

# The Target Date Choice to Help Keep Retirement Goals on Track

## 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

- U.S. stock and bond markets initially struggled with high inflation expectations but rebounded as improved May inflation data boosted hopes for U.S. Federal Reserve rate cuts, leading to gains in broad equity markets, particularly in large-cap and growth stocks.
- In our view, a softening labor market should contribute to slower yet steady economic growth and declining inflation, but no immediate expectations of a recession. We continue to hold a balanced posture between stocks and bonds and favor higher quality U.S. assets.
- The Portfolios posted positive absolute and relative returns for the period on a net asset value (NAV) basis.

## Market review

**U.S. stock and bond markets faced challenges at the beginning of the second quarter, as hot inflation readings dampened expectations for Fed rate cuts.** Towards the end of the quarter, however, the outlook improved as favorable May inflation data increased investor confidence in potential Fed rate reductions by September. This, along with continued strength in the labor market and rising earnings optimism helped broad equity markets post gains for the period. Large-cap stocks outperformed small caps and growth beat value. Within the S&P 500 Index, technology, communication services and utilities sectors led, while materials, industrials and energy lagged.

**International stocks also moved higher, with emerging markets (EM) outperforming developed.** China and India, the two largest countries within the EM Equity Index, both performed well. Chinese equities were helped by government support for the real estate sector and improving industrial production, while Indian equities saw strong performance continue after general elections concluded, and Prime Minister Modi secured his third term in office. Japanese stocks underperformed in the period primarily due to uncertainty surrounding the Bank of Japan's monetary policy normalization and the expected appreciation of the yen, which raises concern about the competitiveness of Japanese exports.

**Fixed income markets had mixed performance but declined in aggregate as the U.S. Treasury yield curve rose slightly.** High yield (HY) bonds performed well due to strong corporate earnings, pulling spreads tighter. Like international equities, EM bonds outperformed developed market issues, as French government bonds dropped on political uncertainty.

## Outlook

**The impact of high interest rates is evident as growth trends below normal, putting downward pressure on prices.** Recent data shows a quarterly gross domestic product (GDP) growth slowdown to 1.4% and a slight increase in unemployment to 4.1%. While employment indicators suggest a softening job market, a rise in job openings to 8.1 million indicates a gradual cooling. Disinflationary trends are resuming, which should support real incomes

aligned with 2% inflation. While higher rates counteract some easing financial conditions, we expect inflation to continue decreasing without spiking unemployment, thus averting a recession. Equity markets may not see significant gains soon, especially with expected volatility as U.S. elections approach. In this late-cycle environment, we maintain a neutral stance between stocks and bonds, balancing the risks associated with both asset types.

**The current global economic landscape and market dynamics favor U.S. assets, particularly large cap stocks.** Despite macroeconomic challenges, the United States is better positioned than most regions. U.S. capital markets, a global destination for investor flows, benefit from stable economic conditions, technological innovation and robust financial markets. Consequently, the U.S. is our preferred region, with large cap stocks appealing for their earnings quality, growth potential and momentum. Technology-driven sectors offer unrivaled pricing power, promising positive real returns regardless of inflation levels. However, earnings expectations have outpaced actual earnings, and with nominal GDP growth declining, sales growth will be challenging. While high profit margins and returns on equity may support valuations, they are too high to expect further expansion. Much depends on the earnings growth of U.S. technology mega-caps, which have driven recent gains but face scrutiny over their artificial intelligence investments. These firms must eventually demonstrate revenue and earnings from these investments, but immediate results are not necessary as AI infrastructure providers are generating significant cash flows. Companies need time to transition from training to production models before making accurate assessments. We also value the stability of large companies to buffer against global economic and geopolitical uncertainties, offering a compelling risk-reward opportunity.

**For as long as we have favored U.S. large caps, we have been underweight in real estate investment trusts (REIT) due to rising interest rates increasing borrowing costs and pressuring their performance.** The significant amount of commercial real estate debt needing refinancing at higher rates poses financial risks, especially for office and retail sectors facing structural challenges. Additionally, the volatility and potential overvaluation of publicly traded REITs relative to their net asset values raise concerns about their return potential. Given these factors, we see more attractive investment opportunities elsewhere.

**International stocks present mixed prospects.** Japan struggles with a weak currency and challenges in normalizing monetary policy, despite potential rate hikes influenced by easing U.S. inflation and European Central Bank cuts. Europe faces sluggish growth due to high labor costs, persistent core inflation and geopolitical tensions, exacerbated by domestic political instability, particularly in France. In contrast, the United Kingdom appears more stable and attractive to investors, buoyed by political shifts towards labor under Sir Kier Starmer, anticipated Bank of England rate cuts, and favorable macroeconomic data. Meanwhile, China's stock market has rallied, driven by strong GDP growth and robust sectors like electric vehicles and industrial robotics. However, significant risks linger due to its ongoing property crisis and sensitive international relations, especially with the U.S.

**We maintain a preference for higher quality within fixed income.** Despite limited upside from tight spreads, the supportive macroeconomic environment and solid corporate fundamental factors make the yield from investment grade (IG) bonds appealing. Securitized credit products, particularly consumer-oriented asset-backed securities and residential mortgage-backed securities, are attractive. The commercial mortgage-backed securities sector, though beaten down, offers value opportunities for astute investors. Although higher interest costs impact HY credit quality, defaults remain limited, keeping us neutral due to increasing tail-risks. We lack a strong conviction on the near-term direction of rates but maintain a modest long duration in aggressive, equity-heavy portfolios for added stability. We prefer nominal over real bonds to hedge against equity downturns. With some foreign central banks cutting rates, certain international bond markets are appealing. However, due to a strong U.S. dollar and potential negative currency impacts, we remain underweight in non-U.S. bonds.

## Positioning

**At the beginning of the period there were no open tactical positions.** At the end of February, Portfolios enacted their glide downs, leading to lower strategic equity weights in the 2050–2025 vintages. At the same time, the Portfolio' strategic asset allocations were reset, with all tactical positions at the beginning of the period being subsumed into the revised strategic asset allocation, thereby becoming longer-term views.

In early April, U.S. large cap equities were reduced in favor of U.S. mid cap equities. This shift was made to decrease concentration risk in U.S. large cap stocks after significant outperformance, with large stocks producing their best one-year stretch in versus U.S. mid caps since the 1990s. From a factor perspective, diversifying away from momentum and loading higher on value and size was also a motivation.

Portfolios continue to favor U.S. assets and maintain balanced posture overall with a preference for U.S. large cap equities and core IG fixed income.

## Performance

**The Voya Solution Portfolios' primary performance objective is to outperform its strategic allocation benchmark over the long-term through tactical asset allocation,** i.e., deviating from the composite benchmark over the short and medium-term and active manager selection. 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 are generally rebalanced monthly and the strategic asset allocations are updated annually to reflect changes to our capital market assumptions. The Portfolios posted positive absolute and relative returns for the period on a NAV basis. Tactical asset allocation detracted while manager selection contributed.

**Tactical asset allocation had a negative impact on performance during the period.** Funds' tactical overweight to U.S. mid cap and underweight in U.S. large cap equities was a detractor. A broadening rally into other sectors and down capitalization size did not materialize, as mega-cap technology stocks continued to drive market gains. Despite the robust performance of large-cap stocks, the second quarter saw a significant divergence in the U.S. equity market, with most stocks experiencing declines. In fact, gains were primarily seen in the largest and most growth-oriented stocks. Themes of size, quality

and momentum continued to dominate, as riskier trades fell behind against a backdrop of underwhelming earnings for most equities.

**Underlying manager selection contributed to performance for the period.** Strategies that contributed most to excess returns in the quarter were Voya Intermediate Bond, Voya Small Cap Growth and Voya Large Cap Value. The biggest detractors in the quarter were Voya Multi-Manager Emerging Markets Equity, Voya Multi-Manager Mid Cap Value and VY T. Rowe Price Capital Appreciation.

**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 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 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 Target Solution Trust. There is 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.

Important factors to consider when planning for retirement include your expected expenses, sources of income and available assets. Before investing in the Voya Solution Portfolios, weigh your objectives, time horizon and risk tolerance. The Voya Solution Portfolios invest in many underlying portfolios, which are exposed to the risks of different areas of the market. The higher a portfolio's allocation to stocks the greater the portfolio's overall risk. Diversification cannot assure a profit or protect against loss in a declining market.

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.

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**Past performance is no guarantee of future returns.** All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. All security transactions involve substantial risk of loss. Please reference your client statement for a complete review of recent transactions and performance.

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