

# Voya Index Solution Portfolios<sup>SM</sup>

These portfolios are only offered as an investment option within variable products and retirement programs.

## Market Overview

Economic growth was unleashed in the first quarter, not just in the United States but also in Europe and China: the “Big Three.” Growth across the board in employment, manufacturing and business confidence either notched near or surpassed record highs. The markets were unleashed too, but in an erratic and unpredictable way. The S&P ended the quarter down 0.8%, the first quarterly loss since 2015. Emerging markets climbed higher in Q1, up 1.5% on accelerating global industrial growth and strong corporate profits. Stocks in Europe and Japan fell in the face of stronger currencies and potential trade turmoil, and the MSCI EAFE index was down 1.4% for the quarter. Global real estate investment trust (REITs) were the worst performers, down 4.3% on fears of higher interest rates.

The first quarter marked the return of volatility to financial markets and fixed income was not immune from these swings. A rise in U.S. Treasury yields that began late in 4Q17 led to a massive spike in implied volatility for equity and fixed income markets, with the VIX index leaping from 10% to 37% in just ten days. This confluence of events drove equity markets down and large swings continued for the remainder of the quarter. While these moves were a significant departure from recent history, the increase in volatility was in fact a return to normal for financial markets.

In a largely anticipated move, the Federal Reserve announced another interest rate hike of 25 basis points (bp) after its March policy meeting. Markets were caught off guard, however, when the Fed left the door open to four rate hikes over the course of 2018 — one more hike than expected. Two-year Treasuries moved higher in yield (lower in price), from 1.89% at the beginning of the quarter, to end at 2.27%. Ten-year Treasury yields rose from 2.41% to 2.74%.

## Portfolio Review

As of reporting period end, the Portfolios were comprised of the following funds and Exchange Traded Funds (ETF):

- Credit Suisse Commodity Return Strategy Fund
- iShares 1-3 Year Treasury Bond ETF
- iShares MSCI Eurozone ETF
- iShares Russell 1000 Growth ETF
- iShares TR 20+ Year Treasury Bond ETF
- iShares TR Russell 1000 Value ETF
- PowerShares Senior Loan ETF
- SPDR Barclays High Yield Bond ETF
- SPDR Dow Jones International REIT ETF
- Vanguard REIT Index ETF
- Voya Emerging Markets Index Portfolio P2
- Voya International Index Portfolio P2
- Voya Russell Mid Cap Index Portfolio P2
- Voya Russell Small Cap Index Portfolio P2
- Voya U.S. Bond Index Portfolio P2
- Voya U.S. Stock Index Portfolio P2

During the first quarter, the Portfolios favored equities over fixed income, with overweight positions in Japanese equities and emerging markets. The suite also maintained its tactical overweight to domestic large-cap growth to offset the value bias in its strategic allocation.

In January, the Portfolios lowered its REIT position given the asset class' negative beta to interest rates, which are potentially breaking into a higher range. Proceeds from the sale were allocated to U.S. large-cap equities.

In March, the Portfolios closed its Japanese equities (U.S. dollar hedged) position. The supporting thesis, that the Bank of Japan would keep the currency relatively weak, failed to materialize. The strengthening of the yen over the period of the position was a headwind for Japanese equities. Proceeds from the sale were split between U.S. large-cap and International equities.

Overall, tactical moves during the quarter had a negative impact on performance for the suite.

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INVESTMENT MANAGEMENT

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**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 Index 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 Index 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 Solution Portfolios. There is a 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. Please keep in mind, using asset allocation as part of your investment strategy neither assures nor guarantees better performance and cannot protect against loss in declining markets.

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.

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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**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) 386-3799. Please read the information 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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