

Seeking the Growth Potential and Stability of Large Caps

Strategy overview

Actively managed large cap growth strategy that relies on fundamental research and analysis to identify companies with strong and accelerating business momentum, increasing market acceptance and attractive valuations.

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

- After much speculation over when the seemingly inevitable recession would hit, markets have continued to defy the narrative with yet another strong quarter. Unemployment remains at historic lows and the economy has thus far shown itself to be much more resilient than expected.
- For the quarter, the Strategy outperformed its benchmark, the Russell 1000 Growth Index (the Index), on a net asset value (NAV) basis, due to favorable stock selection.
- With inflation easing, it appears that the U.S. Federal Reserve is nearing the end of the rate hike cycle. We are cautiously optimistic that we can achieve the soft landing scenario and avoid recession.

Portfolio review

U.S. equity markets performed well during the second quarter, with most of the gains made in June. Stocks were buoyed by relief over Congress's passage of the bill to raise the debt ceiling. The S&P 500 Index notched its best monthly performance of 2023 during the final month of the period, gaining 6.61% in June and 8.74% for the quarter. Information technology stocks delivered strong performance during the quarter, driven by artificial intelligence and chip manufacturers. Growth stocks outperformed value stocks during the period. After poor performance in April and May, small caps rebounded in June and outperformed larger stocks.

Volatility in the U.S. bond market continued during the quarter. The Bloomberg U.S. Aggregate Bond Index lost -0.84%, while the 10-year U.S. Treasury yield rose from 3.43% at the beginning of the quarter to 3.81% by quarter-end. The Fed raised rates by 25 basis points twice during the period, bringing the Fed funds rate to a range of 5.00–5.25%, but did not implement a hike at its June meeting. Still, Fed officials maintained a hawkish stance through the end of the quarter; although core inflation has decreased significantly from 2022, it has persisted well above the 2% target. The Fed's "dot plot," which serves as a predictor of rate movements, indicates two additional hikes this year.

For the quarter ended June 30, 2023, the Strategy outperformed the Index on a NAV basis due to favorable stock selection. Stock selection in the health care and, to a lesser extent, industrials, sectors contributed the most to performance. Unfavorable stock selection in the information technology, financials and consumer discretionary sectors detracted the most. An unfavorable allocation to health care also weighed on performance.

Key contributors to performance were AbbVie, Inc., NVIDIA Corp. and Eli Lilly and Co.

Not owning a position in AbbVie, Inc. (ABBV) contributed to performance. ABBV reported a mixed quarter with key drugs Skyrizi and Rinvoq slightly below expectations. Management also reduced guidance in part because of unfavorable In-Process Research and Development (IPR&D).

An overweight position in NVIDIA Corp. (NVDA) contributed to performance. NVDA reported a strong quarter, beating expectations across the board and providing guidance substantially above consensus.

An overweight position in Eli Lilly and Co. (LLY) contributed to performance. Retatrutide, LLY's newest obesity drug, had positive data in phase 2 trials.

Key detractors from performance were Estee Lauder Companies Inc., Tradeweb Markets, Inc. and Tesla, Inc.

An overweight position in Estee Lauder Companies Inc. (EL) detracted from performance. The company reported disappointing earnings that missed both their own estimates, as well as consensus estimates during the period as organic sales declined.

An overweight position in Tradeweb Markets, Inc. (TW) detracted from performance. The company reported an in-line quarter, but lowered estimates on volume weakness.

An underweight position in Tesla, Inc. (TSLA) detracted from performance. TSLA and GM recently announced a collaboration to integrate the North American Charging Standard (NACS) connector design into its electric vehicles (EV's), adding to TSLA's revenue opportunity.

Current strategy and outlook

The U.S. economy has remained resilient as have corporate earnings, fueling the debate of a hard versus soft landing.

We still believe there may be greater volatility to come given uncertainty over Fed rate policy in the second half of the year; mixed business sentiment and slowing economic growth; and whether a recession will actually happen, and if so, the duration and depth. The real story has been the resilience of corporate earnings and rise in equity valuations as interest rates begin to normalize. Using price-to-earnings (P/E) ratio as a proxy, valuations for the S&P 500 Index ended 2022 well below 2019 levels. However, despite elevated rates and tightening financial conditions in the first half of the year, valuations have expanded modestly. P/E ratios are still below 2019 levels, and we believe earnings expectations are reasonable, but this could change as we enter 2024 depending on the state of the U.S. economy.

Holdings detail

Companies mentioned in this report – percentage of Strategy investments, as of 06/30/23: AbbVie, Inc. 0%, NVIDIA Corp. 5.79%, Eli Lilly and Co. 3.05%, Estee Lauder Companies Inc. 1.16%, Tradeweb Markets, Inc. 0.95% and Tesla, Inc. 0.99% ; 0% indicates that the security is no longer in the portfolio. Portfolio holdings are subject to daily change.

The **Russell 1000 Growth Index** is an unmanaged index that measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted directly in an index. The Index does not reflect fees, brokerage commissions, taxes 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. **Growth Investing** Prices of growth stocks typically reflect high expectations for future company growth, and may fall quickly and significantly if investors suspect that actual growth may be less than expected. Growth companies typically lack any dividends that might cushion price declines. Growth stocks tend to be more volatile than value stocks, and may underperform the market as a whole over any given time period. **Derivative Instruments** Derivative instruments are subject to a number of risks, including the risk of changes in the market price of the underlying securities, credit risk with respect to the counterparty, risk of loss due to changes in interest rates and liquidity risk. The use of certain derivatives may also have a leveraging effect which may increase the volatility of the Portfolio and reduce its returns. Other risks of the Portfolio include, but are not limited to: **Liquidity, Company, Currency, Foreign Investments, Market, Other Investment Companies and Securities Lending.** **Investors should consider the Portfolio's prospectus and statements of additional information for a more detailed discussion of the Portfolio's risks. An investment in the Portfolio is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.**

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.

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.

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 does not guarantee 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.

©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-LCGSTRAT 063023 • ex063024 • IM2998052 • WLT250006930

voyainvestments.com

