

Voya International Real Estate Fund

> Investment Objective

The Fund seeks to provide investors with high total return.

> Main Investments

Equity securities of companies that are principally engaged in the real estate industry.

> Portfolio Management

Voya Investments, LLC, Investment Adviser

CBRE Clarion Securities, LLC, Investment Sub-Adviser



T. Ritson Ferguson, CFA
Portfolio Manager



Steven D. Burton, CFA
Portfolio Manager



Joseph P. Smith, CFA
Portfolio Manager

Key Takeaways

- International real estate stocks were down 1.08% for the quarter as North American property companies performed the best, followed by the Asia-Pacific region and Europe
- The economic outlook is solid and we believe this should have a positive impact on commercial real estate and listed real estate companies
- We believe real estate stocks are attractively priced, trading at a discount to our estimate of the inherent value of the underlying real estate held by these companies
- For the quarter, the Fund underperformed its benchmark, the FTSE EPRA/NAREIT Developed ex-U.S. index

Current Strategy and Outlook

We are positive on property types and markets with valuations that are attractive relative to their growth. In the Asia-Pacific region, we favor Hong Kong property companies, which are primarily landlord businesses. They are showing strong growth relative to real estate valuations, thus scoring well on both “growth” and “value” criteria in our sector ranking analysis. We are monitoring elevated geopolitical risk surrounding trade friction between the United States and China, which has weighed on the stocks. The Tokyo office market continues to experience improved rental growth as vacancies have fallen below 3%, a level at which landlords enjoy increased pricing power, although we know that patience is required in this market and immediate catalysts are lacking. We favor the UK niche sectors of student housing, self-storage and, to a lesser extent, the industrial sector, which is scoring increasingly expensive despite strong fundamentals. In Continental Europe, we prefer property companies in markets with superior growth, including Spain and the Nordic region. We continue to like select German residential companies, which score higher in our stock ranking system.

We are cautious and selective in markets and property types that screen expensive relative to their rate of earnings growth. This includes a number of real estate investment trust (REIT) markets in Asia and Canada. Asian REITs generally have low organic growth and external growth that is dependent upon a constant need for new equity to fund acquisitions, although valuations are becoming more attractive. In Australia, our outlook is mixed.

Property companies are benefiting from an attractive combination of yield and growth, although strength in property fundamentals range from a robust office market to an uncertain retail market and a residential market that is meeting headwinds of affordability. Increased mergers and acquisition activity is generating an underlying bid for Australian REITs.

Portfolio Review

The Fund underperformed the benchmark due to stock selection in the Asia-Pacific region. The Fund’s Asia-Pacific stock exposure was negatively impacted by the escalation and implementation of tariffs between the U.S. and China. Favorable stock selection in this region proved elusive, particularly in Hong Kong. A core position in CK Asset Holdings Ltd. materially underperformed. We have conviction in our Hong Kong stock positions in general, and CK Asset Holdings in particular, given its very attractive valuations, solid earnings growth profile and a business model not affected by trade or tariffs. Our patience was rewarded as CK Asset Holdings sharply rebounded in September.

In Europe, overweight positions in both stocks and countries that offer reasonable valuations, plus steady “growth,” proved key during the month and quarter. Overweight countries included Sweden and Germany and overweight positions included Swedish office companies, Fabege AB and Castellum AB. An underweight position in underperforming Continental European retail bellwether, Unibail-Rodamco-Westfield, contributed to relative performance as persistent concerns surrounding the impact of e-commerce on bricks and mortar retail weighed on the stock.

Despite positive relative performance in September, relative results for the quarter were negative. As we head into October, we continue to believe the Fund’s portfolio is well positioned for a global economic environment that remains positive, a capital markets environment that experiences modestly rising interest rates and a corporate earnings environment, that we believe, should reinforce demand for commercial real estate.

Holdings Detail

Companies mentioned in this report – percentage of portfolio investments, as of 9/30/18: CK Asset Holdings 6.85%, Fabege AB 2.44%, Castellum 2.88%, Unibail-Rodamco-Westfield 1.30%; 0% indicates that the security is no longer in the portfolio. Portfolio holdings are subject to change on a daily basis.

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INVESTMENT MANAGEMENT

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Voya International Real Estate Fund

The **FTSE EPRA/NAREIT Developed ex-U.S. Index** is designed to track the performance of listed real estate companies and real-estate investment trusts (REITs) outside the United States. Relevant activities are defined as the ownership, disposal and development of income-producing real estate. Constituents are classified into distinct property sectors based on gross invested book assets, as disclosed in the latest published financial statement. Index constituents are free-float adjusted, liquidity, size and revenue screened. The Index does not reflect fees, brokerage commissions or other expenses of investing. **Investors cannot invest directly in an index.**

Principal Risks: All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield. **Foreign Investing** poses special risks including currency fluctuation, economic and political risks not found in investments that are solely domestic. Investing in stocks of **Small- and Mid-Sized Companies** may entail greater volatility and less liquidity than larger companies. **Concentration** of investments in one or more real estate industries may subject the Fund to greater volatility than a portfolio that is less concentrated. **Emerging Market** stocks may be especially volatile. **Price Volatility**, liquidity and other risks accompany an investment in International **Real Estate Equities**. The risks of real estate investment trusts (REITs) are similar to those associated with direct ownership of real estate, such as changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, supply and demand, and the management skill and creditworthiness of the issuer. Other risks of the Fund include but are not limited to: **Initial Public Offering Risks, Convertible Security Risks, Market Trends Risks, Rule 144A Security Risks, Non-Diversification Risks, Other Investment Company Risks, Inability to Sell Securities Risks and Securities Lending Risks.** Investors should consult the Fund's Prospectus and Statement of Additional Information for a more detailed discussion of the Fund's risks. An investment in the Fund is not a bank deposit and is not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

An investor should consider the investment objectives, risks, charges and expenses of the Fund(s) carefully before investing. For a free copy of the Funds' prospectus, or summary prospectus, which contains this and other information, visit us at www.voyainvestments.com or call (800) 992-0180. Please read the prospectus carefully before investing.

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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.

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.

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