

Focusing on High-Quality Companies with Sustainable Growth Trends

Strategy overview

Actively managed US Small Cap Core equity strategy.

Key takeaways

- Experienced a broad pullback, with large caps holding up better than small caps, while value stocks outpaced growth. Growth sectors saw notable declines, particularly in technology and retail, while defensive sectors and energy provided stability. Meanwhile, interest rates declined, credit spreads widened, and commodities surged to record highs, with gold reaching unprecedented levels as investors sought safe-haven assets amid rising economic uncertainty and recession concerns.
- The Voya Small Company Fund outperformed its benchmark, the Russell 2000 Index (the Index) on a net asset value (NAV) basis, primarily due to positive impact from stock selection. The Fund benefited from selection in the industrials, health care and financials sectors. Conversely, selection in the materials sector detracted.
- As we move through the remainder of 2025, investors face a complex landscape shaped by geopolitical tensions, shifting trade policies, and evolving monetary dynamics. Despite uncertainties, the broadening of market leadership beyond mega-cap stocks presents new opportunities across industries, particularly in defensive sectors. We aim to remain nimble in response to elevated inflation and interest rates, carefully monitoring strategies to align with changing market dynamics.

Portfolio review

In the first quarter of 2025, U.S. equities faced a significant downturn, with the S&P 500 Index falling by -4.27% and the Nasdaq Composite Index declining by -10.42%. This marked the worst performance for the S&P 500 since 3Q22 and for the Nasdaq since 2Q22. The market's decline was driven by a combination of economic growth fears, tariff uncertainties and emerging cracks in the artificial intelligence sector. Big technology, represented by the Magnificent Seven stocks, fell into bear-market territory, down 16% for the quarter. Despite these challenges, several key economic indicators remained strong. These included strong nonfarm payrolls, a lower-than-expected core Consumer Price Index (CPI), and better than expected control group retail sales, industrial production and existing home sales.

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Notably, sector performance was mixed, with defensive sectors like energy and healthcare outperforming the broader market. These sectors benefited from their historical resilience in uncertain economic conditions, providing a buffer against the market's overall volatility. In contrast, the cyclical and technology sectors lagged, reflecting investor concerns over economic growth and the impact of tariff uncertainties. The market's negative sentiment was further worsened by weaker economic data and earnings changes. However, the economy received some support from the Federal Open Market Committee as Chair Powell emphasized that tariffs would only affect inflation temporarily.

The Fund outperformed the Index on a NAV basis for the quarter ending March 31, 2025, primarily due to positive impact from stock selection. The Fund benefited from selection in the industrials, health care and financials sectors. Conversely, selection in the materials sector detracted.

The main individual contributors to performance were Hims & Hers, Inc., ProAssurance Corp. and Mueller Water Products, Inc.

Our position in Hims & Hers, Inc. (HIMS) was a positive contributor to performance. The stock gained early in the quarter, driven by macro tailwinds from the new administration and the success of its Super Bowl ad. However, it declined later in the quarter following mixed fourth-quarter results and growing competition concerns that tempered market sentiment. Throughout this volatility, the machine learning models actively managed the position—taking profits on strength and buying on weakness—enhancing relative performance.

The overweight to ProAssurance Corp. (PRA) had a positive impact on performance. PRA earned a favorable model score due to its robust valuation metrics, notably book-to-price and earnings before interest, tax, depreciation and amortization (EBITDA) ratios. The models also had a positive outlook on the insurance industry short interest features were viewed positive, further driving the score up. The stock price jumped in March after it was announced that PRA would be acquired by The Doctors Company.

Our position in Mueller Water Products, Inc. (MWA) impacted relative returns positively. At the start of the quarter, driving the score up were the volatility, size, industry and valuation features. To a lesser extent, the momentum of fundamental factors feature also had a positive impact. MWA had a strong quarter after reporting solid 1Q25 earnings driven by strong operating

momentum.

The primary detractors from performance were Cohu, Inc., Corcept Therapeutics Inc. and Steven Madden, Ltd.

The overweight to semiconductor stock Cohu, Inc. (COHU) had a negative impact on performance. At the start of the quarter, Cohu was viewed positively by the models driven by its strong quality (research and development intensity, earnings yield and minority interest) features in combination with its technical and volatility features. The stock struggled during the quarter as the semiconductor industry came under pressure.

Not owning health care stock Corcept Therapeutics Inc. (CORT) had a negative impact on performance. The stock rose sharply at quarter end after management reported positive results from the phase three study of ROSELLA, an ovarian cancer treatment. The fund did not own the stock as the model's had a negative view of its size and technical features.

The overweight position in Steven Madden, Inc. (SHOO) was driven by the model's favorable assessment of its valuation features (operating cash flow to price and performance of valuation features) in combination with its technical and volatility features. However, the stock struggled during the quarter due to various headwinds, including tariffs out of China and Mexico, concerns over the consumer and softer demand for handbags with elevated inventory. Despite these challenges, the models retained their conviction in the stock at year-end.

Current strategy and outlook

The outlook for U.S. equities in the coming period remains cautious amid a mix of economic and market factors. While the labor market remains strong and inflation pressures have eased, broader economic uncertainty and tariff uncertainties continue to pose significant risks. Policymakers will need to handle these challenges carefully to make sure the economy keeps growing and staying stable.

Holdings detail

Companies mentioned in this report—percentage of Fund investments, as of 03/31/25: Hims & Hers, Inc. 0.50%, ProAssurance Corp. 0.00%, Mueller Water Products, Inc. 1.64%, Cohu, Inc. 0.55%, Corcept Therapeutics Inc. 0.00% and Steven Madden, Inc. 0.49%, 0.00% indicates that the security is no longer in the portfolio. Portfolio holdings are subject to change on a daily basis.

Read our Fund Fact Sheet

The **Russell 2000 Index** is an unmanaged index that measures the performance of securities of smaller U.S. companies. It is a small-cap stock market index that makes up the smallest 2,000 stocks in the Russell 3000 Index. Index returns do not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an index.**

All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. You could lose money on your investment and any of the following risks, among others, could affect investment performance. The following principal risks are presented in alphabetic order which does not imply order of importance or likelihood: Company; Currency; Derivative Instruments; Environmental, Social, and Governance (Equity); Foreign (Non-U.S.) Investments; Growth Investing; Investment Model; Liquidity; Market; Market Disruption and Geopolitical; Other Investment Companies; Portfolio Turnover; Real Estate Companies and Real Estate Investment Trusts; Securities Lending; Small-Capitalization Company; Value Investing. Investors should consult the Fund's Prospectus and Statement of Additional Information for a more detailed discussion of the Fund's risks.

Artificial intelligence (AI) including natural language processing, machine learning, and other forms of AI may pose inherent risks, including but not limited to: issues with data privacy, intellectual property, consumer protection, and anti-discrimination laws; ethics and transparency concerns; information security issues; the potential for unfair bias and discrimination; quality and accuracy of inputs and outputs; technical failures and potential misuse. Reliance on information produced using AI-based technology and tools should factor in these risks.

The Voya Machine Intelligence (VMI) team employs a proprietary machine learning approach to identify and exploit persistent patterns in company data. The approach leverages (non-linear) machine learning ("ML") models for fundamental analysis. The ML models employed do not utilize generative AI algorithms.

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. 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. Insurance products, annuities and funding agreements issued by Voya Retirement Insurance and Annuity Company ("VRIAC"), One Orange Way, Windsor, CT 06095, which is solely responsible for meeting its obligations. Plan administrative services provided by VRIAC or Voya Institutional Plan Services, LLC ("VIPS"). Securities distributed by or offered through Voya Financial Partners, LLC ("VFP") (member SIPC) or other broker-dealers with which it has a selling agreement. Only Voya Retirement Insurance and Annuity Company is admitted and can issue products in the state of New York.

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