

## Voya Real Estate Strategy

# Tap into the Potential of U.S. Commercial Real Estate

### Strategy Overview

Voya's real estate strategy seeks to deliver a total return similar to the U.S. market for publicly traded real estate companies, a narrow segment of the total U.S. stock market. It pursues this aim by investing in U.S. real estate investment trusts ("REITs") and stocks of real estate companies. The strategy is managed by CBRE Clarion Securities, which uses proprietary analytics to identify securities it believes can provide above-average income and growth potential.

### Expected Contribution to Returns

**High** **Asset allocation** top-down research evaluates property market conditions and trends to determine which sectors offer attractive return potential

**Security selection** uses proprietary analytics to conduct fundamental analysis, evaluate performance characteristics of securities independently and relative to each other

**Low** **Sell discipline** secure gains, limit losses or redeploy assets into more promising opportunities

**You should consider the investment objectives, risks, and charges and expenses of the variable product and its underlying fund options; or mutual funds offered through a retirement plan, carefully before investing. The prospectuses / prospectus summaries / information booklets contain this and other information, which can be obtained by contacting your local representative or by calling (800) 992-0180. Please read the information carefully before investing.**

### Key Takeaways

- For the quarter, the strategy outperformed its benchmark, the MSCI U.S. REIT index
- Real estate stocks were up 1.29% for the quarter

### Market Review

Real estate stocks were positive during the second quarter following a very strong first quarter. Real estate companies are benefiting from their defensive characteristics, attractive dividend yields and contractual underlying cash flows. These attributes are attractive amid a macro-economic and geopolitical backdrop which continues to send mixed signals. Bond yields moved sharply lower during the quarter, reflecting this uncertainty. The yield on the U.S. 10-year Treasury bond finished the quarter at 2.00% versus 2.42% three months ago.

### Portfolio Review

The strategy outperformed the benchmark for the quarter, with value added from both sector allocation and stock selection. Sector allocation accounted for most of the quarter's outperformance. In particular, the strategy benefited from an underweight to both retail sectors (malls and shopping centers), as well as an overweight to the industrial and technology (data centers and cell towers) sectors. Stock selection also contributed to performance, with holdings in the technology and net lease sectors being the most additive for results. Holdings in the hotel, residential and shopping center sectors were also beneficial for returns. On the downside, stock selection in the mall, storage and industrial sectors were drags on performance.

### Outlook and Current Strategy

We are positive on property types and markets with valuations that are attractive relative to their growth. We favor the technology (data centers and cell towers), industrial and residential sectors. We also prefer grocery-anchored shopping centers and west coast urban office. Within residential, we like student housing, single family home-for-rent companies and select apartment real estate investment trusts (REITs), which are benefiting from firming demand.

We are cautious and selective in markets and property types which screen expensive relative to the rate of earnings growth. This includes net lease, skilled nursing, hotel and suburban office sectors. This also includes Class B mall/shopping center companies.

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

The **MSCI US REIT Index** is a free float-adjusted market capitalization weighted index that is comprised of equity REITs that are included in the MSCI US Investable Market 2500 Index (with the exception of specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing obligations). The index represents approximately 85% of the US REIT universe. 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. The risks of 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. **Concentration** of investments in one or more real estate industries may subject the Portfolio to greater volatility than a portfolio that is less concentrated. Other risks of the Portfolio include but are not limited to: **Initial Public Offerings Risks, Convertible Securities Risks, Market Trends Risks, Non-Diversification Risks, Other Investment Companies' Risks, Sector Risks, Rule 144A Securities Risks, Inability to Sell Securities Risks, Restricted and Illiquid Securities Risk, Manager Risks, Investment Models Risks and Securities Lending Risks.** Investors should consult the Portfolio's Prospectus, or summary 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 or guaranteed by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

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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