

# Voya Global Diversified Payment Fund

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Seeking to Provide Tax Advantaged Monthly Payments

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By blending sources of cash flow, the Voya Global Diversified Payment Fund achieved an average, effective tax rate of approximately 15% for someone in the middle income tax bracket, which is substantially lower than the 24%<sup>1</sup> rate applied to ordinary income, such as bond coupons and other net investment income.

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## Payments consist of multiple sources of income and return

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**Voya Global Diversified Payment Fund (GDP)** delivers level monthly payments, set annually, between **3.25–6.25%** of the trailing 36-month NAV per share. For income tax purposes, the Fund's monthly payments consist of four components:

- Net investment income (NII)
- Long-term capital gain (LTCG)
- Qualified dividends (QD)
- Return of capital (ROC)

These components are subject to different tax rates, as detailed below.

## Different sources, different tax rates

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The sources of cash flow will vary in their contribution to the payment each year depending on market conditions. Therefore, an investor's 1099-DIV will be different each year. Here is a summary by distribution type:

- Net Investment Income (NII)
  - Includes interest income, non-qualified dividends, currency gains/losses, net short-term capital gains, less expenses
  - Generally, NII is taxable as ordinary income, whether paid in cash or reinvested in additional shares
- Long-term Capital Gain (LTCG)
  - Gain realized from the sale of a qualifying asset held 12 months or longer
  - Taxed at lower rates than ordinary income — 15% for an investor in the middle-income tax bracket
- Qualified Dividends (QD)
  - Distributions out of qualified dividend income, if any, are taxed at the lower rates applicable to net capital gains, provided that the shareholder meets certain holding period and other requirements
- Return of Capital (ROC)
  - Non-taxable distribution that lowers the position's average cost basis, which creates a larger gain or smaller loss if and when the asset is sold
  - ROC is used as a plug to fill gaps in cash required for the Fund's monthly payment commitment but not met by the other sources
  - Assuming managers can earn a return greater than or equal to the distribution paid over the holding period, ROC represents a harvested unrealized capital gain and can be an efficient way to provide level cash flow to investors

## Blending income sources can reduce an investor's effective tax rate

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By managing the proportions of these payment components, the Fund managers seek to optimize the effective tax rate of monthly, per-share payments. Figure 1 shows the annual payment sources and effective tax rate over the twelve-year period ended December 31, 2020 for an individual or married couple in the middle-income tax bracket, currently earning between \$85,526–\$163,300 and \$171,051–\$326,600, respectively.

<sup>1</sup> As a result of The Tax Cuts and Jobs Act of 2017, starting in 2018, the middle-income tax rate was lowered to 24%, which currently applies to single filers and married joint filers with taxable income between \$85,526-163,300, \$171,051-326,600, respectively.

- The Fund achieved an average, effective tax rate of approximately 15% by blending cash flows from NII, QD, LTCG, and ROC.
- This is versus 24%, which is the current middle-income tax rate for ordinary income applied to bond coupons and other net investment income.<sup>2</sup>

Figure 1: Sources of Per-Share Payments and Effective Tax Rate (%), Calendar Years

Class A Shares, 28% Tax Rate*	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	12-Yr Total	12-Yr Effective Tax Rate (%)
Net investment income	\$0.27	\$0.40	\$0.22	\$0.36	\$0.15	\$0.30	\$0.12	\$0.08	\$0.12	\$0.10	\$0.05	\$0.10	\$2.27	
Long-term capital gains	\$0.00	\$0.00	\$0.00	\$0.09	\$0.09	\$0.11	\$0.11	\$0.06	\$0.09	\$0.34	\$0.06	\$0.03	\$0.97	
Qualified dividends	\$0.11	\$0.05	\$0.09	\$0.09	\$0.10	\$0.09	\$0.07	\$0.08	\$0.11	\$0.10	\$0.04	\$0.11	\$1.04	
Return of capital	\$0.16	\$0.09	\$0.23	\$0.00	\$0.20	\$0.04	\$0.24	\$0.32	\$0.14	\$0.12	\$0.32	\$0.22	\$2.08	
<b>Total payments before taxes</b>	<b>\$0.54</b>	<b>\$0.54</b>	<b>\$0.54</b>	<b>\$0.54</b>	<b>\$0.54</b>	<b>\$0.54</b>	<b>\$0.54</b>	<b>\$0.54</b>	<b>\$0.46</b>	<b>\$0.66</b>	<b>\$0.46</b>	<b>\$0.46</b>	<b>\$6.35</b>	
NII tax	\$0.08	\$0.11	\$0.06	\$0.10	\$0.04	\$0.08	\$0.03	\$0.02	\$0.03	\$0.02	\$0.01	\$0.02	\$0.63	
LTCG & QD tax	\$0.02	\$0.01	\$0.01	\$0.03	\$0.03	\$0.03	\$0.03	\$0.02	\$0.03	\$0.07	\$0.01	\$0.02	\$0.30	
ROC tax	Non-Taxable, Average Cost Basis Will Be Lowered													
Total tax	\$0.09	\$0.12	\$0.08	\$0.13	\$0.07	\$0.11	\$0.06	\$0.04	\$0.06	\$0.09	\$0.03	\$0.04	\$0.93	
<b>Total payments after taxes</b>	<b>\$0.45</b>	<b>\$0.42</b>	<b>\$0.46</b>	<b>\$0.41</b>	<b>\$0.47</b>	<b>\$0.43</b>	<b>\$0.48</b>	<b>\$0.50</b>	<b>\$0.40</b>	<b>\$0.57</b>	<b>\$0.43</b>	<b>\$0.41</b>	<b>\$5.43</b>	<b>15%</b>

**Past performance does not guarantee future results**

\* Assumed 28% and 24% tax rate for net investment income between 2009-2017 and 2018-2020, respectively, and 15% for long-term capital gains and qualified dividends.

**Past performance does not guarantee future results.**

<sup>2</sup> As a result of The Tax Cuts and Jobs Act of 2017, the middle-income tax rate for 2018-present was lowered to 24% and the TAXABLE INCOME range for single filers and married joint filers in 2020 were \$85,526–\$163,300 and \$171,051–\$326,600, respectively.

The information presented herein is a limited discussion of certain U.S. federal income tax issues generally affecting the Fund and its shareholders. Circumstances among investors may vary, so you are encouraged to discuss investment in the Fund with your tax advisor.

**Investment Risks**

All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. **Foreign Investing** does pose special risks including currency fluctuation, economic and political risks not found in investments that are solely domestic. **Emerging Market** stocks may be especially volatile. Stock of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated Dividend Payments because, among other reasons, the issuer of the security experiences a decline in its financial condition. Securities of **Small- and Mid-Sized Companies** may entail greater price volatility and less liquidity than investing in stocks of larger companies. Other risks of the Fund include but are not limited to: **Convertible Securities Risks; Market Trends Risks; Other Investment Companies' Risks; Price Volatility Risks; Inability to Sell Securities Risks; and Securities Lending Risks**. Investors should consult the Fund's Prospectus and Statement of Additional Information for a more detailed discussion of the Fund's risks.

**Risks Specific to Managed Payment**

The Fund is expected to make monthly payments under its Managed Payment Policy regardless of the Fund's investment performance. Because these payments will be made from Fund assets, the Fund's monthly payments may reduce the amount of assets available for investment by the Fund. It is possible for the Fund to suffer substantial investment losses and simultaneously experience additional asset reductions as a result of its payments to shareholders under the Managed Payment Policy. The Fund may, under its Managed Payment Policy, return capital to shareholders.

**An investor should consider the investment objectives, risk, charges and expenses of the Fund(s) carefully before investing. For a free copy of the Fund's prospectus, or summary prospectus, which contains this and other information, visit us at [www.voyainvestments.com](http://www.voyainvestments.com) or call (800) 992-0180. Please read all materials carefully before investing.**

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