

Multi Asset Strategies and Solutions

Strategy overview

These portfolios are only offered as an investment option within variable products and retirement programs.

You should consider the investment objectives, risks, and charges and expenses of the variable product and its underlying fund options; or mutual funds offered through a retirement plan, carefully before investing. The prospectuses / prospectus summaries / information booklets contain this and other information, which can be obtained by contacting your local representative or by calling (800) 992-0180. Please read the information carefully before investing.

Key takeaways

- Global stocks and bonds produced strong returns in the final quarter of 2023, as waning inflation and dovish central bank communications caused interest rates to drop and capital markets to rally.
- In our view, disinflation should continue as economic growth slows, but U.S. labor markets will hold up relatively well, creating a backdrop in which domestic equities can move higher through 2024. We are less sanguine on the prospects for Europe and China.
- The Portfolios' posted positive absolute and relative returns for the period, outperforming the benchmark on gross- and net-of-fees basis.

Market review

During the fourth quarter, waning inflation in the United States and Europe and a pause in the U.S. Federal Reserve's interest-rate hiking cycle helped most major asset classes rebound from the previous quarter's modest downturn. Developed market equities and global bonds were strong performers, while commodities lagged following the sector's exceptional performance in 2021 and 2022.

Within equities, real estate investment trusts (REITs) and small caps — which were previously challenged by higher rates — led during the quarter. Growth stocks beat value stocks, although both styles performed well. European equities trailed U.S. equities, due mostly to index composition rather than sector-level issues. Despite strong results in Latin America, emerging market equities suffered due to China's underperformance. Japanese and United Kingdom equities struggled on a combination of unfavorable exposure to energy names and the strength of the sterling.

Lower rates boosted returns across the fixed income spectrum during the quarter; government bonds performed particularly well. Investment grade bonds' generally longer duration helped them outperform high yield (HY). Emerging market debt was the best-performing fixed income sector, aided by lower global rates and a weaker U.S. dollar.

Outlook

After unexpectedly strong performance from the U.S. economy and capital markets last year, investors enter 2024 more upbeat. While we are encouraged about the progress of inflation and the resiliency of consumers and corporations, we think noticeably slower economic growth, fair to modestly extended valuations and very optimistic forecasts around Fed rate cuts could limit upside potential for stocks. We see rates markets are providing little room for yields to decline outside a meaningful slowing of economic growth. Despite high expectations, we think global stocks and bonds can produce respectable returns throughout the year. The current setting presents opportunities for allocators to benefit from divergences in global policy, business cycles and pricing of risk.

In this macro environment, we emphasize balance in our multi-asset portfolios, but believe U.S. exceptionalism is set to persist.

The disinflationary process continues as decongested supply chain issues and slowing demand forces have accounted for most of the recent relief. We see more downside from factors such as shelter, and weaker wage growth as the lagged impact of tighter monetary policy further filters into the labor market, where there are early signs of weakness — such as declining job openings and quits. However, we don't expect significant deterioration in the labor market. Limited private sector overreach and rising real incomes from falling inflation should keep the growth downturn mild.

U.S. equities may continue to outperform other countries and regions, driven by their higher growth potential, proactive corporate rightsizing and robust earnings from unrivaled software innovation. We continue to be cautious on Europe as the region's cyclical gearing and relatively high interest rate sensitivity has made the sting from tighter policy more broadly felt. Europe is also more exposed to energy supply shocks and external demand from China, which is struggling. Exports have plunged, due in part to U.S. companies efforts to re-shore or move offshore manufacturing elsewhere. Furthermore, China's real estate sector, their main growth engine, is in freefall. We are mindful that sentiment is beaten down and look for signs that the Chinese authorities will implement coordinated policy action before shifting stances.

Positioning

At the beginning of the period, Portfolios held modest tactical equity underweights and fixed income overweights relative to their strategic allocation benchmarks. On average across the Portfolios, sub-asset class allocations were overweight to U.S. small cap equities, duration and in near-dated vintages, treasury inflation-protected securities (TIPS). Portfolios underweights included international developed equities and HY.

At the end of October, portfolio managers (PMs) added Vanguard Short-Term Corporate Bond Index ETF by reducing Vanguard Short-Term Bond Index ETF in near-dated vintages. High quality carry from short-term investment grade corporates is attractive, as elevated all-in yields should support cash spreads and provide considerable cushion in periods economic weakness. At the same time, PMs further extended duration in the 2030-2065 vintages by adding to long-term U.S. Treasuries and reducing core fixed income. At that time, real yields were around 2.40%, the highest

in 15 years. PMs felt this was probably near peak interest rates, given their view that global growth is slowing, the Fed is done hiking and will probably begin cutting rates in the first half of 2024. This proved a prescient move, as rates fell sharply in November. At the beginning of December, this portion of the long duration position was unwound at a gain, as rates hit a predetermined fair value level.

Portfolios continue to favor U.S. assets and maintain modestly defensive posture overall with a preference for U.S. large cap equities and core investment grade fixed income.

Performance

The Voya Index Solution Portfolios' primary performance objective is to outperform its strategic allocation benchmark over the long term through tactical asset allocation, which involves making short-to medium-term changes in the asset allocation to benefit from temporary mispricings or market inefficiencies. The benchmark return is the weighted average return of indices that represent asset classes included in the strategic allocation benchmark. Index returns are gross of all fees. The Portfolios invest in passive index funds to gain exposure to asset classes. The Portfolios generally are rebalanced monthly and the strategic asset allocations are updated annually to reflect changes to our capital market assumptions. Portfolios posted positive absolute and relative returns for the period, outperforming the benchmark on gross- and net-of-fees basis.

Tactical asset allocation had a positive impact on performance during the period. Portfolios' long duration posture was the main contributor, as interest rates fell sharply. Overweight to small cap and, in near-dated vintages, underweights in HY also helped. Small caps, which were trading at a sizable valuation discount to large companies due in part to their greater interest rate exposure, disproportionately benefitted from the drop in rates. HY's relatively shorter duration was a drawback given the interest rate action during the period. Overweight to TIPS in near-dated vintages were the main tactical asset allocation detractor, as inflation expectations fell to levels last seen at the end of April.

The Voya Index Solution Portfolios are comprised of passive index funds. The funds may not perfectly track the performance of the underlying asset class benchmarks. During the quarter, index funds performance differences contributed.

¹ Source: BLS; [Union Members - 2022 \(bls.gov\)](https://www.bls.gov/charts/unions-members/unions-members-2022).

Principal Risks: There is no guarantee that any investment option will achieve its stated objective. Principal value fluctuates and there is no guarantee of value at any time, including the target date. The target date is the approximate date when an investor plans to start withdrawing his or her money. When their target date is achieved they may have more or less than the original amount invested. For each target-date portfolio, until the day prior to its target date, the Portfolio will seek to provide total return consistent with an asset allocation targeted at retirement in approximately each Portfolio's designated target year. On the target date, the Portfolio's investment objective will be to seek to provide a combination of total return and stability of principal consistent with an asset allocation targeted to retirement.

Stocks are more volatile than bonds, and portfolios with a higher concentration of stocks are more likely to experience greater fluctuations in value than portfolios with a higher concentration in bonds. Foreign stocks and small and mid cap stocks may be more volatile than large cap stocks. Investing in bonds also entails credit risk and interest rate risk. Generally, investors with longer timeframes can consider assuming more risk in their investment portfolios. The Voya Index Solution Portfolios are actively managed and the asset allocation is adjusted over time. The portfolios may merge with or change to other portfolios over time. Refer to the prospectus for more information about the specific risks of investing in the various assets classes included in the Voya Index Solution Portfolios.

As with any portfolio, you could lose money on your investment in the Voya Solution Portfolios. Although asset allocation seeks to optimize returns given various levels of risk tolerance, you still may lose money and experience volatility. Market and asset class performance may differ in the future from historical performance and the assumptions used to form the asset allocations for the Voya Solution Portfolios. There is a risk that you could achieve better returns in an underlying portfolio or other portfolios representing a single asset class than in the Voya Solution Portfolios. Please keep in mind, using asset allocation as part of your investment strategy neither assures nor guarantees better performance and cannot protect against loss in declining markets.

The share price of the Portfolios normally changes daily based on changes in the value of the securities that the Portfolios hold. The investment strategies used may not produce the intended results. The principal risks of investing in the Portfolios and the circumstances reasonably likely to cause the value of your investment in the Portfolios to decline include: asset allocation risk, credit risk, debt securities risk, equity securities risk, foreign investment risk, growth investing risk, inflation indexed bonds risk, interest rate risk, market and company risk, real estate risk, REITs risk, U.S. Government securities and obligations risk, derivatives risk and value investing risk. If you would like additional information regarding the risks of the Portfolios' underlying funds, please see "Description of the Investment Objectives, Main Investments and Risks of the Underlying Funds" and the "More Information on Risks" sections of the Prospectus.

The strategy employs a quantitative model to execute the strategy. Data imprecision, software or other technology malfunctions, programming inaccuracies and similar circumstances may impair the performance of these systems, which may negatively affect performance. Furthermore, there can be no assurance that the quantitative models used in managing the strategy will perform as anticipated or enable the strategy to achieve its objective.

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.

Variable investments, of any kind, are not guaranteed and are subject to investment risk including the possible loss of principal. The investment return and principal value of the security will fluctuate so that when redeemed, it may be worth more or less than the original investment. In addition, there is no guarantee that any variable investment option will meet its stated objective. 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. All companies are members of Voya Financial.

This commentary has been prepared by Voya Investment Management for informational purposes. Nothing contained herein should be construed as (i) an offer to sell or solicitation of an offer to buy any security or (ii) a recommendation as to the advisability of investing in, purchasing or selling any security. Any opinions expressed herein reflect our judgment and are subject to change. Certain of the statements contained herein are statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (1) general economic conditions, (2) performance of financial markets, (3) interest rate levels, (4) increasing levels of loan defaults (5) changes in laws and regulations and (6) changes in the policies of governments and/or regulatory authorities. **Past performance is no guarantee of future results.**

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.

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.

©2023 Voya Investments Distributor, LLC • 230 Park Ave, New York, NY 10169 • All rights reserved.

Not FDIC Insured | May Lose Value | No Bank Guarantee
CMFC-MCOPPTSTRAT 123123 • ex123124 • IM0000000 • WLT250007030

voyainvestments.com

