Portfolio Manager Quarterly Commentary | September 30, 2018

Voya Multi-Manager International Small Cap Fund

> Investment Objective

The Fund seeks maximum long-term capital appreciation.

> Portfolio Management

Voya Investments, LLC, Investment Adviser

Acadian Asset Management LLC, Investment Sub-Adviser

Victory Capital Management, Inc., Investment Sub-Adviser

Wellington Management Co., LLP, Investment Sub-Adviser

Key Takeaways

- Political drama, trade worries and Fed rate hikes caused episodic market setbacks but did not derail the positive investor outlook driven by solid fundamentals and soaring consumer and business confidence.
- Trade tensions have yet to make a meaningful dent in GDP or earnings, and interest rates appear to be rising for the right reason — stronger economic growth.
- For the quarter, the Fund underperformed both of its benchmarks, the S&P Developed ex-U.S. Small Cap and MSCI EAFE Small Cap Indices.

Current Strategy and Outlook

U.S. equities led the way for the third quarter of 2018. The strength of the U.S. economy created a flourishing backdrop for corporate earnings, which posted another quarter of 25% growth. The major market indexes such as the Dow Jones Industrial Average, S&P 500 and Nasdaq Composite all posted high, single-digit returns. Large cap stocks outperformed mid caps, which surpassed small caps; growth stocks outperformed value. Non-U.S. developed markets, as measured by the MSCI EAFE index, posted lesser gains than the United States. Emerging markets, burdened by global trade tensions, sustained losses.

The healthcare sector dominated, followed by industrials and information technology. By contrast, the materials, energy and real estate sectors detracted value. Both gold and oil prices decreased over the quarter.

Business confidence remained high and the unemployment rate fell to its lowest level since 1969. The Federal Reserve raised interest rates by another 0.25% in September and appears on track to hike one more time this year in December. The Bloomberg Barclays Global Aggregate index sustained a loss for the quarter, whereas the Bloomberg Barclays U.S. Aggregate Bond index was roughly flat.

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Portfolio Review

For the quarter, the Fund underperformed both of its benchmarks, S&P Developed ex-U.S. Small Cap and MSCI EAFE Small Cap Indices.

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The Fund manager target allocations as of September 30, 2018 are 40.50% to Acadian Asset Management, LLC, 32% to Victory Capital and 27.50% to Wellington Management Company, LLP.

Sub-Adviser Details

Acadian Asset Management

For the third quarter, the portfolio underperformed the S&P Developed ex-U.S. Small Cap index. Losses incurred from stock selection were partially offset by value added from country allocations. Key sources of negative active return included stock selection in Canada and the Netherlands, along with an overweight position in China. More successful investments included stock selection in Japan, an opportunistic exposure to Thailand and a combination of stock selection and an overweight position in Israel.

Our holding in Transcontinental Inc. detracted from returns. Shares tumbled after the Canadian media services company reported third-quarter earnings that fell short of market expectations. By contrast, our holding in Games Workshop Group PLC contributed to returns. Shares climbed after the U.K. toy maker issued a better-than-expected trading update and announced a dividend payout.

Sector weights are primarily driven by bottom-up stock selection. Active allocations were relatively risk-controlled and had a positive impact on return, due primarily to an underweight position in consumer discretionary and an emphasis in energy. Overall, sector allocations contributed to returns. Country allocations also contributed for the quarter. The portfolio benefitted from opportunistic exposures to Thailand and Taiwan, along with an emphasis on Israel and an underweight position in the U.K.

Victory Capital

Overall, security selection was slightly negative and accounted for most of the Fund's underperformance. We generated excess returns in two of five regions and five of eleven economic sectors. Security selection in the financials and healthcare sectors detracted the most from performance. Swiss asset management company, GAM Holding AG, was among the top detractors, following a mid-July profit warning and the suspension of the director of fixed income investment strategies. The profit warning relates to a write-down in the carrying value of Cantab, an in-house hedge fund manager facing client withdrawals following disappointing performance. The suspension of the senior investment officer came after the company determined risk management procedures were not being followed per company policy. Within healthcare, Irish commercialization solutions provider, UDG Healthcare PLC, dropped following a mixed third quarter trading update. Management also announced the sale of a non-core unit at a discount price, which will likely lead to a non-cash write-down.

The consumer discretionary sector outperformed. SodaStream International Ltd., the Israeli maker of home beverage carbonation systems, outperformed as the board recommended accepting an offer from PepsiCo, Inc. to purchase the company. A sizable position in Canada Goose Inc. also boosted relative performance in the sector. The outerwear designer known for high-end winter jackets rose as sales growth continued to exceed expectations particularly through direct-to-consumer channels, which generate higher gross margins.

We remain focused on stock selection while adhering to our strict country and sector risk controls.

Wellington Management Company, LLP.
Global equities rose for the second straight quarter. Global markets stabilized in the wake of robust U.S. economic data, while political uncertainty and trade concerns weighed on some regions. U.S.-China trade relations remained volatile. U.S. tariffs on approximately $200 billion of Chinese imports took effect in September, and China promptly retaliated with tariffs on about $60 billion of U.S. exports. Emerging markets volatility spiked after Turkey's financial crisis rattled global markets, but receded at the end of the quarter. Oil approached a four-year high amidst global supply uncertainties and strong global growth. Oil inventories declined after OPEC refrained from increasing output and as the first round of U.S. sanctions on Iran went into effect. On the monetary front, the U.S. Federal Reserve (Fed), the Bank of England and the Bank of Canada raised interest rates. The European Central Bank (ECB) remained dovish, leaving rates unchanged and reiterating its pledge to keep them low at least until the summer of 2019.

The portfolio underperformed its benchmark in the third quarter. Stock selection detracted most in the information technology, consumer discretionary and materials sectors. Stock selection in industrials and our overweight in industrials and health contributed to the performance. On a geographic basis, regional weights had negligible impact on attribution but stock selection in Italy, Switzerland, Norway and Austria slightly detracted.

The largest detractor during the quarter was Ferrotec Holdings Corp., a Japanese information technology company that makes advanced materials for the semiconductor industry. The company reported share gains and we continue to believe its fundamentals are very strong. The second largest detractor was Hill & Smith Holdings PLC, a UK maker of galvanized building products. It reported lower than expected quarterly results based on adverse weather, a more cautious UK investment environment and difficulty passing along higher zinc prices. Maisons du Monde SA, a French furniture and home furnishings company, traded down after it modestly reduced its guidance for sales growth. Under its new CEO, we believe the company will benefit from recovering conditions in their French market as well as new opportunities in Germany.

In many cases, among our top contributors for the quarter were our top detractors last quarter. Hikma Pharmaceuticals PLC, a UK pharmaceutical company, we believe, is executing well under its new CEO, with particular strength in their injectables business. DMG Mori Co. Ltd., a Japanese maker of cutting machine tools, and Miura Co., Ltd., a Japanese boiler manufacturer, rebounded. Ontex Group NV, a Belgian consumer staples company, continues to win share from top global disposable personal hygiene companies. We eliminated the holding after it received a takeover bid from PAI Partners, an offer that was subsequently withdrawn. IMCD NV, a Netherlands distributor of specialty chemicals and food ingredients, reported strong results. We believe it will benefit from its purchase of ET Horn Company, a North American distribution company, and use its free cash flow for further accretive acquisitions.

We added a number of attractive new companies during the quarter. Kyowa Exeo Corp. is a Japanese company that makes telecommunications equipment and builds communications facilities. Elis SA is a French company specializing in flat linens, laundry service and workwear rental. We believe that its growth and margins will beat expectations. We also added M&A Capital Partners Co. Ltd., a Japanese financial services firm, which we believe should continue to grow as it adds consultants to its merger and acquisition teams.

We funded these new purchases through a number of trims and eliminations. We eliminated L'Occitane en Provence and Ezaki Glico Co, a Japanese food company, as share prices rose during the quarter. We also eliminated Fairfax Media Ltd., an Australian media company, on the announcement of a takeover by Nine Entertainment Company Holdings Ltd.

As of the end of the third quarter, we are overweight in the industrials, healthcare, consumer discretionary and materials sectors. We are roughly neutral in the energy and communications services sectors. We are underweight in the real estate, information technology, consumer staples and financial sectors. Our largest geographic overweight include Italy, UK and South Korea. We are underweight in Sweden, Germany and Denmark. All of our relative sector and regional weights are the result of bottom-up, company-specific fundamental stock specific research that seeks to identify good companies at attractive valuations that we believe will exceed market expectations.

Holdings Detail

Companies mentioned in this report – percentage of portfolio investments, as of 09/30/18: Transcontinental 0.00%, Games Workshop Group PLC 0.17%, UDG Healthcare PLC 0.16%, SodaStream International Ltd. 0.00%, Ferrotec Holdings Corp. 0.16%, Hill & Smith Holdings PLC 0.19%, Maisons du Monde SA 0.35%, Hikma Pharmaceuticals PLC 0.47%, DMG Mori Co. Ltd. 0.53%, Miura Co., Ltd. 0.32%, Ontex Group NV 0.00%, PAI Partners 0.00%, IMCD NV 0.40%, ET Horn Co. 0.00%, Kyowa Exeo Corp. 0.21%, Elis SA 0.18%, M&A Capital Partners Co. Ltd. 0.07%, L'Occitane en Provence 0.00%, Ezaki Glico Co 0.00%, Fairfax Media Ltd. 0.00%, Nine Entertainment Company Holdings Ltd. 0.00%.

0% indicates that the security is no longer in the portfolio. Portfolio holdings are subject to change on a daily basis.

Voya Multi-Manager International Small Cap Fund

The **S&P Developed Ex-U.S. SmallCap Index** is an unmanaged index of small-cap stocks from developed countries, excluding the United States. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an index.**

The **MSCI Europe, Australasia and Far East (EAFE) Small Cap Index** is an unmanaged index which measures the performance of small capitalization equities among developed markets around the world, excluding the United States and Canada. 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. Investments in **Small-Capitalization Companies** involve greater risk than is customarily associated with larger, more established companies due to the greater business risks of small size, limited markets and financial resources, narrow product lines and the frequent lack of depth of management. **Foreign Investments/Developing and Emerging Markets** Investing in foreign (non-U.S.) securities may result in the Fund experiencing more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. companies, due to smaller markets, differing reporting, accounting and auditing standards, and nationalization, expropriation or confiscatory taxation, foreign currency fluctuations, currency blockage, or political changes or diplomatic developments. Foreign investment risks typically are greater in developing and emerging markets than in developed markets. **Convertible Securities** Convertible securities are securities that are convertible into or exercisable for common stock at a stated price or rate. Convertible securities are subject to the usual risks associated with debt securities, such as interest rate and credit risk. In addition, because convertible securities react to changes in the value of the stocks into which they convert, they are subject to market risk. **Currency** To the extent that the Fund invests directly in foreign currencies or in securities denominated in or that trade in foreign (non-U.S.) currencies, it is subject to the risk that those currencies will decline in value relative to the U.S. dollar or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. **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 Fund and reduce its returns. **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. **Value Investing** Securities that appear to be undervalued may never appreciate to the extent expected. Further, because the prices of value-oriented securities tend to correlate more closely with economic cycles than growth-oriented securities, they generally are more sensitive to changing economic conditions, such as changes in interest rates, corporate earnings and industrial production. Other risks of the Fund include, but are not limited to: **Investment by Other Funds, Investment Model Risk, Market Risk, Stock Risk, Other Investment Companies and Securities Lending. 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.

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.

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