Commentary | 1Q26

Voya Corporate Leaders 100 SMA

Equal Positions in the 100 Largest S&P 500 Companies

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Strategy overview

A rules-based strategy designed to exploit market inefficiencies in a disciplined systematic manner.

Key takeaways

- For the quarter ended March 31, 2026, the Voya Corporate Leaders 100 SMA outperformed its benchmark on a gross-of-fees basis, the S&P 500 Index (the Index).
- During the quarter, the SMA continued to follow its strict rules-based investment approach.
- At the beginning of the quarter, the SMA held equal-weighted positions in the stocks of the S&P 100 Index (implying that each holding represented about 1% of the portfolio).
- Over the course of the quarter, if the value of a security increased by more than 50%,* the position size was reduced to 1%, and if the value of a security decreased by more than 30%,* the position was eliminated.

Market review

Heightened geopolitical risks and changing economic expectations pushed U.S. equity markets lower during the first quarter of 2026. Broad weakness in large-cap technology and software stocks, linked to concerns around artificial intelligence disruption, weighed on performance. The S&P 500 declined by –4.33% on a total return basis, while the Nasdaq Composite fell by –7.11% on a price return basis. Investors shifted market leadership toward more defensive and value-focused areas, allowing the energy, materials, and utilities sectors to outperform, while financials, consumer discretionary, and communication services lagged. Value stocks proved more resilient than growth stocks, and small cap stocks outpaced large caps as overall market participation narrowed.

Despite the overall weakness, markets remained largely range-bound for much of the quarter, with volatility occurring more beneath the surface than at the broad market level. AI continued to be a key theme, although investor sentiment became more selective as disruption concerns weighed on software and parts of large cap technology. While spending on AI infrastructure remained strong, investor attention shifted toward earnings visibility and return on investment, leading to wider differences in performance across the market.

* If a security is underperforming the S&P 500® Index and the S&P 500® Index is positive on an intra-quarter basis, the security will typically be sold when it declines by 30% or more, irrespective of the percentage difference versus the S&P 500® Index. If a security is underperforming the S&P 500® Index and the S&P 500® Index is negative on an intra-quarter basis, the security will typically be sold when it underperforms the S&P 500® Index by 30 percentage points or more. This change went into effect on 5/18/20.

VOYA INVESTMENT MANAGEMENT

Portfolio review

Over the reporting period, an underweight allocation to the information technology sector, and an overweight allocation to the consumer staples and industrial sectors contributed the most to performance. Stock selection within the communication services, health care, and consumer staples sectors contributed to performance. On an individual stock level an underweight to Microsoft Corp., and overweight positions in Conoco Philips and FedEx Corp. contributed the most to performance.

By contrast, stock selection in information technology, financials, and real estate sectors detracted from performance. An overweight to the financials sector and an underweight to the materials sector detracted from performance. Among the largest individual detractors for the period were our positioning in Micron Technology, Inc., PayPal Holdings, Inc., and ServiceNow, Inc.

As of the end of the reporting period, the SMA's largest sector overweight was to the industrials sector, while the largest sector underweight was to the information technology sector. Sector exposures are purely a function of the strategy's rules-based investment discipline and are not actively managed.

Outlook

The U.S. economy entered 2026 in a strong position despite high interest rates and tighter financial conditions, as markets moved from expecting rate cuts to anticipating an extended period of steady policy. Consumer spending continued to support demand, while expectations for double-digit earnings growth led to shifts across sectors, especially in technology amid ongoing disruption from AI. Market leadership expanded beyond mega cap stocks, and although labor market conditions eased, broader data pointed to moderation rather than a clear downturn.

Inflation trends and geopolitical events played a growing role in shaping interest rate expectations and asset performance. Ongoing inflation pressures and higher energy prices—linked to Middle East tensions involving Iran and disruptions near the Strait of Hormuz—supported a higher-for-longer interest rate environment. U.S. assets remained relatively strong, with the dollar posting its strongest quarterly gain since late 2024, defensive sectors and equal-weight equities showing resilience, and demand for safe-haven assets staying firm. Overall, the environment reflected high uncertainty alongside solid underlying economic fundamental factors.

Read our strategy brief

The Standard and Poor's 500 Index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index includes 500 leading companies and covers approximately 80% of available market capitalization. Index returns do not reflect fees, brokerage commissions, taxes or other expenses of investing. Investors cannot invest directly in an index. The index is a product of S&P Dow Jones Indices LLC, a division of S&P Global, or its affiliates ("SPDJI"), and has been licensed for use by Voya. Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC, a division of S&P Global ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). Voya or its products or services are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P or their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the index.

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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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