

## Voya Target Retirement Funds

# The Target Date Choice to Help Keep Retirement Goals on Track

### Strategy Overview

These portfolios are only offered as an investment option within variable products and retirement programs.

### Market Review and Economic 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.

### Asset Allocation

The Funds started the quarter with overweight positions in domestic large blend, core U.S. fixed income and short duration bonds. These were funded by underweight exposures to U.S. mid cap, international equities, real estate investment trusts (REITs), commodities, high yield bonds and senior loans.

In early April, the Funds increased domestic large cap equity exposure across the majority of vintages while reducing their short-term bond allocations. At the close of April, coinciding with the annual glide path reduction, we made adjustments to our strategic asset allocation targets to reflect our revised long-term capital market expectations for a range of asset classes. This resulted in changes in our sub-asset allocations, including the removal of commodities as a strategic asset class. Notable changes within equities included an increase in U.S. large cap and decreases in U.S. mid cap, small cap and international equities. Within fixed income, we increased U.S. core bonds and Treasury inflation protected securities (TIPS), while lowering exposure to senior loans. These changes reflect

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the investment team's 2019 macro themes, which include: (1) expectations of low or below-average returns for most major asset classes; (2) belief that the global, ex-U.S. economic slowdown will persist, with U.S. growth slowing but remaining above trend; (3) our view that the credit market cycle is slowly turning; and (4) our view that the rate cycle is peaking.

At the end of May, the Funds neutralized their slightly short duration positions — i.e., interest-rate-risk exposures — by purchasing long government bonds and shorting intermediate bonds. At the time of the trade, weakness in U.S. capital expenditures (capex) and retail sales data were suggesting a lower growth trajectory and a U.S. economy that might be more susceptible to trade tensions going forward, especially as the tailwinds from fiscal policy were beginning to fade. This trade was subsequently unwound in late June, locking in profits given the run in decreasing bond yields at the time.

At the end of June, we lowered equity exposure within the 2020 vintage as the first of a four-part equity glide-down, to eventually merge the 2020 vintage into the Income vintage on or about May 1, 2020.

Overall, tactical asset allocation effects were negative for the quarter.

### Underlying Managers

Underlying manager performance detracted from overall performance for the quarter. Top performers relative to their respective benchmarks included Voya Strategic Income Opportunities, Voya Multi-Manager Emerging Markets Equity and Voya Global Bond. Bottom performers relative to their respective benchmarks included Voya Multi-Manager International Factors, Voya Large Cap Growth and Voya Multi-Manager Mid Cap Value. During the quarter, the Voya Strategic Income Opportunity Fund was added to the Funds.

**Principal Risks:** There is no guarantee that any investment option will achieve its stated objective. Principal value fluctuates and there is no guarantee of value at any time, including the target date. The target date is the approximate date when investors plan to start withdrawing their money. When their target date is achieved they may have more or less than the original amount invested. For each target-date portfolio, until the day prior to its target date, the Trust will seek to provide total return consistent with an asset allocation targeted at retirement in approximately each Trust's designated target year. On the target date, the Trust's investment objective will be to seek to provide a combination of total return and stability of principal consistent with an asset allocation targeted to retirement.

Stocks are more volatile than bonds, and trusts with a higher concentration of stocks are more likely to experience greater fluctuations in value than portfolios with a higher concentration in bonds. Foreign stocks and small and midcap stocks may be more volatile than large cap stocks. Investing in bonds also entails credit risk and interest rate risk. Generally, investors with longer timeframes can consider assuming more risk in their investment portfolios. The Voya Target Solution Trusts are actively managed and the asset allocation adjusted over time. The trusts may merge with or change to other trusts over time. Refer to the prospectus for more information about the specific risks

of investing in the various assets classes included in the Voya Target Solution Trusts.

As with any portfolio, you could lose money on your investment in the Voya Target Solution Trust. Although asset allocation seeks to optimize returns given various levels of risk tolerance, you still may lose money and experience volatility. Market and asset class performance may differ in the future from historical performance and the assumptions used to form the asset allocations for the Voya Target Solution Trust. There is risk that you could achieve better returns in an underlying portfolio or other portfolios representing a single asset class than in the Voya Target Solution Trust.

Important factors to consider when planning for retirement include your expected expenses, sources of income and available assets. Before investing in the Voya Target Solution Trust, weigh your objectives, time horizon and risk tolerance. The Voya Target Solutions Trust invests in many underlying portfolios, which are exposed to the risks of different areas of the market. The higher a portfolio's allocation to stocks the greater the portfolio's overall risk. Diversification cannot assure a profit or protect against loss in a declining market.

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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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