This commentary has been prepared by Voya Investment Management for informational purposes. Nothing contained herein should be construed as (i) an offer to sell or solicitation of an offer to buy any security or (ii) a recommendation as to the advisability of investing in, purchasing or selling any security. Any opinions expressed herein reflect our judgment and are subject to change. Certain of the statements

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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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