Voya Multi-Manager International Small Cap Fund

Multi Asset Strategies and Solutions

Strategy Overview

Investment Objective*

The Fund seeks to maximize total return. Total return is a combination of income and capital appreciation.

Main Investments

Under normal market conditions, the Fund invests at least 80% of its net assets (plus borrowings for investment purposes) in investment-grade fixed-income securities.

Portfolio Management

Voya Investments, LLC,
Investment Adviser

Voya Investment Management Co., LLC,
Investment Sub-Adviser

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

Key Takeaways

- Despite episodes of volatility, the S&P 500 posted 4.30% gain for the second quarter and a year-to-date return of 18.54%
- For the quarter, the Fund underperformed the S&P Developed ex-U.S. Small Cap index but outperformed the MSCI EAFE Small Cap index
- As of quarter-end, the Fund's largest country exposures were Japan (22.48%) and United Kingdom (12.10%)
- The Fund's largest sector exposures were industrials (20.39%) and information technology (13.21%)

Current Strategy and Outlook

After rough seas in May, the S&P 500 turned around in June, posting a 4.30% quarterly gain and an impressive year-to-date (YTD) 18.54% return, its best first half since 1997. Despite the trade/tariff impasse and continuing concerns about global economic slowdown, both U.S. and international markets notched positive returns for the quarter.

U.S. small caps were among the leaders, gaining 2.10%, U.S. midcaps followed with 4.13% and MSCI EAFE stocks were not far behind at 3.97%. Emerging markets benefited as the U.S. dollar weakened and China ramped up its economic stimulus, gaining 0.61% for the quarter and 10.58% YTD. Global real estate investment trusts rose only 0.20% for the quarter but returned 15.09% YTD.

The gains didn't end with equities. Bonds also posted solid returns in June as the Federal Reserve called time out on its program of interest rate hikes and hinted at the prospect of rate cuts. The Bloomberg Barclays (BB) U.S. Aggregate index rose 3.08%; the BB Global Aggregate index gained 3.29%. Corporate bonds were up 4.48% and high yield bonds gained 2.50%.

The global economy may be slowing from earlier projections, but policies are being adjusted as well. After its June meeting, the Federal Reserve all but indicated it might cut the fed funds rate as soon as its next policy meeting in July. Global and U.S. earnings revisions are turning up. We look for stabilization of the U.S. dollar, credit spreads and Chinese economic data as signals of sustainable future earnings growth. Much of this rests on the direction of monetary policy.

Portfolio Review

The Fund manager target allocations as of June 30, 2019 were 44% to Acadian Asset Management, LLC, 44% to Victory Capital and 12% to Wellington Management Company, LLP.

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.

Sub-Adviser Details

Acadian Asset Management

For the second quarter, the Acadian sleeve underperformed the S&P Small Cap Developed ex-U.S. index. Positive active return from stock selection was reduced by value lost from country allocations. Stock selection in Japan and Germany benefited the portfolio, owing primarily to holdings in Japanese IT solutions provider Infocom Corp. and German medical equipment maker Draegerwerk AG & Co. KGaA. Stock selection in Canada and France was less successful, as holdings in Canadian forest products company Canfor Pulp Products, Inc. and French video game developer UbiSoft Entertainment proved costly to return. From a country perspective, the portfolio did not benefit from an opportunistic exposure to China or an underweight position in Switzerland. An underweight position in Korea and an overweight position in Israel provided some positive offset.

Victory Capital

Security selection was positive and accounted for most of the Victory sleeve's outperformance. Excess returns were generated in four of five regions and six of the eleven economic sectors. Notable outperformance was generated in the financial, healthcare and information technology sectors. Digital services provider Globant SA was among the top contributors after posting a positive earnings surprise in the first quarter and raising full-year revenue guidance. With its low-cost operations base in Latin America, the company is structured around small operating units referred to as studios, which provide cutting-edge digital solutions. A sizable position in Amplifon S.p.A. boosted performance in the healthcare sector. The Italian hearing-aid distributor rose after reporting strong earnings supported by the quick and successful integration of a large acquisition the company made last year. Within financials, Australian fund manager Magellan Financial Group Ltd. rose after reporting strong March inflows. Magellan is benefiting from solid investment performance and the year-to-date market rebound.

On the downside, underperformance was centered in Japan and was most negatively impacted by two holdings. Japanese travel company H.I.S. Co., Ltd. declined as local inbound travel demand disappointed and theme park subsidiary Huis Ten Bosch continues to see negative visitation trends. Japanese food producer, Nippon Suisan Kaisha Ltd., declined as the company reported weaker than expected full-year earnings. The top detractor for the quarter was Canada Goose Holdings, Inc., which had previously been one of the portfolio's long-term winners. The winter apparel manufacturer dropped on concerns about the brand's future momentum as quarterly sales and profits were just in-line, unlike big positive surprises in prior quarters.

Wellington Management Company, LLP

The Wellington sleeve underperformed its benchmark in the second quarter. Sector positioning, a residual of bottom-up stock selection, represented the largest headwind to performance: an underweight to information technology and overweights to the healthcare and consumer discretionary sectors weighed the most on relative results. Stock selection in financials and consumer staples represented the most meaningful detractors, partially offset by positive stock selection in healthcare and consumer discretionary. Regionally, stock selection in Switzerland, Australia and Norway had the largest negative impact on performance, while stock selection in Japan and France contributed the most.

The top contributors during the quarter included DMG Mori Co. Ltd., Persol Holdings Co. Ltd and Maisons du Monde SA. DMG Mori is a Japan-based manufacturer of machine cutting tools and lathes. The company is seeing improving gross margins as high end product and automation system sales ramp up. Persol Holdings is a Japanese temporary staffing agency. The stock reacted positively to accelerating sales growth in the company's professional staffing/BPO unit, suggesting some of the impact of local regulatory changes may be tapering off. Maisons du Monde is a French home décor and furniture company. After a challenging 2018, we believe new CEO Julie Wabaum's five-year plan represents a good balance of growth and risk management.

Conversely, the largest detractors from relative performance included Dufry Group, Ferrotec Holdings Corp. and Kongsberg Gruppen ASA. Dufry is a Swiss operator of duty-free and duty-paid shops in airports and other travel-related locations. The stock traded down on a combination of weaker than expected same store sales growth and foreign-exchange headwinds in its Latin America operations. Ferrotec is a Japan-based high-end component supplier to the semiconductor, flat panel and automotive industries. Weakness during the period came as a result of concerns over potential further impairment charges in the photovoltaic business, and the negative balance sheet implications of increased capex at a weak point in the semiconductor cycle. Kongsberg, a Norwegian oil and gas and defense equipment manufacturer, underperformed due to the timing of certain contracts and disappointment around integration of the recent Rolls-Royce Commercial Marine acquisition.

Holdings Detail

Companies mentioned in this report – percentage of portfolio investments, as of 6/30/19: Infocom Corp. 0.58%, Draegerwerk AG & Co. KGaA 0.44%, Canfor Pulp Products, Inc. 0.20%, UbiSoft Entertainment 0.58%, Globant SA 0.28%, Amplifon S.p.A. 0.35%, Magellan Financial Group Ltd. 0.26%, H.I.S. Co., Ltd. 0.00%, Nippon Suisan Kaisha Ltd. 0.23%, Canada Goose Holdings, Inc. 0.29%, DMG Mori Co. Ltd. 0.21%, Persol Holdings Co. Ltd 0.12%, Maisons du Monde SA 0.19%, Dufry Group 0.16%, Ferrotec Holdings Corp. 0.07%, Kongsberg Gruppen ASA 0.26%; 0.00% indicates that the security is no longer in the portfolio. Portfolio holdings are subject to change on a daily basis.

The **S&P Developed Ex-U.S. SmallCap Index** is an unmanaged index of small-cap stocks from developed countries, excluding the United States. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an index.**

The **MSCI Europe, Australasia and Far East (EAFE) Small Cap Index** is an unmanaged index which measures the performance of small capitalization equities among developed markets around the world, excluding the United States and Canada. 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. Investments in **Small-Capitalization Companies** involve greater risk than is customarily associated with larger, more established companies due to the greater business risks of small size, limited markets and financial resources, narrow product lines and the frequent lack of depth of management. **Foreign Investments/Developing and Emerging Markets** Investing in foreign (non-U.S.) securities may result in the Fund experiencing more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. companies, due to smaller markets, differing reporting, accounting and auditing standards, and nationalization, expropriation or confiscatory taxation, foreign currency fluctuations, currency blockage, or political changes or diplomatic developments. Foreign investment risks typically are greater in developing and emerging markets than in developed markets. **Convertible Securities** Convertible securities are securities that are convertible into or exercisable for common stock at a stated price or rate. Convertible securities are subject to the usual risks associated with debt securities, such as interest rate and credit risk. In addition, because convertible securities react to changes in the value of the stocks into which they convert, they are subject to market risk. **Currency** To the extent that the Fund invests directly in foreign currencies or in securities denominated in or that trade in foreign (non-U.S.) currencies, it is subject to the risk that those currencies will decline in value relative to the U.S. dollar or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. **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 Fund and reduce its returns. **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. **Value Investing** Securities that appear to be undervalued may never appreciate to the extent expected. Further, because the prices of value-oriented securities tend to correlate more closely with economic cycles than growth-oriented securities, they generally are more sensitive to changing economic conditions, such as changes in interest rates, corporate earnings and industrial production. Other risks of the Fund include, but are not limited to: **Investment by Other Funds, Investment Model Risk, Market Risk, Stock Risk, Other Investment Companies and Securities Lending. 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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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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