

Access High Quality Mortgage Securities

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Strategy overview

Primarily invests in Government National Mortgage Association (GNMA) securities with maturities in excess of one year and which have the same credit quality as U.S. Treasury securities, but higher yields to compensate for prepayment uncertainty.

Key takeaways

- The U.S. Federal Reserve cut rates by 50 basis points (bp) during the quarter and according to the Fed's dot plot in December, one more cut is expected by the end of 2026. In the 4th quarter, the Fed reduced its balance sheet through runoff, with 4Q25 runoff equating to \$46 billion in additional mortgage-backed securities (MBS) supply.
- The interest rate curve steepened with 2-year rate down 13 bp and 30-year rate up 11 bp on the quarter. The 30-year fixed mortgage rate decreased roughly 12 bp to 6.18%.
- GNMA MBS outperformed Treasury hedges by 57 bps in sympathy with the overall risk-on sentiment and support from government-sponsored enterprises (GSE) buying. Belly coupons such as 3s were the best performers within the coupon stack according to Bloomberg.
- Housing market activity remained steady into slower winter seasonals. Existing home sales increased marginally, and overall home sales were still subdued by historical standards.
- Voya GNMA Income Fund underperformed its benchmark, the Bloomberg GNMA Index (the Index) on a net asset value (NAV) basis.

Portfolio review

Voya GNMA Income Fund underperformed the Index on a NAV basis. During the quarter, underperformance was mostly attributable to collateralized mortgage obligations (CMOs). Modest duration overweight helped performance slightly during the period.

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 all materials carefully before investing.

Current strategy and outlook

Agency MBS continued to outperform in the fourth quarter in correlation with the overall risk-on sentiment and renewed buying from Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC). 10-year Treasury rate ended the quarter little changed at 4.17% and 2-year/10-year steepened. Housing activities remained steady into slower winter seasonals, thanks to decreasing mortgage rates. Inflation, as measured by Consumer Price Index (CPI), remained contained as it was mostly in line with median market estimates in December.

From a technical perspective, mortgage performance this quarter was primarily driven by the ramped up GSE purchase program as they went from a \$5 billion per month purchase in July through September to a \$15 billion/month pace in October and November. Money managers are expected to pick up the balance of the supply going forward with domestic banks and oversea accounts offering inconsistent demand. Demand for Ginnies versus Conventionals is dominated by technical factors. If the repropoed banking regulations require smaller banks to follow similar regulatory requirements akin to their larger, Global Systemically Important Banks (GSIB) counterparts, we could see a resurgent bank demand for Ginnie Mae MBS in the new year. From a fundamental perspective, prepayment speeds for recently produced, high coupon, Veterans Affairs (VA) loans remain elevated due to the efficiency of VA's streamlined refinancing program.

Housing prices perked up during the quarter with Case-Shiller 20-City Home Price Index up a seasonally adjusted 1.31% in October. Overall MBS supply appears to be relatively docile in the foreseeable future for both gross and net issuance, with most of net issuance coming from GNMA; however, the GNMA fund managers will continue to monitor the technical factors impacting MBS supply.

Voya GNMA Income Fund continues to be underweight GNMA collateral relative to the benchmark where performance is determined by technical demand factors. The Fund remains overweight off-benchmark GNMA and agency-backed CMOs which offer greater longer-term

value with higher spreads relative to generic collateral, especially on an option-adjusted basis. Additionally, the Fund maintains a preference for higher coupon collateral such as 5s to 6s.

Read our [Fund Fact Sheet](#)

The **Bloomberg U.S. GNMA Index** is an unmanaged index covering mortgage-backed pass-through securities of the Ginnie Mae (GNMA). Index returns do not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an index.** Source: Bloomberg Index Services Limited. 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.

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The Fund discussed may be available to you as part of your employer sponsored retirement plan. There may be additional plan level fees resulting in personal performance to vary from stated performance. Please call your benefits office for more information.

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