Commentary | 3Q20

Voya Solution Portfolios℠ (Target Date)

# 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.

## Market Review and Economic Outlook

After five straight months of gains, stock markets felt the pull of gravity in September as coronavirus cases resurged and confidence in the economic outlook faltered. Nevertheless, strong gains in July and August offset the September downdraft, resulting in net increases for the quarter. The Dow Jones Industrial Average rose 8.22%, the S&P 500 index rose 8.79% and the NASDAQ Composite maintained its lead on the strength of its technology giants, gaining 11.02%. Gauged by market capitalization, large-cap stocks fared the best, followed by mid caps then small caps; all had positive results for the quarter. Non-U.S. markets, as measured by the MSCI EAFE index, gained 4.88%; the MSCI Emerging Markets index continued to benefit from a weaker U.S. dollar, gaining 9.56%.

During the quarter, expectations for further fiscal stimulus, optimism about progress in developing a coronavirus vaccine, positive economic momentum and better-than-expected corporate earnings were among the widely cited market drivers. Also undergirding sentiment was the Federal Reserve's decision to cease pre-emptively raising interest rates to forestall inflation, a policy shift likely to keep rates low — and supportive of equities — for a long time. The Dow Jones UBS Commodity index, which is sensitive to changes in the economic outlook, rose 9.07%.

Fixed income assets also delivered positive results for the quarter: the Bloomberg Barclays (BB) Global Aggregate index gained 2.66%, the BB U.S. Aggregate Bond index gained 0.62%. Long-term U.S. Treasurys were up 0.14% on the month; mortgage-backed securities rose 0.11%, investment-grade corporate bonds lost 1.54% and high-yield bonds gained 4.60%.

The economy continues to recover, albeit more slowly than before; with the pandemic intensifying – and now even the President infected – it remains an open question whether the recovery is sustainable. The Federal Reserve has been resolute in its commitment to provide economic and financial market stability, but central bank action alone may not be enough to sustain the recovery. Fiscal stimulus also will be needed but passing another stimulus bill has proven difficult in the current U.S. political climate.

## Asset Allocation

The Solution Portfolios started off the third quarter with an overall overweight to equities relative to fixed income. Within the sub-asset class space, the Portfolios were overweight in domestic large and small cap equities and long government bonds. These positions were funded by underweight positions in international equities, real estate, core fixed income and Treasury inflation-protected securities (TIPS).

In July, the Portfolios removed long-government bond exposure in the far-dated vintages and reduced it in the near-dated vintages in favor of intermediate term bonds. At the time of the trade, the yield curve had re-flattened and we believe it will likely steepen as economic and COVID-related data (e.g., hospitalizations) continue to improve. Also, in July the Portfolios purchased emerging market equities with proceeds from reducing intermediate bonds. This trade partially unwinds a short emerging market position enacted in May of this year. Rationale for the trade lies in the weakening U.S. dollar and the fiscal-led recovery in China.

In August, long government bond exposure was reduced in favor of corporate credit across the income – 2035 vintages. This is a partial unwind of a tactical position overweighting long-duration that was implemented in April.

Overall, tactical positioning was positive for the quarter.

## Underlying Managers

Underlying manager performance positively contributed to performance for the quarter. Top performers relative to their respective benchmark in the quarter were the Voya Multi-Manager International Equity, VY T.Rowe Price Growth Equity and Voya Multi-Manager International Factors. Bottom performers relative to their respective benchmark in the quarter were the VY Invesco Comstock, Voya U.S. High Dividend Low Volatility and Voya Large Cap Growth.

**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.

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



Not FDIC Insured | May Lose Value | No Bank Guarantee
CMFC-SOLPOR 102220 • ex093019 • IM1379838 • WLT250005844

voyainvestments.com