# Voya Intermediate Fixed Income SMA

| Strategy-At-A-Glance | |
|---|---|
| Objective[1] | Seeks to provide total return utilizing a multi-sector approach with a higher quality posture through the use of Treasuries, Agencies and Corporate credit securities with 1-10 year maturities |
| Value Added Sources | Primary: Sector Allocation and Security Selection<br>Secondary: Interest Rate / Curve Position |
| Inception Date | 01/01/93 |
| Benchmark | Bloomberg Barclays U.S. Intermediate Gov/Credit Index |

[1] There is no guarantee that this objective will be achieved.

## Strategy Overview

The Voya Intermediate Fixed Income strategy seeks to maximize total return via a higher credit quality approach expressed through the use of Treasury, Agency, and Corporate Credit securities, both Investment Grade and Below, with 1-10 year maturities.

## Investment Philosophy

We believe that intensive security level research paired with a broadly informed awareness of the economic and credit cycle are critical to identifying superior investment opportunities and managing downside risk.

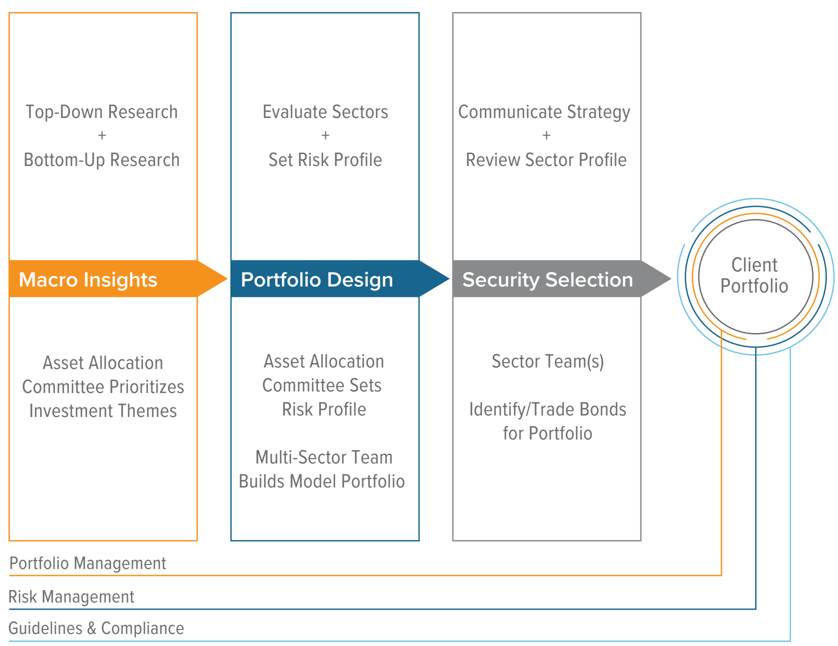
The following key beliefs underpin our investment philosophy:

- Security selection is a significant driver of risk and returns
- Nimble sector and sub-sector allocations capture relative value
- Risk management is critical throughout the entire investment process

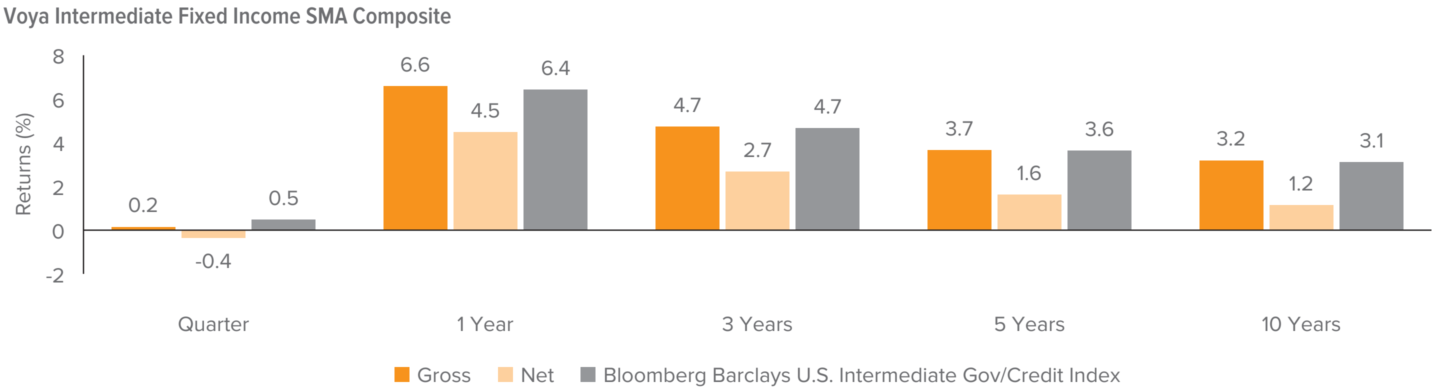
These three key beliefs frame an integrated strategy that incorporates a dynamic blend of top-down and bottom-up approaches.

## Investment Process

Supported by a seasoned team of over 200 fixed income professionals, our three-step process leverages the collective insights from across Voya's Fixed Income platform, incorporating both top-down and bottom-up research insights. First, our asset allocation committee deliberates and prioritizes investment themes impacting fixed income markets, offers unencumbered views regarding sectors and overall risk posturing. Next, the Head of Global Rates & Macro, the Head of Fixed Income Research, and the Head of Multi-Sector Portfolio Management then builds a model portfolio, incorporating client guidelines and objectives. Finally, individual sector teams are then responsible for identifying and trading specific bonds.



## Performance[2]




## Investment Commentary

The Voya Intermediate Fixed Income SMA underperformed its benchmark, the Bloomberg Barclays U.S. Intermediate Government/Credit index, for the quarter.

The portfolio remained overweight in high-quality corporate bonds versus an underweight to U.S. Treasury bonds. Corporate exposure was concentrated in less-aggressive, liquid and higher credit quality debt issues. While the decision to overweight to these high-quality investment-grade (IG) corporates versus the benchmark added to relative results, some of the individual securities detracted, as lower-quality securities performed better in 4Q20 than higher-quality securities, thereby offsetting the asset allocation gain over the period.

Yields rose and spread sectors continued their outperformance in the final quarter of 2020. The United States and global economy showed signs of re-emerging from economic challenges earlier in the year, and the approval of two vaccines extended the outperformance of risks assets and triggered a cyclical rotation favoring sectors that had been lagging in the summer rebound. U.S. GDP rose 33.4% on an annualized basis in the third quarter, after a decline of -31.4% in the second quarter. U.S. unemployment levels declined to 6.7% in November, albeit at a slower pace, but a meaningful reduction from the peak level of 14.7% recorded in April. Fiscal stimulus, varying levels of re-openings around the country and simply adjusting to living in a "Covid world" supported healing in the economy. While the U.S. elections were expected to be the center of attention, the announcement of two vaccines and their rapid approval by the Food and Drug Administration (FDA) stole the spotlight. The news from both Moderna, and then Pfizer, fueled hope for a return to normalcy and added momentum to the demand for risk assets.

Heading into 2021, the market backdrop for cyclical sectors is extraordinarily positive. We believe consumers, supported by excess savings, robust net worth and additional fiscal aid, will drive a recovery in discretionary spending, leading to a full re-engagement of the service sector as the vaccine rollout becomes more widespread. The recovery in services spending, coupled with resilience in goods demand, should usher in an extended period of synchronous, above-trend global growth, easing pressures on the income divide.

In the near term, cyclical sectors are relatively attractive. We believe that a rebound in economic growth, fostered by fiscal and central bank support, will push yield spreads uncomfortably tight in 2021. However, we also recognize the market seems to be very aligned on the near-term positive direction of risk assets. This one-way sentiment opens the door for volatility. The vaccine news is overwhelmingly positive, and we believe the vaccine ultimately will succeed. However, the potential for episodic market stresses, whether connected to the vaccine or other global factors, should not be overlooked.

The heavy use of economic stabilizers creates vulnerability to shocks and will leave investors exposed to increasingly asymmetric risk profiles. Security selection, which is always important, will be critical as the dispersion between "winning" and "losing" investments within sectors will remain extremely wide. Diversification and careful analysis of cyclical versus structural factors are necessary to mitigate downside risks and prepare portfolios for the income-starved world we face ahead.

[2] "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® 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.

The **Bloomberg Barclays U.S. Intermediate Government/Credit Index** is a market value-weighted performance benchmark for government and corporate fixed-rate debt issues rated Baa/BBB or higher with maturities between one and ten years.

**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 | Bloomberg Barclays U.S. Intermediate Gov/Credit Index |
|---|---|---|
| Standard Deviation (%) | 2.22 | 2.25 |
| Tracking Error (%) | 0.53 | – |
| Information Ratio | 0.03 | – |
| Alpha (annualized %) | 0.12 | – |
| Beta | 0.96 | 1.00 |
| R-Squared | 0.94 | 1.00 |
| Sharpe Ratio | 1.12 | 1.10 |

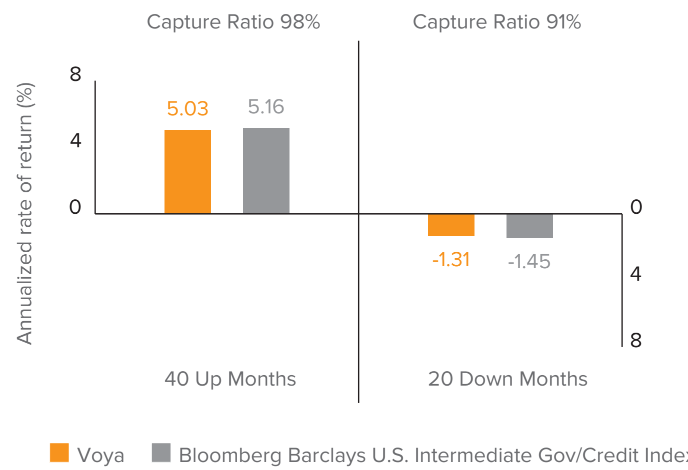
| Credit Quality (%) | Portfolio | Bloomberg Barclays U.S. Intermediate Gov/Credit Index |
|---|---|---|
| Treasuries/Cash | 47.23 | 57.68 |
| AAA | 2.02 | 6.88 |
| AA | 12.94 | 3.38 |
| A | 24.81 | 14.82 |
| BBB | 12.99 | 17.24 |
| BB | 0.00 | 0.00 |
| B | 0.00 | 0.00 |
| <B | 0.00 | 0.00 |
| Not Rated | 0.00 | 0.00 |

| Top Ten Credit Exposures (%) | Portfolio |
|---|---|
| AT&T Inc. | 3.05 |
| Toronto-Dominion Bank | 3.02 |
| CVS Health Corp. | 3.00 |
| American Honda Finance Corporation | 2.95 |
| Walmart, Inc. | 2.94 |
| Chevron Corp. | 2.94 |
| AstraZeneca PLC | 2.94 |
| WALT DISNEY CO | 2.05 |
| Apple Inc. | 2.02 |
| JPMorgan Chase & Co. | 2.02 |

**Top Sector Allocation (%)**

| | Voya | Index |
|---|---|---|
| Corporates | 50.75 | 33.18 |
| US Treasury & Cash | 47.23 | 57.68 |
| Government Related | 2.02 | 9.14 |

**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

**Matt Toms, CFA**
**Chief Investment Officer, Fixed Income**
Years of experience: 27
Years with firm: 12

**Bob Kase, CFA**
**Senior Portfolio Manager**
Years of experience: 37
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.

The principal risks are generally those attributable to bond investing. Holdings are subject to market, issuer, credit, prepayment, extension, and other risks, and their values may fluctuate. Market risk is the risk that securities may decline in value due to factors affecting the securities markets or particular industries. Issuer risk is the risk that the value of a security may decline for reasons specific to the issuer, such as changes in its financial condition. The strategy may invest in mortgage-related securities, which can be paid off early if the borrowers on the underlying mortgages pay off their mortgages sooner than scheduled. If interest rates are falling, the strategy will be forced to reinvest this money at lower yields. Conversely, if interest rates are rising, the expected principal payments will slow, thereby locking in the coupon rate at below market levels and extending the security's life and duration while reducing its market value. High yield bonds carry particular market risks and may experience greater volatility in market value than investment grade bonds. Foreign investments could be riskier than U.S. investments because of exchange rate, political, economics, liquidity, and regulatory risks. Additionally, investments in emerging market countries are riskier than other foreign investments because the political and economic systems in emerging market countries are less stable.

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