Voya MidCap Opportunities Strategy

Seeking a More Favorable Risk/Return Trade-off

Strategy Overview

Investment Objective*
Portfolio seeks long-term capital appreciation.

Portfolio Management
Voya Investments, LLC,
Investment Adviser

Voya Investment Management Co., LLC,
Sub-Adviser

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

Key Takeaways

- Market sentiment remains mixed and uncertain as macro-related concerns continue, most notably, persistent and unresolved trade tensions.
- 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.
- For the quarter, the strategy performed in line with its benchmark, the Russell Midcap Growth index

Current Strategy and Outlook

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, the strategy performed in line with its benchmark, the Russell Midcap Growth Index, primarily due to stock selection effects. Stock selection within the information technology and health care sectors contributed the most to performance. Stock selection within the consumer discretionary and energy sectors detracted the most from results. An allocation to cash, while within the typical range, was also a headwind during the period.

Stocks that contributed most to the quarter's performance were Total System Services, Inc., Broadridge Financial Solutions, Inc. and Sinclair Broadcast Group, Inc.

An overweight position in financial technology company, Total Systems Services, Inc. (TSS), generated favorable results during the period. Its shares advanced following the announcement that the company would be merging with Global Payments (GPN) at a 20% premium for $21.5 billion ($119.86/per share) in an all-

[1] Performance discussed in this commentary is intended to reflect the strategy and may not represent the net of fee results of all share classes.

stock deal. The deal established the consolidated entities as a very strong competitor in the merchant acquirer market.

An overweight position in Broadridge Financial Solutions, Inc. (BR) added value during the period. The company's outperformance was driven by a solid fiscal third quarter 2019 earnings report that exceeded analyst expectations. This was due to event-driven revenue which tends to generate a higher margin. Investor confidence was further fueled by an increase in fiscal year 2019 management's backlog guidance, citing strong growth across the board in capital markets, wealth and governance.

Owning a non-benchmark position in television broadcasting company Sinclair Broadcast Group, Inc. (SBGI) generated positive results. Its shares rose sharply in response to the announcement that the company is to acquire 21 former Fox regional sports networks from Walt Disney for roughly $10 billion. This is part of Disney's divesture of certain businesses it acquired from 21st Century Fox. Investors were pleased with the purchase price, as it implied approximately 100% accretion to free cash flow per share.

Key detractors for the quarter were Pure Storage, Inc., World Wrestling Entertainment, Inc. and Spirit AeroSystems Holdings, Inc.

An overweight in flash-based storage solutions company Pure Storage, Inc. (PSTG) was a drag on performance. The stock was negatively impacted by weaker than expected revenue in the first quarter of 2019. Furthermore, as the company shifted its focus to the enterprise market, the company increased its sales force, while the deal cycles have become longer and uncertain. This led Pure Storage to also reduce its full year outlook, resulting in its share price decline.

Owning a non-benchmark position in World Wrestling Entertainment, Inc. (WWE) detracted from performance during the period. The stock was under pressure due to weak engagement metrics around TV ratings and attendance levels at live events caused by wrestling talent being injured and unable to participate in these events.

An overweight position in Spirit AeroSystems Holdings, Inc. (SPR) detracted from results during the quarter. While the company reported a modest earnings beat due to better topline performance, as well as strong free cash flow generation, its exposure to Boeing Company's 737-MAX program and the uncertainty around a lift of the aircraft's grounding has remained an overhang for the stock.

Holdings Detail

Companies mentioned in this report – percentage of portfolio investments, as of 06/30/19: Total System Services, Inc. 2.37%, Broadridge Financial Solutions, Inc. 2.64%, Sinclair Broadcast Group, Inc. 0.00%, Pure Storage, Inc. 0.99%, World Wrestling Entertainment, Inc. 1.51%, Spirit AeroSystems Holdings, Inc. 0.60%; 0% indicates that the security is no longer in the portfolio. Portfolio holdings are subject to change on a daily basis.[1]

[1] Average of Fund and Portfolio holdings

The Russell MidCap Growth Index is an unmanaged index that measures the performance of those companies included in the Russell MidCap Index with relatively higher price-to-book ratios and higher forecasted growth values. 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. **Foreign Investing** poses special risks including currency fluctuation, economic and political risks not found in investments that are solely domestic. Investing in stocks of **Mid-Sized Companies** may entail greater volatility and less liquidity than larger companies. The Portfolio may use **Derivatives**, such as options and futures, which can be illiquid, may disproportionately increase losses and have a potentially large impact on Portfolio performance. Other risks of the Portfolio include but are not limited to: **Growth Investing Risks, Market Trends Risks, Other Investment Companies' Risks, Price Volatility Risks, Liquidity Risks, Securities Lending Risks and Portfolio Turnover Risks. Investors should consult the Portfolio's Prospectus and Statement 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 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.

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