Voya Securitized Credit Fund

Tap into Voya's Flexible "Through-the-Cycle" Approach

Strategy Overview

The Securitized Credit Fund seeks to maximize total returns through a combination of income and capital appreciation from a diversified portfolio of securitized credit investments.

Expected Contribution to Returns

High

Security Selection continuous review of the fundamentals and relative value of each security in our universe ensures our portfolios are well-positioned to add value.

Sector Allocation fixed income segment returns vary over time; macro theme analysis evaluates the changes and guides our sector allocation strategy.

Duration while a potential source of outperformance, duration is typically managed within a relatively narrow band as appropriate given each client's objectives.

Low

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.

Key Takeaways

- Allocations to the credit portion of the securitized universe drove outperformance
- We will remain underweight to the bulk of the index as market conditions continue to favor the off-index securitized credit universe
- For the quarter, the Fund outperformed its benchmark, the Bloomberg Barclays U.S. Securitized MBS/ABS/CMBS index

Current Strategy and Outlook

The portfolio remains positioned to capitalize on the relative strength of the U.S. consumer. While consumer confidence in the United States has flattened out and expectations are less optimistic, household balance sheets remain in good shape. A strong rebound in net worth as a percent of disposable income and continued wage gains amidst a very tight labor market continue to support the U.S. consumer.

Non-agency residential mortgage-backed securities (RMBS) have continued their strong performance, leading to tighter valuations compared to alternatives. While the market has become more comfortable with mortgage credit risk through periods of volatility, we think non-agency subsectors are vulnerable to broader macro developments. We remain positive long term, as sector attributes continue to resonate with investors.

Given the broader macro and interest rate environment, we continue to favor mortgage-backed securities like mortgage credit (non-agency RMBS and credit risk transfer securities) and commercial mortgage-backed securities (CMBS). While longer in the cycle than other securitized credit assets based on valuations, we believe fundamentals remain strong for the CMBS market. Security selection within mortgage credit will continue to be definitional to returns as issuance, underwriting, and prepayments may affect the broader space.

We believe asset-backed securities (ABS) will remain well bid and offer outperformance opportunities when market beta is negative. Over the long term, ABS provide access to a unique combination of attributes: U.S. consumer driven, housed in robust structures with shorter spread durations and favorable liquidity conditions.

Portfolio Review

Fixed income markets posted strong returns for the quarter. U.S. Treasuries led the rally, as 10-year US Treasury yields declined from 2.41% to 2.00% during the quarter. Treasuries were initially supported by a trade-related flight to quality and then by Fed comments that a rate cut was on the table. Beyond U.S. Treasuries, fixed income sectors largely outperformed.

Overall, allocations to the credit portions of the securitized universe (primarily off-benchmark) were the overwhelming driver of positive performance on an absolute and relative basis for the quarter. Each sub-sector ultimately contributed to returns for the quarter, with spreads tightening across the universe and outpacing agency mortgages.

The Fund remains underweight with zero exposure to the agency-guaranteed portion of the securitized markets as we believe the credit portion of the universe carries better relative value opportunities. The agency mortgage sector underperformed credit focused sub-sectors during this risk-on period.

Off-index allocations to non-agency RMBS and credit risk transfer securities were the largest driver for the period, followed by our security selection within CMBS. Our overweight to ABS performed modestly well, although security selection was the larger value add for the period. The Fund took a short duration position relative to the index for the period, as a ballast to credit risk and ultimately an increasing interest-rate environment. Though a source of positive total return on an absolute basis, as interest rates declined during the quarter the short position was a drag on relative results.

The **Bloomberg Barclays U.S. Securitized MBS/ABS/CMBS and Covered Index** includes the MBS, ABS, and CMBS sectors. Indexes do not reflect fees, brokerage commissions, taxes or other expenses of investing, and investors cannot directly invest in an index.

All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. **High-Yield Securities,** or "junk bonds", are rated lower than investment-grade bonds because there is a greater possibility that the issuer may be unable to make interest and principal payments on those securities. To the extent that the Fund invests in **Mortgage-Related Securities**, its exposure to prepayment and extension risks may be greater than investments in other fixed-income securities. The Fund may use **Derivatives**, such as options and futures, which can be illiquid, may disproportionately increase losses and have a potentially large impact on Fund performance. **Foreign Investing** does pose special risks including currency fluctuation, economic and political risks not found in investments that are solely domestic. As **Interest Rates** rise, bond prices fall, reducing the value of the Fund's share price. **Other risks of the Fund include but are not limited to: Credit Risks; Credit Default Swaps; Currency; Interest in Loans; Liquidity; Other Investment Companies' Risks; Prepayment and Extension; Price Volatility Risks; U.S. Government Securities and Obligations; Sovereign Debt; and Securities Lending Risks. Investors should consult the Fund's Prospectus and Statement of Additional Information.**

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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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