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Growth Investing Beyond Boom and Bust

Growth investing is often defined by outcomes. We believe it is better defined by process. Forward-looking insights, fundamental judgment, and disciplined portfolio construction can help investors pursue growth with a more deliberate approach to risk.

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Key takeaways

In our view, modern, active growth investing rests on three principles that work together.

1. **Growth has to be identified through forward-looking inputs.** The question is how a company is investing for future growth, not whether its past growth will simply continue.
2. **Those inputs need fundamental judgment and sector expertise** to separate real innovation from undisciplined spending and to capture growth in both its forms: market expansion and market share gain.
3. **Disciplined portfolio construction ties it together,** using proprietary analytics to manage concentration risk, strip out unintended exposures, and let stock selection drive returns. Skip this piece, and even the best growth insights can fail to deliver.

A philosophy built on inputs, not outputs

Trailing earnings and revenue growth are not predictive of future growth, as they describe what already happened and are already priced into a stock; they don't show where the next phase of growth is forming. Backward-looking measures are an incomplete (and sometimes misleading) guide that can potentially lead to chasing stocks rather than investing in stocks.

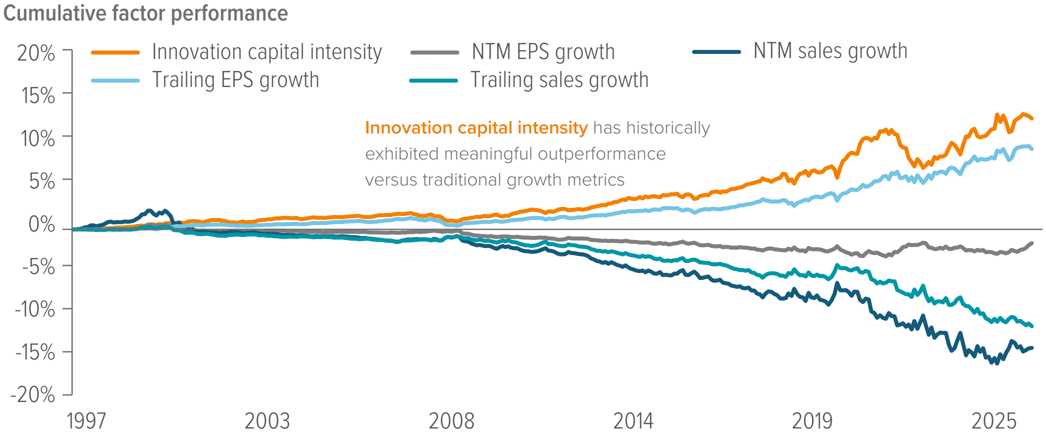
At Voya, our large cap growth philosophy starts with forward-looking inputs. We use a proprietary signal we call **innovation capital intensity.** The signal measures a company's total investment in future growth: qualified growth, capital expenditures, R&D, and brand investment, net of qualified M&A, scaled by average assets. We examine whether a company is reinvesting in itself and how deliberately, relative to peers.

This signal has historically outperformed traditional growth metrics, which suggests it captures a distinct dimension of growth rather than restating past performance. **By evaluating reinvestment behavior and capital allocation, we aim to spot growth potential before it shows up in reported results or gets fully priced in.**

Exhibit 1: Investing for growth before it shows up

Historical performance of stocks ranked by investment intensity compared with stocks ranked by traditional growth measures (such as revenue and earnings growth)

Cumulative factor performance



As of 12/31/25. Source: Voya IM. **For illustrative purposes only. Performance displayed is not for an investable strategy. Past performance does not guarantee future results.** The data above compare traditional growth factors for the constituents of the Russell 1000 Growth Index against proprietary metrics, capital investment, and core profitability.

The focus on innovation capital intensity also broadens the team's opportunity set, because it applies across the full investment universe and across all sectors, helping identify diversified sources of alpha rather than relying on a narrow set of growth stocks or market themes. Growth itself arrives two ways. Some companies **grow the market,** creating categories or expanding existing ones through new technology and products. Others **grow their share of a market that already exists,** through better execution, scale, or capital allocation. Both are reinvestment stories, and both are captured in innovation capital intensity.

Looking across these dimensions helps the team build a portfolio with multiple ways to participate in innovation, reinvestment, and durable compounding.

Exhibit 2: Our process evaluates both paths to sustainable growth

Source: Voya IM. **For illustrative purposes only.**

Signals are a starting point, not a decision

Innovation capital intensity isn't built to be a screen or a mechanical rule. It's a grounding input—a disciplined place to start deeper fundamental work. A high reading earns a company a closer look but doesn't earn it a place in the portfolio. The distinction matters, because reinvestment and value destruction can look identical from the outside. A company pouring money into a research program that will never produce a product spends the same way as one building a durable advantage. Telling those apart is fundamental work, and it's where our sector analysts spend their time.

Our sector specialists apply our philosophy across the full investment universe and every sector. They evaluate capital investment, core profitability, competitive positioning, secular trends, earnings expectations, and valuation, among others, to judge whether the reinvestment is strategically sound and likely to produce durable growth. Analysts synthesize these observations into a concise thesis with a price target and a defined risk/reward, then vet it with portfolio managers.

Two in-house capabilities sharpen that judgment. **Grassroots Research®**, Voya IM's proprietary market research team, conducts on-the ground checks through channel conversations and end-market surveys to test what's happening in the field, not just what shows up in filings. A dedicated **thematic equity team** works alongside the analysts, running strategies across AI, cloud, cybersecurity, semiconductors, and space, and feeding back a real-time read on where structural growth is building and how it's moving across industries.

Portfolio construction is where growth insights meet risk discipline

Identifying growth, no matter how carefully, still doesn't guarantee the outcome. Without the right portfolio discipline, good insights get overwhelmed by bigger unintended exposures.

In a concentrated market, how growth insights are expressed in the portfolio matters as much as how they are identified. Benchmark structure and non-fundamental forces mean differentiation cannot come simply from raising active share; doing so often requires outsized exposure to a few dominant names, amplifying risk rather than insight. Markets now react to forces such as social media posts, Substack articles, and retail investor demand, elevating the need for risk management as an essential part of portfolio construction.

The team's portfolio construction process is built around the goal of making stock selection—not style, sector, or unintended factor exposures—the dominant source of active risk. That objective is governed with hard guidelines, including a focused portfolio of roughly 40 to 70 holdings, active stock weights capped at 300 basis points over the benchmark, and sector weights held within 300 basis points of the benchmark. The intended result is a risk profile where stock selection is the largest contributor to active risk, while style and industry exposures are deliberately constrained. Importantly, our stock-specific risk is intentional: It is driven by fundamental conviction and future growth potential, not by benchmark concentration or a desire to increase active share.

Getting there takes more than good guidelines. Using proprietary analytics and risk tools, the team translates forward-looking insight and fundamental judgment into portfolios where active risk is deliberate, diversified, and tied to conviction.

Three analytics do most of the work: VIBs and replicability, peer ownership, and thematic awareness.

1 VIBs and replicability: Managing concentration risk without chasing it

Our Very Important Benchmarks (VIBs) analysis goes well past flagging the largest benchmark constituents. Instead of looking only at weight, we measure the idiosyncratic risk inside each position, which gives a fuller picture of the risk that results from owning, underweighting, or avoiding a stock.

For each VIB, the team asks two linked questions: *do we have enough conviction to own the risk directly,* and if not, *do we (or can we) hold similar exposures in the portfolio?* The analysis often identifies stocks well outside the obvious heavyweights, because concentration risk now runs across the market-cap spectrum, not just in the largest growth names.

To answer the second question, we supplement the risk model with a replicability measure that tests how well other names can reproduce factor and style risks to ensure there is balance throughout the portfolio. This helps distinguish stocks that are truly idiosyncratic from those whose risk can be managed without taking an outsized position in a single benchmark-dominant name.

2 Peer ownership: Anticipating institutional crowding

Using 13F filings, we track peer ownership, the number of institutional holders in a stock. It works as an alpha signal and as a read on how institutional capital might respond to shifts in retail activity, which has become a force in growth markets.

When retail investors pile into a stock that institutional investors barely own, the response from those institutions can be fast, and it can push price momentum further. Spotting that early helps us manage crowding risk, avoid chasing momentum, and make better calls on position size and timing.

3 Thematic awareness: Exposure to structural growth drivers

We monitor exposure to the structural themes shaping growth markets, which often drive returns more than any single stock. Among these are AI cloud infrastructure, data centers, semiconductors, cybersecurity, crypto, robotics, and space.

We have an advantage in Voya's dedicated thematic equity team, which works exclusively in these areas. This partnership sharpens our read on where thematic momentum is building, how it's moving across industries, and whether the portfolio's exposure is sized right and built on durable themes rather than passing trends.

Selling with the same discipline

The same discipline that governs buying also has to govern selling; otherwise, unintended risk creeps back in through positions that have outlived their thesis. The team sells for three reasons: the stock price reflects the improvement the thesis anticipated, the fundamentals deteriorate, or a more attractive risk/reward turns up elsewhere in the sector.

Sometimes a thesis breaks: a holding bought for a margin recovery gets sold when quarterly results contradict the turnaround. Other times it plays out: a holding bought into favorable pricing and volume gets trimmed once the market catches up and valuation looks balanced. Selling a winner because the thesis has played out requires the same discipline as cutting a loser, and it's where a lot of "buy the growth story" strategies lose their edge.

Building for the market we're in

Conviction and differentiation for their own sake won't carry a growth portfolio through a market this concentrated. Active share was once a useful proxy; now, on its own, it can buy more risk than reward.

Our goal is to capture opportunities in the growth universe without being pulled into boom/bust performance cycles. That starts with focusing on forward-looking inputs: where companies are spending today to build future growth, rather than simply extrapolating past revenue or earnings trends. From there, sector analysts apply qualitative judgment to determine whether that spending reflects disciplined reinvestment capable of creating durable growth, or simply undisciplined capital deployment. Finally, we build portfolios where risk is intentional, high-conviction holdings are emphasized, and unintended bets are minimized. **Put together, those three disciplines create a growth strategy designed to participate in innovation while compounding more consistently across market environments.**

A note about risk

All investing involves risks of fluctuating prices and uncertainties of rates of return and yield. 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: Company; Currency; Derivative Instruments; Environmental, Social, and Governance (Equity); Foreign (Non-U.S.) Investments; Growth Investing; Investment Model; Issuer Non-Diversification; Liquidity; Market; Market Capitalization; Market Disruption and Geopolitical; Other Investment Companies; Real Estate Companies and Real Estate Investment Trusts; Securities Lending. **Investors should consult the Fund's Prospectus and Statement of Additional Information for a more detailed discussion of the Fund's risks.**

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