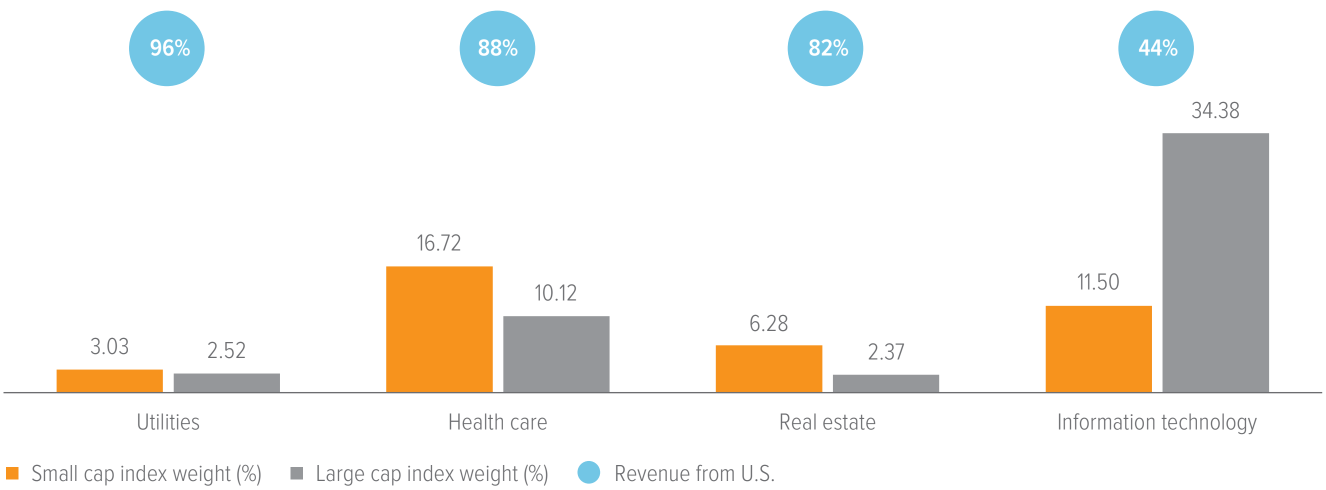
Why small caps' domestic focus mitigates tariff risk

77% of small cap revenues come from within the United States, making them less vulnerable to trade wars.[1]

Small caps derive more revenue from U.S.-based sectors

Average index weight (%)



As of 02/03/25. Source: FactSet. Small caps represented by the Russell 2000 Index; Large caps represented by the Russell 1000 Index.

Small cap companies...
...are more likely to operate in sectors which derive **most of their revenue from U.S. customers.**
...have a drastically **lower reliance on global sales,** especially from the tech sector's predominantly non-U.S. focus.

The big takeaway

While small caps are more likely to generate revenue domestically and mitigate the risk of an export trade war, not all companies have the same level of home bias. Additionally, some companies that generate revenue within the U.S. may still purchase inputs from abroad, adding an extra layer of tariff risk. Since each company faces a different level of risk, active management and proprietary fundamental research are crucial components of our selection process. Our investment team conducts thorough analysis on many factors—such as tariffs—that may influence a company's bottom line.

[1] As of 02/03/25. Source: FactSet. Small caps represented by the Russell 2000 Index.

VOYA® INVESTMENT MANAGEMENT

The Russell 1000 Index is a stock market index that tracks the highest-ranking 1,000 stocks in the Russell 3000 Index, an index representing approximately 98% of the value of all U.S. equities. The Russell 2000 Index measures the performance of the small cap segment of the U.S. equity universe.

A note about risk

The principal risks are generally those attributable to investing in stocks and related derivative instruments. Holdings are subject to market, issuer and other risks, and their values may fluctuate. Market risk is the risk that securities or other instruments may decline in value due to factors affecting the securities markets or particular industries. Issuer risk is the risk that the value of a security or instrument may decline for reasons specific to the issuer, such as changes in its financial condition. More particularly, growth-oriented stocks typically sell at higher valuations than other stocks. If a growth-oriented stock does not exhibit the level of growth expected, its price may drop sharply. Additionally, growth-oriented stocks have been more volatile than value-oriented stocks. More particularly, the Strategy invests in smaller companies, which may be more susceptible to price swings than larger companies, as they companies typically have fewer resources and more limited products, and many are dependent on a few key managers.

Past performance does not guarantee future results. This market insight 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 statements contained herein may represent future expectations or 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 does not guarantee future results.

IM4227610 • 222973 • 021225 • 2025-2-4086850

VOYA® INVESTMENT MANAGEMENT