Commentary | 1Q25

Voya Large Cap Value Fund

High Excess Capital Yield and Sustainable Dividends

Strategy overview

Actively managed large cap value strategy that relies on fundamental research to capture the benefits of high excess capital yield and sustainable dividends.

Key takeaways

- Equities experienced a broad pullback, with large caps holding up better than small caps, while value stocks outpaced growth. Growth sectors saw notable declines, particularly in technology and retail, while defensive sectors and energy provided stability.
- For the quarter ended March 31, 2025, the Fund outperformed the Russell 1000 Value Index (the Index) on a net asset value (NAV) basis, due to favorable stock selection and allocation. Stock selection within in consumer staples, communication services and health care sectors contributed the most to performance. Alternatively, stock selection within information technology, consumer discretionary and materials sectors detracted the most from performance. In terms of allocation, an underweight position in information technology, overweight position in communication services, and underweight position in consumer discretionary contributed the most. Conversely, only an overweight position in utilities detracted from performance.
- As we move through the remainder of 2025, investors face a complex landscape shaped by geopolitical tensions, shifting trade policies and evolving monetary dynamics. We aim to remain nimble in response to elevated inflation and interest rates, carefully monitoring strategies to align with changing market dynamics.

Portfolio review

In the first quarter of 2025, U.S. equities faced a significant downturn, with the S&P 500 Index falling by –4.27% and the Nasdaq Composite Index declining by –10.42%. This marked the worst performance for the S&P 500 since 3Q22 and for the Nasdaq since 2Q22. The market's decline was driven by a combination of economic growth fears, tariff uncertainties and emerging cracks in the artificial intelligence sector. Big technology, represented by the Magnificent Seven stocks, fell into bear-market territory, down 16% for the quarter. Despite these challenges, several key economic indicators remained strong. These included strong nonfarm payrolls, a lower-than-expected core Consumer Price Index (CPI), and better than expected control group retail sales, industrial production and existing home sales.

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Notably, sector performance was mixed, with defensive sectors like energy and healthcare outperforming the broader market. These sectors benefited from their historical resilience in uncertain economic conditions, providing a buffer against the market's overall volatility. In contrast, the cyclical and technology sectors lagged, reflecting investor concerns over economic growth and the impact of tariff uncertainties. The market's negative sentiment was further worsened by weaker economic data and earnings changes. However, the economy received some support from the Federal Open Market Committee as Chair Powell emphasized that tariffs would only affect inflation temporarily.

For the quarter ended March 31, 2025, the Fund outperformed the Index on a NAV basis due to favorable stock selection and allocation. Stock selection within in consumer staples, communication services and health care sectors contributed the most to performance. Alternatively, stock selection within information technology, consumer discretionary and materials sectors detracted the most from performance. In terms of allocation, an underweight position in information technology, overweight position in communication services and underweight position in consumer discretionary contributed the most. Conversely, only an overweight position in utilities detracted from performance.

At the individual stock level overweight positions in AT&T Inc, Welltower Inc. and Philip Morris International Inc. contributed to performance the most.

An overweight position in AT&T Inc. (T) contributed to performance. The stock rose after reporting another strong quarter to end the year and a positive outlook on future growth driven by a positive outlook for its fiber business.

An overweight position in Welltower Inc. (WELL) contributed to performance. Fourth-quarter results were strong, driven by notable organic growth and higher senior housing occupancy.

An overweight position in Philip Morris International Inc. (PM) contributed to performance this quarter. The stock surged in February, following a strong 4Q24 earnings report, surpassing revenue and earnings per share (EPS) expectations. This performance was partly due to the Food and Drug Administration (FDA) approval of a new ZYN product, a line of nicotine pouches.

Our position in Hewlett Packard Enterprise Co. and Berkshire Hathaway Inc. Class B, as well as an overweight position Saia, Inc. were the biggest individual detractors.

Our position in Hewlett Packard Enterprise Co. (HPE) detracted from performance. HPE's poor performance was driven by disappointing 1Q25 earnings linked to margin pressure from artificial intelligence (AI) server product transitions and missteps related to traditional server pricing. Headwinds from uncertainty in tariffs also weighed on the stock.

Not owning Berkshire Hathaway Inc. (BRK.B) was a major detractor this quarter. The company reported record annual profits driven by strong underwriting and strength in the property and casualty insurance segment. The stock also benefitted from a "flight to safety" in a volatile market environment.

An overweight position in Saia, Inc. (SAIA) detracted from performance. While the company met quarterly expectations, it provided weaker forward guidance driven by a slowdown within its industrial business and the pace of new terminal openings.

Current strategy and outlook

The outlook for U.S. equities in the coming period remains cautious amid a mix of economic and market factors. While the labor market remains strong and inflation pressures have eased, broader economic uncertainty and tariff uncertainties continue to pose significant risks. Policymakers will need to handle these challenges carefully to make sure the economy keeps growing and staying stable.

Holdings detail

Companies mentioned in this report—percentage of Strategy investments, as of 03/31/25: AT&T Inc. 3.99%, Welltower Inc. 2.91%, Philip Morris International Inc. 2.69%, Hewlett Packard Enterprise Co. 0.00%, Berkshire Hathaway Inc. 0.00% and Saia, Inc. 0.97%, 0% indicates that the security is no longer in the portfolio. Portfolio holdings are subject to daily change.

Read our Fund Fact Sheet

The **Russell 1000 Index** includes approximately 1000 of the largest capitalization securities within the float-adjusted, market-capitalization-weighted Russell 3000 Index. The **Russell 1000 Value Index** includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.Index returns do not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an index.**

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: Company; Convertible Securities; Credit; Currency; Dividend; Environmental, Social, and Governance (Equity); Foreign (Non-U.S.) Investments/ Developing and Emerging Markets; Interest Rate; Investment Model; Liquidity; Market; Market Capitalization; Market Disruption and Geopolitical; Mid-Capitalization Company; Other Investment Companies; Preferred Stocks; Real Estate Companies and Real Estate Investment Trusts; Securities Lending; Small-Capitalization Company; Value Investing. **Investors should consult the Fund's Prospectus and Statement of Additional Information for a more detailed discussion of the Fund's risks.**

The strategy is available as a mutual fund or variable portfolio. The mutual fund may be available to you as part of your employer sponsored retirement plan. There may be additional plan level fees resulting in personal performance that varies from stated performance. Please call your benefits office for more information.Variable annuities and group annuities are long-term investments designed for retirement purposes. If withdrawals are taken prior to age 59½, an IRS 10% premature distribution penalty tax may apply. Money taken from the annuity will be taxed as ordinary income in the year the money is distributed. An annuity does not provide any additional tax deferral benefit, as tax deferral is provided by the plan. Annuities may be subject to additional fees and expenses to which other tax-qualified funding vehicles may not be subject. However, an annuity does provide other features and benefits, such as lifetime income payments and death benefits, which may be valuable to you. All guarantees are based on the financial strength and claims paying ability of the issuing insurance company, who is solely responsible for all obligations under its policies. Insurance products, annuities and funding agreements issued by Voya Retirement Insurance and Annuity Company ("VRIAC"), One Orange Way, Windsor, CT 06095, which is solely responsible for meeting its obligations. Plan administrative services provided by VRIAC or Voya Institutional Plan Services, LLC ("VIPS"). Securities distributed by or offered through Voya Financial Partners, LLC ("VFP") (member SIPC) or other broker-dealers with which it has a selling agreement. Only Voya Retirement Insurance and Annuity Company is admitted and can issue products in the state of New York.

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The opinions, views and information expressed in this commentary regarding holdings are subject to change without notice. The information provided regarding holdings is not a recommendation to buy or sell any security. Portfolio holdings are fluid and are subject to daily change based on market conditions and other factors. **Past Performance does not guarantee future results**

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