Voya Large Cap Growth Strategy

Seeking the Growth Potential and Stability of Large Caps

Strategy overview

Actively managed large cap growth strategy that relies on fundamental research and analysis to identify companies with strong and accelerating business momentum, increasing market acceptance and attractive valuations.

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

- The market finished the year on a high note, capping a strong year for equities. Inflation has begun to subside, and unemployment remains under 4% for the 22nd consecutive week. The underlying economy appears to be stronger than most anticipated.
- For the quarter, the Strategy underperformed its benchmark, the Russell 1000 Growth Index (the Index), on a net asset value (NAV) basis.
- Consumer confidence continues to increase, and there is cautious optimism that we can achieve the desired soft-landing scenario and avoid a recession going into the new year. Markets are already anticipating several rate cuts in 2024 which should be good news for equities.

Portfolio review

U.S. equity markets ended the quarter on a high note, bolstered by economic resilience, waning inflation and a pause in the U.S. Federal Reserve's interest rate hiking cycle. The S&P 500 Index rose by 11.69% and the Nasdaq Composite Index advanced by 13.56%. Information technology stocks led while utilities lagged. Growth stocks outperformed value stocks during the quarter, and small caps beat large caps.

The U.S. bond market staged a comeback during the quarter. The Bloomberg U.S. Aggregate Bond Index gained 6.82% on the unexpected strength of the economy. The 10-year U.S. Treasury yield moved from 4.69% at the beginning of the quarter to 3.88% by quarter-end as inflation eased and expectations of interest rate cuts in 2024 grew.

For the quarter ended December 31, 2023, the Strategy underperformed the Index on a NAV basis. Stock selection in the consumer discretionary, information technology and communication services sectors contributed the most to performance. Unfavorable stock selection in the industrials and consumer staples sectors detracted the most. An allocation to cash also detracted.

Key contributors to performance were CrowdStrike Holdings, Inc., Tesla, Inc. and Alphabet Inc.

An overweight position in CrowdStrike Holdings, Inc. (CRWD) contributed to performance. The company announced another strong quarter during the period and surpassed $3 billion in annual recurring revenue (ARR), the only security vendor to achieve this landmark. Management was also positive about fiscal year 2024 outlook.

An underweight position in Tesla, Inc. (TSLA) contributed to performance. The company reported disappointing results during the period with lower-than-expected revenue from factory downtime and price reductions. There also remains uncertainty in the current high interest rate environment, which CEO Elon Musk offered as rationale for the tepid outlook.

An aggregate underweight in Alphabet Inc. (GOOG) contributed to performance. The company reported a mixed quarter during the period with Google Search and YouTube beating estimates but a deceleration in Cloud revenue.

Key detractors from performance were Paycom Software, Inc., Broadcom Inc. and Lattice Semiconductor Corp.

An overweight position in Paycom Software, Inc. (PAYC) detracted from performance. The company had an uncharacteristically disappointing quarter and lowered the full-year revenue. Additionally, management provided lower-than-expected guidance for 2024 with the main culprit being Beti – PAYC's new employee-guided payroll system which will continue to increase efficiency but also lower service revenue.

Broadcom Inc. (AVGO), a position we initiated in the quarter, detracted from performance with strong results prior to our taking a position. The company reported a solid quarter with strong VMWare growth and a better-than-expected outlook.

An overweight position in Lattice Semiconductor Corp. (LSCC) detracted from performance. The company reported an in-line quarter but expected 4Q23 guidance missed by a wide margin due to a broad-based deterioration in the industrial segment and ongoing communications weakness.

Current strategy and outlook

In our view, the side effects of the pandemic shock have mostly subsided, and inflation is the final piece of the puzzle. We view the recovery not as a classic business cycle, but as an economy trying to normalize following a natural disaster. First came the government-mandated lockdowns and the bust. Then came the re-openings and the effects of mega-policy stimulus. Lastly came the 180-degree reversal in monetary policy. Inflation peaked in June 2022 at 9.1%, which means that most of the disinflation we have seen since then has had little to do with Fed policy. We believe that disinflation could continue (and may intensify) over the next 18 months. Corporate earnings are accelerating as the U.S. consumer remains healthy and corporate fundamental factors are sound.

Holdings detail

Companies mentioned in this report – percentage of Strategy investments, as of 12/31/23: CrowdStrike Holdings, Inc. 1.38%, Tesla, Inc. 0.86%, Alphabet Inc. 2.65%, Paycom Software, Inc. 0%, Broadcom Inc. 1.46% and Lattice Semiconductor Corp. 0%; 0% indicates that the security is no longer in the portfolio. Portfolio holdings are subject to daily change.

The **Russell 1000 Growth Index** is an unmanaged index that measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted directly in an index. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an Index.**

Principal Risks: All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield. **Growth Investing** Prices of growth stocks typically reflect high expectations for future company growth, and may fall quickly and significantly if investors suspect that actual growth may be less than expected. Growth companies typically lack any dividends that might cushion price declines. Growth stocks tend to be more volatile than value stocks, and may underperform the market as a whole over any given time period. **Derivative Instruments** Derivative instruments are subject to a number of risks, including the risk of changes in the market price of the underlying securities, credit risk with respect to the counterparty, risk of loss due to changes in interest rates and liquidity risk. The use of certain derivatives may also have a leveraging effect which may increase the volatility of the Portfolio and reduce its returns. Other risks of the Portfolio include, but are not limited to**: Liquidity, Company, Currency, Foreign Investments, Market, Other Investment Companies and Securities Lending. Investors should consider the Portfolio's prospectus and statements of additional information for a more detailed discussion of the Portfolio's risks. An investment in the Portfolio is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.**

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.

The strategy is available as a mutual fund or variable portfolio. The mutual fund may be available to you as part of your employer sponsored retirement plan. There may be additional plan level fees resulting in personal performance that varies from stated performance. Please call your benefits office for more information.

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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