

# Voya High Yield SMA

Strategy-At-A-Glance	
Objective <sup>1</sup>	Seeks to generate total return through a combination of current income and capital appreciation
Inception Date	07/01/03
Benchmark	ICE BofA US High Yield Master II Constrained

<sup>1</sup> There is no guarantee that this objective will be achieved.

## Strategy Overview

The High Yield strategy seeks to maximize total return over a full market cycle via a broadly diversified and well-balanced approach to discovering risk-adjusted opportunities throughout the below investment grade corporate bond sector.

## Investment Philosophy

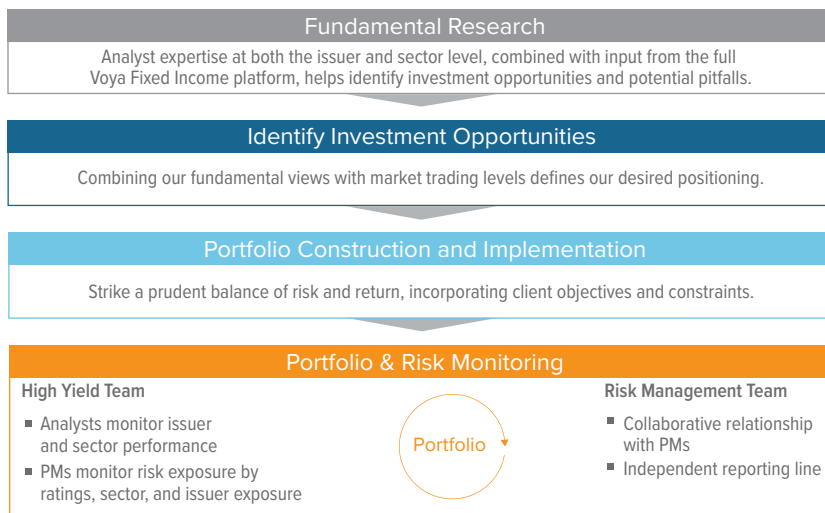
We believe that selecting securities based on rigorous credit research and a keen awareness of credit and economic cycles is critical for identifying investment opportunities and managing risk.

The following key beliefs underpin our investment philosophy:

- Compensation for risk varies across time
- Security selection is the primary driver of risks and returns
- Biggest alpha opportunity is to avoid the worst return outcomes
- Balance of risk and return allows for consistency of outperformance

## Investment Process

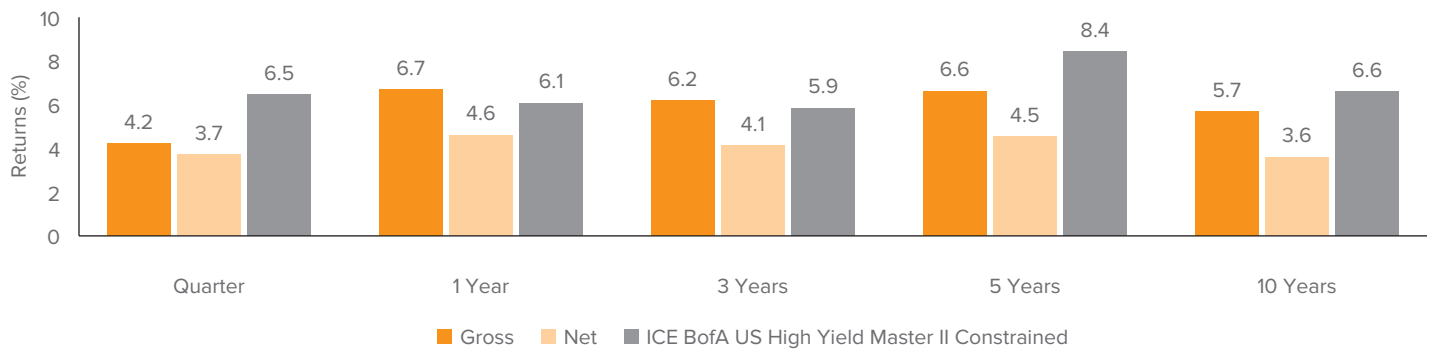
The Voya High Yield investment process begins with fundamental bottom-up credit research driven by analyst expertise at both the issuer and industry-sector level, while leveraging the input from the broader Voya Fixed Income platform. This helps identify opportunities and avoid potential pitfalls, resulting in issuer and sector views. Combining these views with market trading levels defines our desired positioning via issuer and sector over- and underweights. Portfolios are then designed to strike a prudent balance of risk and return by balancing the three primary drivers of performance - issuer selection, industry selection, and market risk - while stressing downside protection via a rigorous sell discipline. Constant portfolio monitoring by both our high yield portfolio managers and analysts, as well as our independent risk team, ensures that we maintain a prudent balance of risk and return.



Not FDIC Insured | May Lose Value | No Bank Guarantee

## Performance<sup>2</sup>

### Voya High Yield SMA Composite



## Investment Commentary

The ICE Bank of America U.S. High Yield Master II Constrained index (the “index”) returned 6.47% for the quarter. BB-rated bonds returned 5.57%, while B-rated securities gained 5.75% and CCC-rated and below securities returned 12.04%. The SMA underperformed the index during the quarter, due to its higher-quality strategy.

The SMA portfolio pursues a high-quality strategy and does not invest in lower-quality CCC-rated bonds; for the quarter, this approach led to underperformance versus the index as lower-quality bonds outperformed. On a sector level, the top detractor from performance was security selection and allocation within the supermarkets sector. Security selection within the midstream sector added the most to performance during the quarter as the sector benefited from oil prices rising off of their lows as the Organization of Petroleum Exporting Countries (OPEC) and its allies agreed to cut production in efforts to stabilize prices.

The high yield market has continued to bounce back from a total return standpoint with another positive quarter. Generally, earnings and operations continue to be challenged on a year-over-year basis across various sectors. However, the market has benefited from better-than-feared corporate earnings as well as the announcement of successful vaccine trials. In the high yield market, downgrades and defaults have been focused in the energy and retail sectors, as the coronavirus outbreak pushed companies that were already facing challenges over the edge. Oil prices also began to rise off their lows during the reporting period. At current prices, however, this still does not create credit stability for oil-price-driven energy issuers in the high yield market, specifically within the oil field services sector. Going forward, we remain focused on high-quality “survivors,” i.e., those issuers we believe to have ample liquidity and those only moderately impacted by the economic downturn.

<sup>2</sup> “Gross Returns” are presented before the deduction of transaction costs and should be used as Supplemental Information only. Prior to January 2007, net-of-fee returns presented reflect the deduction of actual fees paid by each account in the composite. After January 2007, net-of-fees returns presented are calculated by subtracting a hypothetical maximum total wrap fee (estimated at 2.00% per annum) from the monthly “pure” gross-of-fees returns. The total wrap fee includes transaction costs, portfolio management, investment advisory, custodial and other administrative costs. Wrap fees vary amongst brokerage firms and may be negotiated based on account size and other factors. The hypothetical maximum total wrap fee used is deemed to be the maximum fee charged to any composite account but we cannot guarantee accuracy. More information about fees can be found in the Form ADV Part II of Voya Investment Management Co.

To learn more on the GIPS<sup>®</sup> compliance Schedule of Composite Performance go to: <https://institutional.voya.com/document/product/gips.pptx>.

Past performance does not guarantee future results. There is no guarantee that any forecasts or opinions in this material will be realized. Manager commentary is for informational purposes only and does not constitute investment advice and is not a recommendation to purchase or sell any of the securities referenced.

ICE BofA indices used with permission, are provided “AS IS”, without warranties, and with no liability. ICEBofA does not sponsor, endorse, review, or recommend Voya or its products or services.

ICE BofA US High Yield Master II Constrained Index is a market value-weighted index consisting of U.S. dollar-denominated, non-investment grade bonds not currently in default and limits any individual issuer to a maximum of 2% benchmark exposure.

Indexes do not reflect fees, brokerage commissions, taxes or other expenses of investing, and investors cannot directly invest in an index.

### Portfolio Highlights

Returns-Based Characteristics (5 years ending 12/31/20)	Composite	ICE BofA US High Yield Master II Constrained
Standard Deviation (%)	5.49	7.86
Tracking Error (%)	2.99	–
Information Ratio	-0.60	–
Alpha (annualized %)	0.59	–
Beta	0.67	1.00
R-Squared	0.92	1.00
Sharpe Ratio	1.00	0.92

Credit Quality (%)	Portfolio	ICE BofA US High Yield Master II Constrained
Treasuries/Cash	3.37	0.00
≥BBB	4.10	0.67
BB	68.44	53.40
B	19.89	32.73
CCC	4.21	12.29
<CCC	0.00	0.91
Not Rated	0.00	0.00

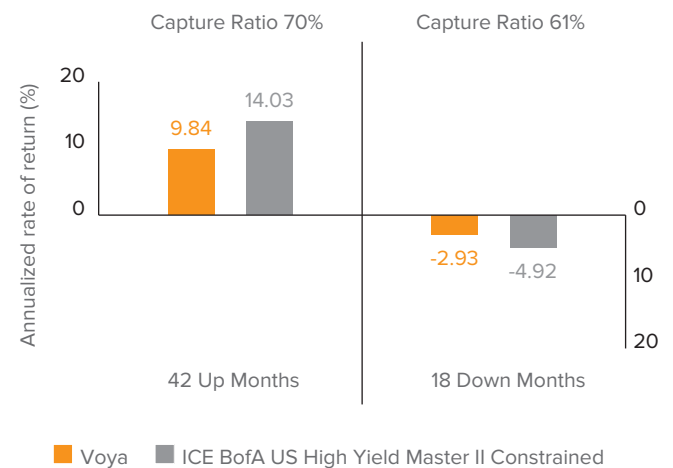
Top Ten Credit Exposures (%)	Portfolio
Olin Corp.	5.11
HCA Inc.	4.83
Crestwood Midstream Partners LP.	4.32
MDC Holdings, Inc.	4.29
Cedar Fair L.P.	4.21
APACHE CORP	4.20
PulteGroup Inc.	4.10
SLM Corp.	4.08
Goodyear Tire & Rubber Company	4.04
MGM Resorts International	4.01

Top Sector Allocation (%)



	Voya	Index
Home Construction	8.39	1.34
Financials	7.98	9.22
Chemicals	5.11	2.33
Healthcare	4.83	5.41
Midstream	4.32	4.87
Leisure	4.21	2.36
Independent Energy	4.20	6.60
Automotive	4.04	4.26
Gaming	4.01	3.31
Utility	3.92	3.27

Up / Down Capture Ratio



**Credit Quality** – is calculated based on S&P, Moody's and Fitch ratings. If the ratings from all 3 rating agencies are available, securities will be assigned the Median rating based on the numerical equivalents. If the ratings are available from only two of the agencies, the more conservative of the ratings will be assigned to the security. If the rating is available from only one agency, then that rating will be used. Any security is not rated by S&P, Moody's, or Fitch is placed in the NR (Not Rated) category. Internal ratings will not be used for any security. Ratings do not apply to the Fund itself or to the Fund shares. Ratings are subject to change. Ratings are a measure of quality and safety of a bond based on the financial condition of the issuer. Generally accepted, AAA is the highest grade (best) to D which is the lowest (worst). The return-based characteristics presented are based on the gross-of-fee composite returns. Characteristics may be adjusted to exclude securities for which data is not available or for extreme data outliers via commonly-used trimming methodologies. Holdings are subject to change. The information shown is supplemental only. **Past performance does not guarantee future results.** Totals may not equal due to rounding.

## Portfolio Managers



**Randy Parrish, CFA**  
**Head of Credit**  
 Years of experience: 31  
 Years with firm: 20



**Rick Cumberledge, CFA**  
**Head of High Yield**  
 Years of experience: 28  
 Years with firm: 14

## Voya Investment Management

Voya Investment Management is the asset management business of Voya Financial, a Fortune 500 company with over 6,000 employees seeking to help clients plan, invest and protect their savings. Voya Investment Management manages approximately \$247 billion\* in assets across fixed income, senior loans, equities, multi-asset strategies and solutions, private equity, and real assets. Drawing on over 40 years of experience and the expertise of 250+ investment professionals, the firm's capabilities span traditional products and solutions as well as those that cannot be easily replicated by an index.

At Voya Investment Management, a heritage of partnership and innovation serves clients at every step. Our award winning culture is deeply rooted in a client-centric approach to help investors meet their goals — from insurance companies, corporate and public pension funds, sovereign wealth funds, endowments and foundations, and consultants to intermediaries, as well as individual investors.

\*As of 09/30/20. Voya IM assets are calculated on a market value basis and include proprietary insurance general account assets of \$66 billion.

All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. **High-Yield Securities**, or "junk bonds", are rated lower than investment-grade bonds because there is a greater possibility that the issuer may be unable to make interest and principal payments on those securities. The strategy may use **Derivatives**, such as options and futures, which can be illiquid, may disproportionately increase losses and have a potentially large impact on performance. **Foreign Investing** does pose special risks including currency fluctuation, economic and political risks not found in investments that are solely domestic. Risks of foreign investing are generally intensified in **Emerging Markets**. As **Interest Rates** rise, bond prices may fall, reducing the value of the share price. Debt Securities with longer durations tend to be more sensitive to interest rate changes. Other risks of the Fund include but are not limited to: **Credit Risks; Other Investment Companies' Risks; Price Volatility Risks; Inability to Sell Securities Risks; and Securities Lending Risks.**

This information is proprietary and cannot be reproduced or distributed. Certain information may be received from sources Voya Investment Management ("Voya IM") considers reliable; Voya IM does not represent that such information is accurate or complete. Certain statements contained herein may constitute "projections," "forecasts" and other "forward-looking statements" which do not reflect actual results and are based primarily upon applying retroactively a hypothetical set of assumptions to certain historical financial data.

Actual results, performance or events may differ materially from those in such statements. Any opinions, projections, forecasts and forward-looking statements presented herein are valid only as of the date of this document and are subject to change. Nothing contained herein should be construed as (i) an offer to buy any security or (ii) a recommendation as to the advisability of investing in, purchasing or selling any security. Voya IM assumes no obligation to update any forward-looking information.

**Disclosure for Morgan Stanley Wealth Management Clients Only: The presentation is to report on the investment strategies as reports by Voya Investment Management and is for illustrative purposes only. The information contained herein is obtained from multiple sources and believed to be reliable. Information has not been verified by Morgan Stanley Wealth Management, and may differ from documents created by Morgan Stanley Wealth Management. The client should refer to the Profile. This must be preceded or accompanied by the Morgan Stanley Wealth Management Profile, which you can obtain from your Financial Advisor. For additional information on other programs, please speak to your Financial Advisor.**

©2021 Voya Investments Distributor, LLC · 230 Park Ave, New York, NY 10169 · All rights reserved.  
 (800) 992-0180 Individual Investors | (800) 334-3444 Investment Professionals  
 SMASB-HY (0101-010121-ex042921) 163334