

Multi-Sector Approach Focused on Total Return

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Strategy overview

Seeks to provide a total return strategy utilizing a multi-sector approach with a high quality posture through the use of Treasuries, Agencies, and Corporate credit securities with 1-10 year maturities.

Key takeaways

- For the quarter, the Voya Intermediate Fixed Income SMA underperformed its benchmark, the Bloomberg Intermediate Government/Credit Index (the Index) on both a gross- and net-of-fees basis.
- The third quarter of 2025 marked a pivotal shift in the economic narrative, as the labor market—long a pillar of resilience—began to show signs of strain.
- As we enter the final quarter of 2025, the economic landscape remains shaped by a complex interplay of policy shifts, labor market dynamics, and inflation pressures.

Market review

The third quarter of 2025 marked a turning point for the U.S. economy, as cracks in the labor market began to surface after several quarters of resilience. The June jobs report initially appeared strong, but a series of revisions later revealed a net decline during the month, and a much softer trend in subsequent months. This shift prompted the U.S. Federal Reserve to resume rate cuts at its September meeting, with projections indicating further easing through year end. Fed Chair Jerome Powell's Jackson Hole remarks emphasized a fragile labor market equilibrium—where decline in hiring is being offset by reduced labor force participation and a decline in immigration. Powell cautioned that this balance could unravel swiftly if layoffs accelerate, underscoring the Fed's renewed dovish stance.

Trade policy continued to shape inflation dynamics, with the pause on reciprocal tariffs coming to an end in July. Inflation data began to indicate the first signs of pass through to consumers, with core goods inflation rising month over month. Nonetheless, financial markets continued to reflect investor optimism. Rates rallied, led by the front end of the curve, and credit spreads tightened across sectors. As a result, most fixed income sectors delivered positive total and excess returns.

Portfolio review

For the quarter, the Voya Intermediate Fixed Income SMA underperformed the Index on both a gross- and net-of-fees basis. The SMA's focus on higher-rate bonds within IG corporate detracted during the period, the lower-rated part of the IG corporate bond market outperformed during the quarter.

Outlook

As we enter the final quarter of 2025, the economic landscape remains shaped by a complex interplay of policy shifts, labor market dynamics, and inflation pressures. Our base case anticipates U.S. growth to remain positive but below potential—likely hovering slightly above 1%—as consumers face the headwinds from newly implemented tariffs. However, we think companies may absorb some of the tariff cost, thanks to tailwinds from deregulation and fiscal stimulus via the One Big Beautiful Bill Act (OBBA Act), which delivers \$300 billion in tax relief. While growth is expected to slow, the economy remains supported by easy financial conditions and targeted fiscal spending abroad, particularly on infrastructure and defense.

Inflation remains a focal point, with mixed signals emerging. Tariff passthrough to consumer prices has been more muted than anticipated, and data shows disinflationary trends in services. This is supportive of our view that tariffs' function more like taxes—dampening demand rather than fueling price increases. However, risks persist. The potential for renewed wage pressures, driven by declining immigration and labor force participation, and delayed tariff effects could keep inflation anchored above 3%. The Fed, acknowledging the fragility of the labor market and limited inflation passthrough thus far, has resumed rate cuts and signaled a gradual, data dependent easing path. With fed funds still above neutral, policymakers retain flexibility to respond if conditions deteriorate more quickly than expected.

In fixed income markets, the corporate sector remains resilient, though consumer discretionary has shown vulnerability to tariff impacts. Agency mortgage-backed securities, having delivered solid outperformance during the quarter, now appears relatively less attractive. As the macro environment evolves, we continue to emphasize sector allocation and security selection to deliver

outperformance for our clients.

Read our strategy brief

The **Bloomberg Intermediate Government/Credit Bond Index** is a total return index that measures the non-securitized component of the US Aggregate Index with less than 10 years to maturity. The index includes investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities. 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 Composite performance information represents the investment results of a group of fully discretionary accounts managed with the investment objective of outperforming the benchmark.

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