Voya Large Cap Growth Strategy

Seeking the Growth Potential and Stability of Large Caps

Strategy Overview

Investment Objective*

The Strategy seeks long-term capital growth through active portfolio management. The strategy seeks to identify companies with strong business momentum, increasing market acceptance and attractive valuations.

Expected Contribution to Returns

High

Security Selection—In-depth fundamental research identifies attractive stocks using a proprietary quantitative scoring system

Sell Discipline—Continuously review fundamentals and relative positions of securities

Sector Allocation—Sector weighting decisions directly result from bottom-up investment process

Low

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

Key Takeaways

- We believe the U.S. economy is currently in the later stages of the economic cycle.
- While the health of U.S. corporations remains intact, we believe corporate profit growth is poised to decelerate as record high incremental margins reach their peak.
- The Voya Large Cap Growth strategy underperformed its benchmark, Russell 1000 Growth Index, for the quarter.

Outlook and Current Strategy

We believe the U.S. economy is currently in the later stages of the economic cycle. Market sentiment remains mixed and uncertain as macro-related concerns continue, most notably, persistent and unresolved trade tensions. In response, the Federal Reserve has signaled a reversal of last year's move toward a normalized interest rate environment with a potential near-term rate cut. While the health of U.S. corporations remains intact, as evidenced by significant amounts of free cash flow, active dividend increases and share buybacks, we believe corporate profit growth is poised to decelerate as record high incremental margins reach their peak. As a disciplined manager, we remain true to our investment process regardless of the unpredictable market environment, investing in companies with strong fundamentals and attractive relative valuations.

Portfolio Review

For the quarter ended June 30, 2019, the strategy underperformed its benchmark due to stock selection. Unfavorable stock selection within the information technology and communication services sectors detracted the most from relative results. By contrast, stock selection within the industrial and consumer discretionary sectors contributed the most to relative performance.

Key detractors from performance were Cognizant Technology Solutions Corporation, Philip Morris International Inc. and Alphabet Inc.

An overweight position in Cognizant Technology Solutions Corporation (CTSH) detracted from results during the quarter. Shares declined following management's disappointing 1Q19 earnings report and lowered guidance, which cited increased weakness within its financial services and healthcare segments. Investor uncertainty regarding the business strategy of the newly-appointed CEO and the timing of a recovery also weighed on the stock.

A position in non-benchmark holding, Philip Morris International, Inc. (PM), detracted from results during the period. The stock sold off on concerns around the tobacco sector in general driven by accelerating volume declines in the domestic market.

An overweight position in Alphabet Inc. (GOOGL) detracted from results during the quarter. Shares traded off following the news that the Justice Department was preparing an antitrust investigation of the company. The increased scrutiny and uncertainty as to the length of the investigation pressured the stock.

Key contributors to performance were Hershey Company, Altria Group Inc. and Motorola Solutions, Inc.

An overweight position in Hershey Company (HSY) generated positive results during the period. HSY stock benefited from a strong earnings print, where HSY beat sales and earnings expectations driven in part by a stronger Easter season as well as market share gains.

Not owning Altria Group (MO) contributed positively to performance. Investors are worried about the accelerating rate of volume decline faced by the tobacco industry. What's more, Altria's investment in Juul has caused investors to be concerned due to comments made by the FDA regarding youth addiction from vaping.

An overweight position in the communication infrastructure, devices, accessories, software and services company, Motorola Solutions, Inc. (MSI), added value during the period. The stock gained following a well-received earnings report that beat expectations and offered a favorable outlook. Investors gained increased confidence in the company's ability to grow incremental revenue through the expansion of its existing business and strong growth of its services and software business.

Holdings Detail

Companies mentioned in this report – percentage of portfolio investments, as of 6/30/19: Cognizant Technology Solutions Corporation, 0.08%; Philip Morris International Inc., 2.76%; Alphabet Inc., 6.41%; Hershey Company, 0.68%; Altria Group Inc., 0.00%; Motorola Solutions, Inc., 1.59%; 0% indicates that the security is no longer in the portfolio.

Portfolio holdings are subject to change on a daily basis.

The **Russell 1000 Growth Index** is an unmanaged index that measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted directly in an index. The Index does not reflect fees, brokerage commissions, taxes 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. **Growth Investing** Prices of growth stocks typically reflect high expectations for future company growth, and may fall quickly and significantly if investors suspect that actual growth may be less than expected. Growth companies typically lack any dividends that might cushion price declines. Growth stocks tend to be more volatile than value stocks, and may underperform the market as a whole over any given time period. **Derivative Instruments** Derivative instruments are subject to a number of risks, including the risk of changes in the market price of the underlying securities, credit risk with respect to the counterparty, risk of loss due to changes in interest rates and liquidity risk. The use of certain derivatives may also have a leveraging effect which may increase the volatility of the Portfolio and reduce its returns. Other risks of the Portfolio include, but are not limited to**: Liquidity, Company, Currency, Foreign Investments, Market, Other Investment Companies and Securities Lending. Investors should consider the Portfolio's prospectus and statements of additional information for a more detailed discussion of the Portfolio's risks. An investment in the Portfolio is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.**

The strategy employs a quantitative model to execute the 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.

The strategy is available as a mutual fund or variable portfolio. The mutual fund may be available to you as part of your employer sponsored retirement plan. There may be additional plan level fees resulting in personal performance that varies from stated performance. Please call your benefits office for more information.

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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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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