Voya Strategic Allocation Blend Portfolio

Institutional-quality portfolios designed for long-term wealth building

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Strategy overview

The Strategic Allocation Model Blend Series offers four portfolios—All Equity, Aggressive, Growth, and Moderate Conservative—combining well-known active strategies with low-cost passive funds to provide diversified exposure aligned with a range of risk and return objectives.

Key takeaways

- Global markets rebounded as easing Middle East tensions, moderating inflation concerns, and resilient economic and corporate fundamentals improved investor sentiment. Equity gains broadened beyond mega cap stocks, with small caps and EMs outperforming, while fixed income delivered modest gains despite ongoing interest-rate volatility.
- Looking ahead, we remain cautiously constructive on risk assets as investment in AI, infrastructure, and reshoring continues to support growth. While inflation and geopolitical risks warrant selectivity, we favor high-quality U.S. equities, selective international opportunities, and intermediate-duration U.S. core bonds given their attractive balance of earnings potential, yield, and diversification benefits.
- During 2Q26, the Voya Strategic Allocation Blend Portfolios delivered positive absolute returns and mixed relative returns.
- On a net-of-fees basis for the following: The Voya Strategic Allocation Blend Moderate Conservative Portfolio, Voya Strategic Allocation Blend Growth Portfolio and Voya Strategic Allocation Blend Aggressive Portfolio outperformed the S&P Target Risk Moderate, Balanced, and Aggressive Indices, respectively, whereas Voya Strategic Allocation All Equity Blend Portfolio underperformed its benchmark: 98.5% ACWI IMI/1.5% Cash.

Market review

Global markets rebounded during the second quarter as investor sentiment improved amid easing Middle East tensions and reduced concerns about near-term energy disruption through the Strait of Hormuz. Energy prices retreated from earlier highs, helping inflation concerns moderate, while resilient economic data and corporate earnings reinforced confidence in the global outlook. Continued investment in artificial intelligence-related infrastructure also supported earnings expectations, particularly across semiconductor-related industries.

Within equities, small cap stocks outperformed large caps as the improving economic backdrop prompted market leadership to broaden beyond mega cap companies and toward more attractively valued, domestically oriented businesses. Emerging Market (EM) equities delivered strong returns, supported by robust earnings growth among technology companies in Taiwan and South Korea, as well as attractive valuations and stronger risk appetite.

Fixed income markets generated modest positive returns despite ongoing interest-rate volatility. Inflation concerns eased from earlier peaks but remained a source of rate volatility, while shifting expectations for monetary policy contributed to fluctuations in Treasury yields. The yield curve flattened as investors scaled back expectations for U.S. Federal Reserve rate cuts, causing shorter-term yields to rise more than longer-term rates. Nevertheless, solid macro conditions, strong corporate fundamental factors, and tight credit spreads supported performance across higher-yielding sectors, which generally outperformed investment grade bonds.

Portfolio review

The Voya Strategic Allocation Blend Portfolios posted positive absolute returns and mixed relative returns.

Asset allocation was additive to relative performance across all portfolios. Overweights to equities and underweights in bonds were the primary contributors, as stocks benefited from improving growth expectations and resilient corporate earnings, while bond returns were constrained by rising rates and a flatter yield curve. Overweights to EM also added value, supported by strong performance across AI-related semiconductor and technology supply chains, particularly in Asia. These gains were partly offset by underweights in EM debt, where broadly tighter spreads reflected similar fundamental improvements. Underweights in U.S. small caps also detracted, as the market rally broadened down cap into more cyclical, domestically oriented firms.

Manager selection was a detractor. The underlying managers that contributed the most to performance were Voya VACS Series Large Cap Core and MFS Blended Research Mid Cap Equity. The managers that detracted most were Principal Diversified International and American Funds New World Fund.

Outlook

Growth remains resilient, but the drivers have changed. Rather than benefiting from low inflation, falling rates, and globalization, today's expansion is being supported by AI investment, energy security, defense spending, reshoring, and automation. These trends create opportunities but are more capital intensive and sensitive to financing costs, reinforcing the need for selectivity. We favor companies with strong earnings visibility, pricing power, healthy balance sheets, and the ability to benefit from long-term productivity gains.

The United States remains the strongest developed-market growth story. Investment spending, a healthy labor market, and resilient consumer demand continue to support activity, although spending trends are becoming more uneven. Inflation remains above the Fed's target but appears to be moderating, allowing policymakers to remain patient as they balance growth and inflation risks.

Global trade continues to shift toward a more regionalized and security-focused model. Reshoring, supply-chain diversification, and strategic investment support capital spending but may also keep inflation somewhat higher than in the pre-pandemic era. Geopolitical risks remain a source of volatility, though the U.S. remains relatively well positioned given its energy production, innovation leadership, and deep capital markets.

Within equities, we remain constructive on the U.S., where improving market breadth has expanded participation beyond the largest technology companies. While leadership has broadened, we continue to favor high-quality businesses with durable earnings growth, competitive advantages, and pricing power. AI remains a compelling long-term theme, but the focus is increasingly shifting from adoption to monetization, profitability, and returns on invested capital.

We also see opportunities outside the U.S., though the outlook is more uneven. In developed markets, future returns are likely to depend more on earnings growth than valuation expansion. Japan remains attractive given corporate governance reforms, improving shareholder returns, and positive nominal growth. In EM, we favor Asia, where semiconductors, technology hardware, and data-center infrastructure provide exposure to the global investment cycle. However, increasing concentration within a small number of markets and companies supports a selective approach. We continue to view China as an important source of manufacturing and technology leadership, though opportunities remain concentrated in export-oriented and industrial sectors.

In fixed income, higher yields have restored the attractiveness of high-quality bonds as both income generators and portfolio diversifiers. We continue to favor intermediate-duration U.S. core bonds, where the balance between yield, diversification, and interest-rate risk appears most attractive, while remaining more cautious on non-U.S. bonds and EM debt.

The **MSCI ACWI Investable Market Index (IMI)** captures large, mid and small cap representation across 23 Developed Markets and 24 Emerging Markets countries. The **S&P Target Risk Aggressive Index** is designed to measure the performance of aggressive stock-bond allocations to equities, seeking to maximize opportunities for long-term capital accumulation. It may include small allocations to fixed income to enhance portfolio efficiency. The custom benchmark is comprised of 98.5% MSCI ACWI Investable Market Index and 1.5% cash. The **S&P Target Risk Balanced Index** is designed to measure the performance of equity allocations, while seeking to provide limited fixed income exposure to diversify risk. The **S&P Target Risk Moderate Index** is designed to measure the performance of moderate stock-bond allocations to fixed income while seeking to increase opportunities for higher returns through equities. Index returns do not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an index.** The index is a product of S&P Dow Jones Indices LLC, a division of S&P Global, or its affiliates ("SPDJI"), and has been licensed for use by Voya. Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC, a division of S&P Global ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). Voya or its products or services are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P or their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the index.

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