

GNMA Bonds: A Diversification Tool for Uncertain Times

GNMAs can be a compelling way to defend against unexpected market shocks, offering a risk profile similar to U.S. Treasuries but with higher yields.

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Key Takeaways

- GNMA bonds are privately issued mortgage-backed securities that are explicitly guaranteed by the U.S. government, offering diversification benefits and attractive yields relative to Treasury bonds.
- Historically, GNMA bonds have outperformed when equities and credit securities decline, helping to generate positive portfolio returns through bear markets.
- Soaring mortgage rates have massively reduced prepayment risk, creating a more compelling entry point for GNMA bonds relative to the previous decade.

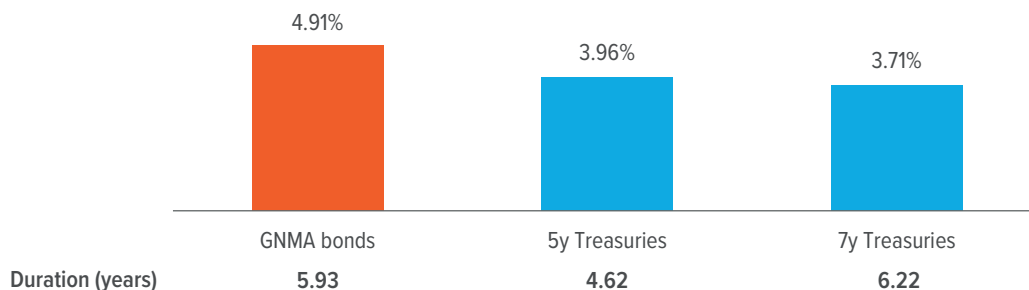
What are GNMAs?

GNMA bonds are any privately issued mortgage-backed securities guaranteed by the Government National Mortgage Association (GNMA, also known as “Ginnie Mae”) to have timely repayment of principal and interest. GNMA is a wholly owned government agency established in 1968 to

guarantee mortgage-backed securities for single-family and multi-family loans insured by various government agencies. GNMA bonds are the only mortgage-backed securities that are explicitly guaranteed by the United States government.

Exhibit 1. GNMAs offer attractive yields over Treasuries

Yield to worst



As of 03/31/25. Source: Bloomberg Index Services, Ltd., Voya IM. Yield to worst is the minimum yield that an investor can expect to receive on a bond, considering all possible call or repayment dates. Duration is the number of years it takes to recoup a bond's true cost, based on the present value of all future coupon and principal payments. **Past performance is no guarantee of future results. Investors cannot invest directly in an index.**

GNMA bonds represented by the Bloomberg GNMA Index. 5y and 7y Treasuries represented by the Bloomberg Bellwether Indices.

GNMAs can be an anchor during market shocks

Investors seeking relative safety typically consider instruments such as U.S. Treasuries, money market funds, short-term bond funds, or cash. But cash and money market instruments don't offer the diversification potential of GNMA bonds, and U.S. Treasuries offer less yield relative to GNMAs.

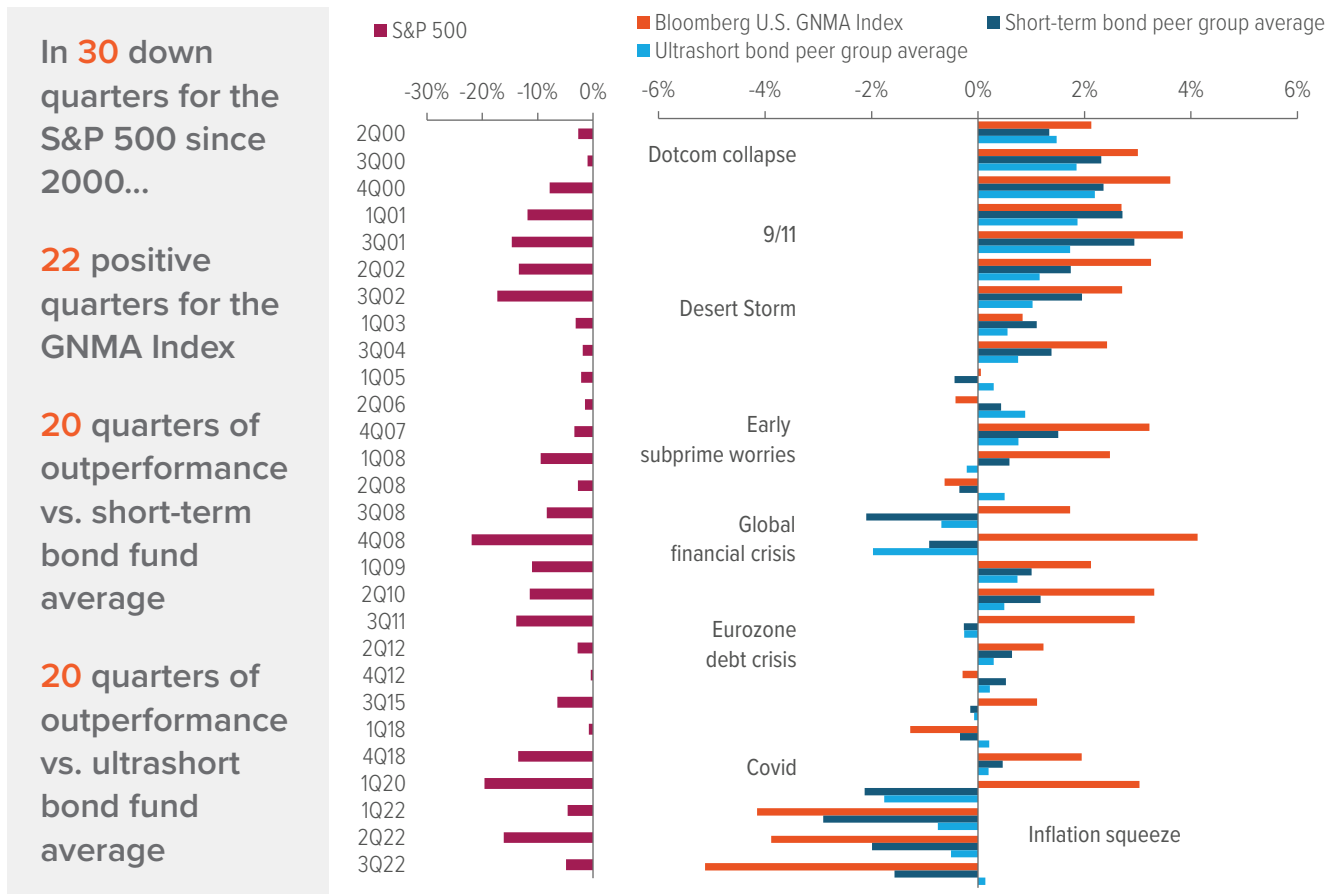
GNMA bonds have a history of mitigating risk and delivering attractive yield through a variety of market environments, helping investors navigate uncertainty. Few "low-risk" bond sectors have delivered this protection historically, including short-term bond strategies.

For example, the S&P 500 Index has declined in 30 of the 97 quarters since the start of 2000. GNMA bonds had positive returns in a large majority of these periods, and frequently outperformed the fund averages for Morningstar's Short-Term and Ultrashort bond peer groups. Notably, GNMAs had positive returns in periods of extreme volatility, such as the global financial crisis and Covid. By contrast, the ultrashort and short-term bond fund peer group averages had negative returns during these crises, as they may have included more credit risk than investors realize.

One notable exception was in 2022, when high inflation created substantial headwinds for most fixed income sectors, including GNMA bonds.

Exhibit 2. When stocks have struggled, GNMA bonds have often been resilient

Quarterly total return



As of 03/31/25. Source: Standard & Poor's, Morningstar, Voya IM. **Past performance does not guarantee future results. Investors cannot invest directly in an index.** See back page for definitions and important disclosures.

How do GNMA bonds compare with various “low risk” alternatives?

Short-term bond funds	Short-term bond funds carry credit risk (while GNMA bonds are backed by the full faith and credit of the U.S. government) and tend to move up and down in tandem with equities.
Cash/money market funds	While cash and money market funds do not carry credit risk, they also do not offer as much of a diversification benefit relative to equities that GNMA bonds do (e.g.,GNMAs typically rally when equities sell off).
U.S. Treasuries	Like GNMA bonds, U.S. Treasuries have no credit risk. However, GNMA bond investors receive additional compensation above U.S. Treasury rates for taking on prepayment risk, which is currently very low.

Why GNMAs now?

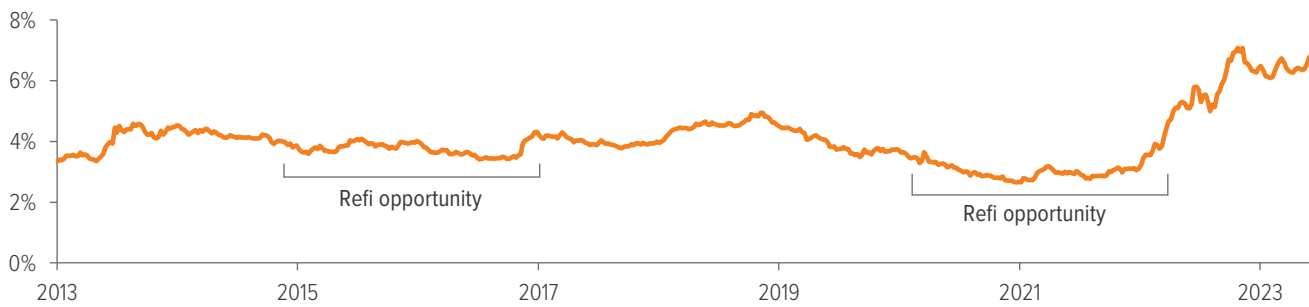
Historically, the benefits of falling interest rates on GNMA bonds have been tempered by the resultant increase in mortgage refinancing.

However, the post-Covid interest rate environment provided opportunities to purchase a new home (or refinance an existing higher-rate loan) at historically low mortgage rates.

As a result, many homeowners are sitting happily with mortgage rates that are significantly lower than the current prevailing rate.

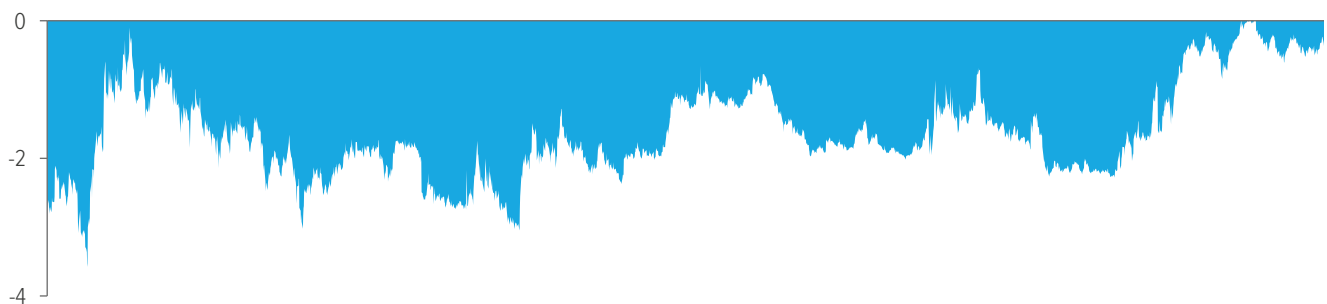
This means there would need to be a substantial move lower in rates to bring back the financial incentive to refinance. We believe this situation makes GNMA bonds a historically attractive diversifier.

Exhibit 3. Surging mortgage rates have improved the outlook for GNMAs



The below chart shows how sensitive mortgage-backed securities (like GNMAs) are to interest rate movements because borrowers can prepay. When rates are low and refinancings are easy, MBS convexity (which measures how the duration of a bond changes as interest rates fluctuate, indicating how much the price of a bond will change for a given change in yield) is very negative (shown in dark blue below). Prices don't rise much if rates fall further, but they can fall faster if rates rise—an investor headache.

When rates are high and refis are rare, convexity moves toward zero. Cash flows become more predictable and price behavior looks more like a regular bond.



As of 05/31/23. Source: Freddie Mac (Primary Mortgage Market Survey), Bloomberg,

Voya GNMA Income Fund

Share classes

	Team member	Years of experience	Years with Voya	Advanced degrees / designations	
A: LEXNX					
C: LEGNX	Head of Securitized Dave Goodson	29	23		
I: LEINX	CMBS Alexander Rodriguez	26	5	MBA, JD	
	Mayur Patel	14	3	MBA	
R6: VGMBX	CLO / ABS Tim McCrady	34	27	CFA	
	Jeremy Brockman	15	15	MBA, CFA	
W: IGMWX	ABS / CRTs / Non-Agency MBS Jonathan Abshire	23	23	CFA	
	Kyle Harman	15	13	CFA	
	Naiya Thakkar	9	4	CFA	
	Agency RMBS	Jeff Dutra	31	25	MBA, CFA
		Justin McWhorter	24	24	MA, CFA, CPA
		John Zhang	5	3	MS, FRM
	Portfolio Management	Colin Dugas	23	23	CFA
Quantitative Research & Portfolio Management	Jingsong Wu	19	11	MS, PhD, CFA	

Unique platform inputs

CML Team

Gregory Michaud (+40)

Public Credit Team

HY & BSL: Randy Parrish, CFA (+45)

IG: Anil Katarya, CFA (+16)

Mortgage Derivatives Team

Peter Guan, PhD (+8)

Voya's approach to GNMA's

With a track record spanning over 30 years, the Voya GNMA Fund, Class I (LEINX) is one of the oldest funds investing in mortgage-backed securities.

The Fund seeks to deliver attractive income and returns by favoring GNMA's that can better withstand the impacts of shifting interest rates and prepayment volatility.

Average Annual Total Returns %

Most Recent Month End	YTD	1 yr	3 yr	5 yr	10 yr	Expense Ratios*	
						Gross	Net
Net Asset Value	+3.07	+5.80	+0.94	+0.01	+1.34	0.59%	0.54%
With Sales Charge	+3.07	+5.80	+0.94	+0.01	+1.34	0.59%	0.54%
Bloomberg GNMA Index	+3.08	+5.80	+0.70	-0.59	+1.08	–	–

As of March 31, 2025; **Inception Date – Class I:** January 7, 2002; Current Maximum Sales Charge: 0.00%.

The performance quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance information shown. The investment return and principal value of an investment in the Portfolio will fluctuate, so that your shares, when redeemed, may be worth more or less than their original cost. See above "Average Annual Total Returns %" for performance information current to the most recent month-end.

Returns for the other share classes will vary due to different charges and expenses. Performance assumes reinvestment of distributions and does not account for taxes.

Total investment return at net asset value has been calculated assuming a purchase at net asset value at the beginning of the period and a sale at net asset value at the end of the period; and assumes reinvestment of dividends, capital gain distributions and return of capital distributions/allocations, if any, in accordance with the provisions of the dividend reinvestment plan. Net asset value equals total Fund assets net of Fund expenses such as operating costs and management fees. Total investment return at net asset value is not annualized for periods less than one year.

* The Adviser has contractually agreed to limit expenses of the Fund. This expense limitation agreement excludes interest, taxes, investment-related costs, leverage expenses, and extraordinary expenses and may be subject to possible recoupment. Please see the Fund's prospectus for more information. The expense limits will continue through at least Aug 1 2025 12:00AM. Expenses are being waived to the contractual cap.

A note about risk

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 alphabetical order which does not imply order of importance or likelihood: Credit; Derivative Instruments; Environmental, Social, and Governance (Fixed Income); Interest Rate; Liquidity; Market Disruption and Geopolitical; Mortgage-and/or Asset-Backed Securities; Other Investment Companies; Prepayment and Extension; Portfolio Turnover; Repurchase Agreements; Securities Lending; U.S. Government Securities and Obligations; When-Issued, Delayed Delivery and Forward Commitment Transactions. Investors should consult the Fund's Prospectus and Statement of Additional Information for a more detailed discussion of the Fund's risks. **While the Fund invests in securities guaranteed by the U.S. government as to timely payments of interest and principal, the Fund shares are Not Insured or Guaranteed. Investors should consult the Fund's Prospectus and Statement of Additional Information for a more detailed discussion of the Fund's risks.** An investment in the Fund is not a bank deposit and is not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other government agency.

The **Bloomberg U.S. GNMA Index** is an unmanaged index covering mortgage-backed pass-through securities of the Ginnie Mae (GNMA). BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). Bloomberg or Bloomberg's licensors own all proprietary rights in the Bloomberg Indices. Bloomberg does not approve or endorse this material, nor guarantee the accuracy or completeness of any information herein, nor make any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, shall not have any liability or responsibility for injury or damages arising in connection therewith.

Morningstar categories

U.S. Short-Term Bond: Short-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and have durations of one to 3.5 years (or, if duration is unavailable, average effective maturities of one to four years). These portfolios are attractive to fairly conservative investors because they are less sensitive to interest rates than portfolios with longer durations.

U.S. Ultrashort Bond: Ultrashort bond portfolios invest primarily in investment-grade U.S. fixed-income issues and have durations typically of less than one year. This category can include corporate or government ultrashort bond portfolios, but it excludes international, convertible, multisector, and high-yield bond portfolios. Because of their focus on bonds with very short durations, these portfolios offer minimal interest-rate sensitivity and therefore, low risk and total return potential. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Ultrashort is defined as 25% of the three-year average effective duration of the MCBI.

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An investor should consider the investment objectives, risks, 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 or call (800) 992-0180. Please read the prospectus carefully before investing.

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